

CORPORATE REPORT

NO: *R193*

COUNCIL DATE: *December 21, 2020*

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **December 17, 2020**

FROM: **General Manager, Finance
General Manager, Engineering
Director, Strategic Initiatives & Corporate
Reporting**

FILE: **2480-01**

SUBJECT: **Completion of the Transfer of the Surrey City Development Corporation**

RECOMMENDATION

The General Manager, Finance, the General Manager, Engineering and the Director, Strategic Initiatives & Corporate Reporting recommends that Council:

1. Receive this report for information;
2. Appoint Jeff Arason as President of Surrey City Development Corporation ("SCDC") effective January 1, 2021;
3. Appoint the directors and signing authorities as detailed in Appendix "II" effective January 1, 2021; and
4. Set the term for SCDC's independent Directors to end on December 31, 2020.

INTENT

The purpose of this report is to advise Council of the actions taken to date to complete the transfer all of the activities of the SCDC in house, and to seek Council's approval acting in its capacity as SCDC's sole shareholder to appoint a City employee as the new President of SCDC and authorize the appointment of City employees as directors as signing authorities to SCDC and its various subsidiaries, and to set the term for SCDC's independent Directors to end on December 31, 2020 which by doing so will complete the transfer of all of the activities of SCDC in house.

BACKGROUND

Council voted to dissolve SCDC, a for-profit development company owned by the City and transfer its assets and operations over to the City. Following this direction, staff have formed a transition team comprising of the General Manager, Finance, City Solicitor and Director, Strategic Initiatives & Corporate Reporting (the "Transition Team") to work with SCDC's Board and staff in the dissolution and transition of SCDC's projects, obligations and liabilities to the City.

To support the Transition Team, the City has retained BDO Canada LLP (“BDO”) to provide professional expertise, guidance and review of the City’s plans and actions in order to ensure that SCDC projects are successfully transitioned over to the City. BDO has experience in working with the City and SCDC in the capacity of providing annual financial audit services for the last three years and also have specialized knowledge and experience in assisting in the dissolving of corporate entities.

There are a number of considerations with transferring the projects and responsibilities of SCDC to the City. They are as follows:

- Project Transition;
- Staffing Needs;
- Partnerships and Continuing Obligations;
- Additional Financial Considerations; and
- Administrative Considerations.

A detailed summary of these considerations was provided to Council at their Regular Meeting on November 9, 2020 as part of Corporate Report R164; 2020, a copy of which is attached as Appendix “I”.

DISCUSSION

Since Council approved the recommendations of Corporate Report 164;2020, staff have completed a number of actions related to transfer of projects and responsibilities of SCDC to the City.

Staffing Needs

The City has commenced recruiting for a Development Manager and a Development Project Manager. The City will commence recruiting for an Accountant in early 2021.

Staff have secured SCDC’s outgoing President and Chief Executive Officer, on a short-term consulting agreement in 2021 to support ongoing projects, in particular Centre Block.

Project Transition

SCDC held a Board Meeting on November 25, 2020. At this meeting, the SCDC Board resolved that the properties related to the following projects be transferred to the City at their estimated book value.

Project	Asset Type	Timeframe
Tynehead	Development Project	Long term (5+ years)
Bakerview	Development Project	Short term
Brooksdale	Development Project	Long term (5+ years)
CH North Phase 5 - Lot 10	Development Project	Short term
Cedar Hills	Income Property	Active
Campbell Heights East Phase 1 - Remainder parcel	Development Project	Short term

Project	Asset Type	Timeframe
Campbell Heights East Phase 1 - Walmart	Development Project transitioning to an Income Property	Active
Gateway	Development Project	Active

Staff are working with SCDC to complete all of the actions related to the transfer of these assets.

