

That Surrey Council endorse the proposal of the Interurban Revitalization Committee, Surrey Heritage Advisory Commission: to revitalize Interurban cars and track for heritage tourism operations in Surrey.

That Surrey appoint or retain a project manager to further the Interurban Revitalization Initiative,

That Surrey purchase or lease Interurban cars 1220 (Steveston), 1304 (Connaught), and 523 (Tulip). (Car acquisition is a time-sensitive opportunity), and;

That the project manager be authorized to implement the program which is: obtain Interurban cars, upgrade tracks, enlist partners, subscribers and volunteers, and commence heritage tourism operations - within a budget of \$1.5 million and a term of not more than 5 years.

DISCUSSION

The Heritage Rail project, when completed, is proposed to extend from Cloverdale to Brownsville and is estimated to cost \$5.0 Million and is proposed to be phased over 5 years. The recommendations of the Interurban Revitalization Committee are predicated on the City of Surrey assuming the lead role / responsibility for the implementation of the Heritage Rail project. The City does not have the experience nor technical expertise necessary to assume the lead role in implementation of a project of this nature. Such a role is beyond the scope and mandate of core services provision of the City. However, as an economic / tourism development initiative, it could be within the City's mandate to act as a funding partner. If Surrey does not take the lead role in project implementation and it is not reasonable to expect the existing volunteer sub-committee to make such a personal time commitment and assume such responsibility, then the question is "who will?" The role is outside the mandate of, and is likely to be outside the commitment tolerance of, even those corporations and organizations who have indicated a strong verbal interest in the project. It would seem that a duly constituted non-profit society, to oversee implementation and, ultimately, operation of the Interurban tourist facility, would be a viable approach. Ideally, the officers of the society would be individuals with pertinent experience and expertise, and it is understood that such persons are available and interested.

Once the Surrey Interurban Heritage Rail Society has been formed, there are three immediate tasks to be addressed, all associated with implementation: preparation of the business case, car acquisition and project management.

Business Case

The project funding should not be considered without a detailed business case having been prepared clearly identifying the costs and benefits associated with the project. It would be appropriate for Council, subject to the availability of funds, to consider funding The Society, once established, to retain a Tourism Consultant to study and report on a

coordinated strategy for tourism development along the route including an economic feasibility and benefit-cost analysis of the Interurban Revitalization Project.

Car Acquisition

It is recommended that Council does not fund the acquisition of the cars as funds for capital projects are not available at this time. Once the Tourism Consultant's report has been completed, and provided the business case is favourable, The Society can look for partners to fund the acquisition of the cars. Council may wish to consider funding a portion of the car acquisitions when the majority of the funds needed have been committed by private partners. The sub-committee has identified three Interurban cars that are currently available for either lease, lease to purchase, or direct purchase. However, the opportunity to acquire two of these cars currently in foreign ownership may be of short duration and, therefore, there is some urgency to funding and concluding negotiations for acquisition. If we wait until the Tourism study is completed, there exists a risk that some of the cars may no longer be available. There are only a limited number of such cars in existence but it may be possible to acquire others over time. If Council considers the project a high priority, and is concerned about losing the ability to obtain the cars identified, then Council may consider funding the acquisition prior to business being prepared and evaluated. These funds would have to be prioritized through the Capital Ranking Model. Funding of the acquisition at this time is not recommended as the Tourism study may not support the project, and at least \$72,000 would not be recoverable.

If funding becomes desirable, this could be in the form of a grant, loan, "mortgage" with the cars as collateral, or a variety of other forms. The Sub-Committee has identified initial costs as follows:

Acquire car 1304 on a lease to purchase basis	\$ 50,000 (first year of lease)
Purchase car 523	115,000
Transport both cars to Surrey	10,000
Provide interim storage	<u>12,000</u>
Total	\$187,000

Another possible short-term alternative to lease and/or purchase is the potential for securing an Option on the cars. Under this scenario, a fee would be paid to the owners to "hold" the cars for a set period of time (ideally long enough to secure sponsors and complete the tourism study), at which point the acquisition would be concluded with the Option fee applied toward the acquisition cost, or the acquisition would be abandoned and the Option fee forfeited.

