



Corporate NO: R176

Report COUNCIL DATE: July 24, 2000

REGULAR COUNCIL

TO: Mayor & Council **DATE: July 19, 2000**

FROM: General Manager, Engineering **FILE: 2120-011**

SUBJECT: Pre-Servicing of Industrial Area at 94 Avenue and 190 Street

RECOMMENDATIONS

1. That Council approve in principle the pre-servicing of a 20-acre industrial area at 94 Avenue and 190 Street.
2. That all the City's pre-servicing costs be recovered using a Specified Area By-law and specified charges.
3. That the cost for City utilities (\$270,000) be front-ended by the appropriate City utilities and that the cost to front-end the roads (\$660,000) be funded by the Legacy Fund.
4. That no construction work proceed until the transfer of the City owned land (18915 - 94A Avenue) and the five lots south of 94A Avenue to Hoden Industries takes place, and that an agreement has been signed by the different owners to expedite the development of the land to be serviced.

INTENT

To seek Council's approval to fund pre-servicing of an existing zoned industrial area at 90 Avenue and 190 Street with all pre-servicing costs to be recovered through specified area charges.

BACKGROUND

One of Council's strategic directions is to increase the commercial/industrial tax base within Surrey. To this end, staff called for proposals from parties interested in partnering with the City to pre-service industrial and commercial areas. The City received a number of submissions which fell in the following categories.

1. Proposals to purchase City properties.
2. Proposals that needed Planning and Development Department support only.

3. Smaller proposals that needed support in terms of the City funding pre-servicing for small to medium size areas.
4. Larger proposals that needed significant support in terms of significant City cost-sharing on pre-servicing.

Proposals in the first and second category are proceeding through the normal realty and planning process, while those in the fourth are subject to further evaluation and review.

One of the proposals in the third category was from the Foundation Group. The area involved, with the existing legal lot lines, is shown in Figure 1. The legal boundaries of these lands will change in the future as roads are closed and lots consolidated. For the purposes of this report, the lands will be referred to as 'Blocks A, B, and C' as shown in Figure 2. The Foundation Group owns portions of Block A and has proposed that the City front-end the servicing for Blocks A, B, and C. The City owns land in Block B, as shown on Figure 1.

This proposal was selected as the most appropriate to proceed ahead on a pilot basis for the following reasons:

- an investment by the City in the range of just under \$1 Million will bring on-stream 20 acres of industrial area, which to date remains undeveloped, partly due to servicing costs and fragmented land ownership.
- pre-servicing and consolidation/resubdivision will facilitate the sale of unused (plus what will become unused) road lands within the benefiting area with an approximate value of \$307,000 which, together with the other City land currently under offer, totals \$420,000 in revenue to the City.
- recovery of front-ended costs through specified charges.
- generation of DCCs when the area develops.
- will complete 94 Avenue for which the City has existing deposits from a previous developer.

Scope of Pre-servicing

The pre-servicing for the area shown in Figure 1 consists of the construction of roads on 189 Street, 94 Avenue and 190 Street that front the benefiting properties. In addition, there would be a fully looped water main on all these roads and new sanitary and storm sewers on 189 Street adequately sized to service the benefiting lands.

It is proposed that costs would be recovered through a Specified Area By-law which would be prepared for Council's approval. This by-law would define the benefiting area, the charges and the rates of interest that would apply.

Land Ownership Issues

The City currently has an offer for 18915 - 94A Avenue from Hoden Industries, who also have an option for the purchase of the five lots south of 94A Avenue. One of the conditions for the sale of 18915 - 94A Avenue is that Hoden Industries exercise their option and purchase the five lots south of 94A Avenue. This land transfer is anticipated to be completed in the near future. Once this transfer is completed, the properties in Block B will be owned by Hoden Industries and the Papais family. These owners will be able to negotiate with the City for road closures, consolidate and then re-subdivide to provide parcels more appropriately sized and shaped for industrial development. Similar development would also take place for Blocks A and C which currently have various different owners.

Financial Details

Detailed servicing costs and apportioning of these costs against land areas are outlined in the attached Appendix A. This Appendix details the costs that would be front-ended by the City. The Appendix further subdivides City funding needed between the different utilities (total \$270,000) and the Legacy Fund (\$660,000) for the road component of the works.

City front-ending costs would be recovered through specified charges as the benefiting areas develop. Our anticipation is that the area would fully develop within a reasonable time frame. The legislation does not require any time limit on specified area charges.

The front-ending of the City's share of utilities will be funded from the City's utility budgets for pre-servicing. The front-ending of the road component will be funded by the Legacy Fund. The terms of borrowing from the Legacy Fund are proposed as follows:

1. Term 10 years;
2. Interest Rate 5.5%.

The interest rate factor in the specified charge will match the interest rate on the Legacy Fund loan. It is anticipated that specified charges will be fully collected within the term of the loan, however, cash flow may not exactly match the loan repayment terms and it is possible that there could be some unpaid specified charges at the end of ten years. However, it is expected that these funding amounts will be minor. It is proposed to cover any shortfalls in repayment of the Legacy Fund loan from the Roads Capital Budget.

An overall projection of the financial impacts of pre-servicing this area, based on the assumption that pre-servicing increases the rate of development by a factor of two, is shown in Appendix B.

Agreement to Expedite Development

In view of the up-front investment by the City, it is in the City's best interest to have the area move forward to development as soon as possible. To expedite such development, the pre-servicing will be conditional upon the owners of lands within the benefiting area agreeing to a guaranteed repayment schedule if recovery of the frontended costs does not meet expectations (i.e., at least 30 to 40% recovered within three years with a continuing level of recovery thereafter). This will provide an incentive for the owners to actively proceed with marketing and subdividing their lands.

CONCLUSION

This area of Port Kells has highly-fragmented land ownership which has, to date, precluded the area from securing the necessary services and moving forward with industrial development. Pre-servicing of this area by the City will overcome these problems, bring on-stream 20 acres of industrial area, facilitate the sale of City road lands within the area, and offer a relatively fast recovery of the City's pre-servicing costs through the collection of specified area charges.

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Attachment

c.c. - Acting General Manager, Finance, Technology & HR Dept.