Partnerships and Continuing Obligations

At SCDC's Board Meeting on November 25, 2020, the SCDC Board also resolved that:

- Jeff Arason and Vipin Sachdeva (both City employees) be appointed as authorized signatories of SCDC;
- Jeff Arason and Vipin Sachdeva be appointed as a Director of Surrey City Investment Corporation, Surrey City Investment (Industrial) Corporation, and Kwantlen Park Development Corporation – all of which are wholly owned subsidiaries of SCDC; and
- Jeff Arason and Vipin Sachdeva be appointed as Director of SCDC (34A Ave) GP Ltd. and Beedie SCDC (34A Ave) Holdings Ltd.

Further to these appointments by the SCDC Board, it is recommended that Council acting in its capacity as SCDC's sole shareholder approve the appointments and signing authorities as detailed in Appendix "II" effective January 1, 2021.

The property transfers noted above along with the recommended appointments ensures that all of SCDC's projects are under the sole administration of City staff, with the exception of the Weir Canada Development project and the Grove project.

The Weir Canada Development project is an industrial build-suit-project located in Phase 3 of the SCDC's Campbell Heights North development. The project was developed in partnership with Beedie Development Group. SCDC's interest in the project is via a wholly owned subsidiary, which itself owns shares in the partnership entity. The Grove project is a residential townhouse development project located in East Clayton. The project was developed with Townline Homes Inc. SCDC's interest in the project is through a limited partnership. Following the recommended appointments, these two projects will be jointly administrated by City staff and the development partners.

SCDC President

The Transition Team has worked with SCDC staff to secure termination and completion agreements with each employee so that effective January 1, 2021, SCDC has no employees. Therefore, SCDC will need a new President as of January 1, 2021. This role will be entirely perfunctory, effectively providing a signing authority to meet the requirements of the Corporations Act and various partnerships. As of January 1, 2021, all SCDC activities will be entirely directed and overseen by staff directly employed by the City.

It is recommended that Council acting in its capacity as SCDC's sole shareholder approve the appointment of Jeff Arason as President of SCDC effective January 1, 2021.

SCDC Board

SCDC is governed by a Board of Directors. SCDC's Board is currently made up of two independent directors and three City staff. The term of three other independent directors expired earlier this year and were not renewed given Council's direction to dissolve SCDC. As part SCDC's Articles of Incorporation, SCDC's Board shall not be less than three members or greater than seven members.

Given that SCDC has no employees as of January 1, 2021, that with the transfer of SCDC's properties and with the recommended appointments, all of SCDC's projects as of January 1, 2021 are being administrated by City staff, or through a partnership that includes City staff, it is recommended that as of January 1, 2021 the SCDC Board be comprised of only City employees: the City Manager, the Director, Strategic Initiatives & Corporate Reporting and the Senior Manager, Finance. As such, it is recommended that the term for SCDC's two remaining independent directors be set to end on December 31, 2020.

Administrative Considerations

SCDC is currently leasing 3,922 square feet of office space in Surrey Central Tower. Their lease is until September 30, 2023. SCDC has retained a broker to assist in the search for a party to assume the lease of this office space.

Legal Services Review

The City Solicitor is part of the City's Transition Team. The Legal Services Division is providing continuous support to the Transition Team. The Legal Services Division have reviewed this report and have no concerns with the contents.

Company / Project Updates

Council serving as SCDC's sole shareholder will continue to receive updates on the status of its projects through the Annual Information Meeting and Annual General Meeting

SUSTAINABILITY CONSIDERATIONS

The transfer of the majority of SCDC's real estate assets to the City and the City's continued advancement of their development projects and other future opportunities supports the objectives of the City's Sustainability Charter 2.0. In particular, this work relates to Sustainability Charter 2.0 themes of Built Environment and Neighbourhoods, and Economic Prosperity and Livelihoods. Specifically, this work supports the following Desired Outcomes ("DO") and Strategic Direction ("SD"):

- Built Environments and Neighbourhoods DO 3: The City Centre is a dynamic, attractive and complete metropolitan area and important international destination, and is one of North America's most livable and desirable downtowns;
- Neighbourhoods and Urban Design DO6: Land is used efficiently and sensitively and development minimizes the impacts on the natural environment, views capes, agricultural land and urban wildlife;
- Neighbourhoods and Urban Design SD1: Promote mixed use development in and around Town Centres and along transit corridors;

- Economic Prosperity and Livelihoods DO 1: Diverse and meaningful employment and business opportunities are available close to where people live, and provide incomes that can support a high quality of life; and •
- Economy DO8: The City's strong revenue base includes a balance of commercial and residential property taxes.