The Sub-Committee has also identified a secondary project possibility: a heritage streetcar for operation in Cloverdale. A car is available for this purpose at a cost of approximately \$190,000.

Since the presentation by the Sub-Committee to Council, Southern Railway of British Columbia, the owners of the Interurban railway track on which the tourism project would

operate, have verbally indicated a willingness to act as project managers for the implementation phase of the project. They have the necessary technical expertise, and experience gained through their involvement with the False Creek heritage rail project with the City of Vancouver. Southern Rail would undertake the project management on the basis of being reimbursed for their staff time. The Sub-Committee has identified a budget of \$60,000 for project management costs. Surrey may wish to consider a grant to The Society to cover the cost of retaining the project manager upon the completion of a positive Tourism study. It is recommended that the Project Manager be funded through private contributions raised by The Society.

The Society and their Project Manager would carry on to formalize the participation of volunteers, subscribers, and the potential partners and corporate sponsors already identified, and would enlist additional participants as well as finalize project technical requirements and cost estimates. The City's continuing role could be as a funding partner with the specific application of the funding and funding level as determined by Council at the time of requests by The Society.

The Sub-Committee has identified a cost of approximately \$1.5 million to acquire and restore Interurban cars, upgrade and electrify the track from Cloverdale to Sullivan, and provide the related infrastructure necessary to be in a position to operate this first phase of the overall project which would ultimately run from Cloverdale to Brownsville.

The Sub-Committee report suggests that the revitalized Interurban heritage rail operation could be a catalyst for a coordinated tourism experience throughout Surrey, focused at the proposed station sites of Cloverdale, Mound Farm, Sullivan, Newton, Kennedy / Punjabi Market, and Brownsville. The report also suggests the potential for a substantial economic spin-off benefit to Surrey. Council may wish to consider retaining a Tourism Consultant to study and report on a coordinated strategy for tourism development along the route along with an economic feasibility and benefit-cost analysis of the Interurban Revitalization Project.

FUNDING SOURCES

Depending upon Council's priorities, the initial funding requirement by The Society is \$40,000 for a Tourism Strategy / Economic Benefit Study. Upon completion of this study, the next phase being \$60,000 for project management and \$187,000 for the Interurban car acquisition (or substantially less at the outset if we are able to purchase Options to acquire the cars) should be raised through private donations and partnerships. Council may wish to consider funding a portion of the car acquisitions once the majority of the funds have been raised by The Society through partnerships.

The recommendations from the Surrey Heritage Advisory Commission identifies a budget of \$1.5 million to have the train operational between Cloverdale and Sullivan Station while the overall project budget is estimated to be \$5 million over 5 years to extend the line to Brownsville. It is anticipated that the majority of these funds will have to be raised from sponsors and / or partnerships. The City capital budget for 2000 is fully committed at this time. If Council wish, the priority for funding of the project could be

considered through the Capital Projects Ranking Model. However, it is understood that capital funds for the near future are very limited.

CONCLUSION

Based on the Interurban Revitalization Heritage Tourism presentation to Council by the Interurban Heritage Rail Sub-Committee of the Surrey Heritage Advisory Commission, it appears that an exciting opportunity exists to operate original electric Interurban rail cars in Surrey as a tourist attraction. Although the City lacks the necessary experience and expertise necessary to take a lead role in this venture, the City can fulfil an important role of supporting the establishment of a Society to be champion of this project.

Due to the limited funds available for capital projects, this report identifies that the Council's commitment to funding is severely constrained. Council may assist by funding The Society to provide the "seed money" (\$40,000) for the initial critical step of undertaking a tourism study of the business case and economic benefits. Depending upon the business analysis and economic benefits, Council could then consider a limited contribution (subject to availability) to fund the acquisition of the Interurban cars once the majority of the funds have been committed by sponsors. It is recommended that the cost of the project manager be funded through funds raised by The Society.

The Surrey Heritage Advisory Commission has stressed the time sensitive nature of some of the rail car acquisitions and Council could choose to provide the funding for the car acquisitions and the associated project management prior to the completion of the tourism study. However, this is subject to the availability of funding and Council priorities. Early funding of the car acquisition is not recommended as some of the funds would not be recoverable if the study subsequently proved the project not to be viable.



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