CONCLUSION

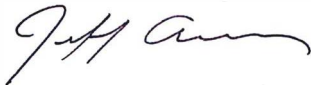
Following the approval of the recommendations of this report and the completion of the transfer of SCDC's properties to the City at the end of this year, the transfer all of SCDC's activities in house will be complete.



Kam Grewal, CPA
General Manager, Finance



Scott Neuman, P.Eng.
General Manager, Engineering



Jeff Arason, P.Eng.
Director, Strategic Initiatives & Corporate Reporting

JA/

Appendix "I" – Corporate Report R164; 2020

Appendix "II" – Recommended Appointments and Signing Authorities



CORPORATE REPORT

NO: R164

COUNCIL DATE: NOV 9 2020

REGULAR COUNCIL

TO: Mayor & Council

DATE: November 2, 2020

FROM: General Manager, Finance
General Manager, Engineering
Director, Strategic Initiatives & Corporate
Reporting

FILE: 2480-01

SUBJECT: Update on the Transfer of the Surrey City Development Corporation

RECOMMENDATION

The General Manager, Finance, the General Manager, Engineering and the Director, Strategic Initiatives & Corporate Reporting recommends that Council:

1. Receive this report for information;
2. Authorize staff to incorporate the identified staffing requirements as described in this report in the proposed 2021 Five Year (2021 – 2025) Financial Plan;
3. Endorse that the Surrey City Development Corporation ("SCDC") and its subsidiaries be preserved as legal entities until they have satisfied all of their liabilities and commitments, as described within this report;
4. Appoint Jeff Arason as a Director on the Board of SCDC, effective November 10, 2020; and
5. Appoint Vipin Sachdeva as a Director on the Board of SCDC, effective November 10, 2020.

INTENT

The purpose of this report is to advise Council of the actions taken to date and the actions still to be taken to transfer all of the activities of the SCDC in house, the staffing requirements for the City to successfully deliver these activities and to seek Council's approval acting in its capacity as SCDC's sole shareholder to appoint two City employees as new Directors on the Board of SCDC.

BACKGROUND

Council voted to dissolve SCDC, a for-profit development company owned by the City and transfer its assets and operations over to the City. Following this direction, staff have formed a transition team comprising of the General Manager, Finance, City Solicitor and Director, Strategic Initiatives & Corporate Reporting (the "Transition Team") to work with SCDC's Board and staff in the dissolution and transition of SCDC's projects, obligations and liabilities to the City.

To support the Transition Team, the City has retained BDO Canada LLP (“BDO”) to provide professional expertise, guidance and review of the City’s plans and actions in order to ensure that SCDC projects are successfully transitioned over to the City. BDO has experience in working with the City and SCDC in the capacity of providing annual financial audit services for the last three years and also have specialized knowledge and experience in assisting in the dissolving of corporate entities.

DISCUSSION

There are a number of considerations with transferring the projects and responsibilities of SCDC to the City. They are as follows:

- Project Transition;
- Staffing Needs;
- Partnerships and Continuing Obligations;
- Additional Financial Considerations; and
- Administrative Considerations.

Project Transition

When Council provided direction to staff to dissolve SCDC, SCDC was managing nine development projects, two income properties and the obligations related to two completed development projects. These projects are as follows:

Project	Asset Type	Timeframe
Tynehead	Development Project	Long term (5+ years)
Bakerview	Development Project	Short term
Brooksdale	Development Project	Long term (5+ years)
CH North Phase 5 - Lot 10	Development Project	Short term
Cedar Hills	Income Property	Active
Campbell Heights East Phase 1 - Remainder parcel	Development Project	Short term
Campbell Heights East Phase 1 - Walmart	Development Project transitioning to an Income Property	Active
Campbell Heights North - Weir Canada Development	Income Property	Active
Kwantlen Park	Development Project	Active
Gateway	Development Project	Active
Centre Block	Development Project	Active
3 Civic Plaza	Completed Development Project (ongoing obligations)	Long term (5+ years)
The Grove	Completed Development Project (ongoing obligations)	Long term (5+ years)

A brief summary of each of SCDC’s real estate assets (development projects, income properties, holding properties and completed development projects with ongoing obligations) is provided in Appendix “I”.

As the majority of these real estate assets involve the City assuming ownership of land and/or contractual obligations, the transition of these assets to the City needs to follow a three-step process. The first step requires the SCDC Board to approve the transition, the second step requires SCDC's sole shareholder (City Council) to approve the Board's action and the third step requires City Council to approve the acquisition of these assets by the City.

The Transition Team is currently working with the SCDC staff to obtain SCDC Board approval for the transition of these projects at the SCDC Board meeting on November 25, 2020. Following approval by the SCDC Board, staff will bring their transfer to Council for their consideration at a future Council meeting.

The transfer of some of these projects is more complicated than others due to the involvement of subsidiaries, partnerships and / or warranty provisions. These considerations are described further in this report.

Staffing Needs

When Council provided direction to dissolve SCDC, the company had 12 positions, seven of which were filled. These positions were as follows:

Position	Status
President and Chief Executive Officer	Filled
Chief Financial Officer	Vacant
Vice President Development	Vacant
Office Manager and Executive Assistant	Filled
Senior Development Manager	Filled
Senior Development Manager	Vacant
Development Manager	Filled
Development Coordinator / Analyst	Vacant
Controller	Filled
Senior Accountant	Filled
Staff Accountant	Filled
Receptionist/Clerical support	Vacant

Earlier this year SCDC was preparing to fill several of the vacant positions in 2020 and 2021 to support their projects as they advanced but these recruiting efforts were stopped.

The Transition Team has worked with SCDC staff to secure termination and completion agreements with each employee so that effective January 1, 2021, SCDC has no employees. Based on this review and further to Council's direction, the Transition Team envisions that the leadership of SCDC projects can be effectively delivered through a cross-departmental team comprised of the General Manager, Finance, General Manager, Investment & Intergovernmental Relations, the General Manager, Engineering and the Director, Strategic Initiatives & Corporate Reporting.

The Transition Team has identified that many of SCDC existing projects can be successfully assumed by existing staff at the City as they are similar to the projects that these staff are already delivering for the City or they are projects that do not have development opportunities in the short term. These projects are as follows:

Project	Asset Type	Assuming Department - Division
Tynehead	Development Project	Engineering – Realty Services
Bakerview	Development Project	Engineering – Realty Services
Brooksdale	Development Project	Engineering – Realty Services
Cedar Hills	Income Property	Engineering – Realty Services
Campbell Heights East Phase 1 - Walmart	Development Project transitioning to an Income Property	Engineering – Realty Services
Campbell Heights North - Weir Canada Development	Income Property	Engineering – Realty Services

The Transition Team has also identified that there is a need to add new staffing resources to the City to successfully deliver the remaining projects and their related financial management as existing City staff do not have the capacity to assume these projects. These positions are as follows:

Proposed Position	SCDC Position Equivalent	Assuming Department - Division
Development Manager	Senior Development Manager	Engineering – Realty Services
Development Project Manager	Development Manager	Engineering – Realty Services
Accountant	Senior Accountant	Finance – Financial Services

A summary of the key responsibilities for each of these positions is attached as Appendix “II”.

It is recommended that these positions be incorporated in the 2021 proposed Five Year (2021 – 2025) Financial Plan. To support the transition, staff will begin recruiting for these positions by the end of November 2020 but will not fill these positions prior to January 1, 2021 pending budget approval.

The Transition Team has concluded that the City has sufficient administrative capacity at this time to meet the current needs of all of the projects and the newly proposed positions.

While the three proposed positions are sufficient to successfully transition and receive SCDC’s existing portfolio of real estate assets into the City, additional project management and administrative staffing or outside resources will be required in the future as the management of these active projects evolve from the concept design and application phase to the detailed design and construction phase.

The Transition Team has also reviewed the staff plan with BDO, and they have subsequently provided their support for this plan.

In addition to the proposed positions, staff are working to secure SCDC’s President and Chief Executive Officer, on a short-term consulting agreement in 2021 to support staff with the transition and supporting ongoing projects, in particular Centre Block.

Partnerships and Continuing Obligations

While the transfer of a majority of SCDC projects to the City and the addition of staffing to deliver these projects is a relatively straight forward process, there are a few SCDC projects whose

transfer to the City needs special consideration due to existing partnerships and / or continuing obligations. These projects include the following:

3 Civic Plaza: SCDC is responsible for its proportionate share (approximately 24%) of a warranty and indemnity provided in respect of purchasers of office units in the Surrey Centre Tower (3 Civic Plaza) development. The warranty is for up to 10 years (until 2028), depending on the type of defect.

Weir Canada Development: The Weir Canada development is an industrial build-suit-project located in Phase 3 of the SCDC's Campbell Heights North development. The property has been developed in partnership with Beedie Development Group ("Beedie"). SCDC's interest in the development is via a wholly owned subsidiary, which itself owns shares in the partnership entity. For the City to assume the partnership interest directly, negotiations will be necessary with Beedie in order for the City to obtain the best terms under a new arrangement. The City will also have to obtain the consent of the Inspector of Municipalities, which is required whenever a municipality intends to obtain shares in a corporation such as shares in the partnership entity.

The Grove: SCDC's involvement in this project is a partnership with Townline Homes Inc. The project's General Partner, The Grove (GP) Inc., is responsible for a warranty (2/5/10, for new homes constructed on the subject property) until on or around 2026. Under the terms of the agreement with the insurance company, the warranty cannot be assigned or transferred to anyone else. Therefore, in order for the City to take over SCDC's interest in the partnership, the consent of the Inspector of Municipalities will be required (as described in the previous paragraph).

Currently, staff are evaluating SCDC's contractual obligations for all its projects and the potential liabilities for the City by assuming these projects directly. As required by legislation, SCDC and its subsidiaries will be preserved as legal entities until they no longer have any assets and has satisfied or made adequate provision for all of its liabilities.

SCDC Board

SCDC is governed by a Board of Directors (the "Board"). SCDC's Board is currently made up of three directors. As part SCDC's Articles of Incorporation, SCDC's Board shall not be less than three members or greater than seven members.

As SCDC and its subsidiaries will be preserved as legal entities until they no longer have any assets and has satisfied or made adequate provision for all of its liabilities, it is still necessary to maintain the Board.

To assist in the oversight of the transfer to the City now, it is recommended that Jeff Arason (currently Director, Strategic Initiatives & Corporate Reporting and member of the Transition Team) and Vipin Sachdeva (currently Senior Manager, Finance in the Finance Department) be appointed as Directors on the Board of SCDC effective November 10, 2020. Mr. Arason's and Mr. Sachdeva's presence will provide a diverse range of experience at the Board due to their experience in their past roles and current roles with the City.

It is further recommended that the external Board members be removed in December following completion of the transfer process, such that as of January 1, 2021 the SCDC Board will be comprised of only City employees: the City Manager, the Director, Strategic Initiatives & Corporate Reporting and the Senior Manager, Finance.

Additional Financial Considerations

Funding for the additional staffing resources required in the Engineering and Finance departments will be included in the 2021 proposed Five Year (2021 – 2025) General Operating Financial Plan. Funding for any capital expenditures related to SCDC development projects and income properties transitioned to the City will be accommodated through the 2021 proposed Five Year (2021 – 2025) Capital Financial Plan.

Administrative Considerations

SCDC is currently leasing 3,922 square feet of office space in Surrey Central Tower. Their lease is until September 30, 2023. SCDC staff and City staff are currently seeking a party to assume the lease of this office space.

Staff are working to remove all of SCDC's computer equipment in January 2021 such that it will be available for a new tenant as of February 1, 2021. Staff will remove all of the office furniture if required by the new tenant. Any surplus material and equipment will be disposed of by public auction in accordance with the City's Purchase and Expenditure Authorization Bylaw, 2007, No. 16535.

Legal Services Review

The City Solicitor is part of the City's Transition Team. The Legal Services Division is providing continuous support to the Transition Team. This report has been reviewed by the Legal Services Division and they have no concerns.

Company / Project Updates

Staff will be providing Council regular updates on the projects being transferred to the City through future Corporate Reports. In addition, Council serving as SCDC's sole shareholder will continue to receive updates on the status of its projects through the company's Business Plan, Annual Information Meeting and Annual General Meeting.

SUSTAINABILITY CONSIDERATIONS

The transfer of the majority of SCDC's real estate assets to the City and the City's continued advancement of their development projects and other future opportunities supports the objectives of the City's Sustainability Charter 2.0. In particular, this work relates to Sustainability Charter 2.0 themes of Built Environment and Neighbourhoods, and Economic Prosperity and Livelihoods. Specifically, this work supports the following Desired Outcomes ("DO") and Strategic Direction ("SD"):

- Built Environments and Neighbourhoods DO 3: The City Centre is a dynamic, attractive and complete metropolitan area and important international destination, and is one of North America's most livable and desirable downtowns;
- Neighbourhoods and Urban Design DO6: Land is used efficiently and sensitively and development minimizes the impacts on the natural environment, views capes, agricultural land and urban wildlife;

- Neighbourhoods and Urban Design SD1: Promote mixed use development in and around Town Centres and along transit corridors; and
- Economic Prosperity and Livelihoods DO 1: Diverse and meaningful employment and business opportunities are available close to where people live, and provide incomes that can support a high quality of life; and
- Economy DO8: The City's strong revenue base includes a balance of commercial and residential property taxes.

CONCLUSION

Staff are working to have Council authorize the transfer of the majority of SCDC's real estate assets to the City by the end of the year. To support this transfer and continue to deliver these projects, additional staffing resources are necessary. As required by legislation, SCDC will be preserved as a legal entity until it no longer has any assets and has satisfied or made adequate provision for all of its liabilities. While some assets will remain with SCDC and their subsidiaries, City staff will manage all items related to these projects and will report to SCDC's Board, which is recommended to be made up of only City employees beginning January 1, 2021.



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General Manager, Finance



Scott Neuman, P.Eng.
General Manager, Engineering



Jeff Arason, P.Eng.
Director, Strategic Initiatives & Corporate Reporting

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Appendix "I" – SCDC Project Overview
Appendix "II" – Recommend Positions Key Responsibilities

** Appendices available upon request*

Appendix "II"
Recommended Appointments and Signing Authorities

Company	Current	Proposed as of January 1, 2021
Surrey City Development Corporation Signing Authority Signing Authority Signing Authority Signing Authority	Michael Heeney Emily Taylor Howard Nemtin Vacant	Jeff Arason Vipin Sachdeva Vacant Vacant
Surrey City Investment Corporation Director Director	Michael Heeney Emily Taylor	Jeff Arason Vipin Sachdeva
Surrey City Investment (Industrial) Corporation Director Director	Michael Heeney Emily Taylor	Jeff Arason Vipin Sachdeva
Kwantlen Park Development Corporation Director Director	Michael Heeney Emily Taylor	Jeff Arason Vipin Sachdeva
Beedie SCDC (34A Ave) GP Ltd. Director Director	Michael Heeney Emily Taylor	Jeff Arason Vipin Sachdeva
Beedie SCDC (34A Ave) Limited Partnership Director Director	Michael Heeney Emily Taylor	Jeff Arason Vipin Sachdeva
Beedie SCDC (34A Aven) Holdings Ltd. Director Director	Michael Heeney Emily Taylor	Jeff Arason Vipin Sachdeva
The Grove (GP) Director (Partnership's) Director	Michael Heeney Rick Ilich	Jeff Arason Rick Ilich
The Grove Limited Partnership Signing Authority	Michael Heeney	Jeff Arason