



Corporate NO: R217

Report COUNCIL DATE: *October 2, 2000_*

REGULAR COUNCIL

TO: Mayor & Council **DATE: September 25, 2000**

FROM: Acting General Manager, Finance Technology & HR **FILE: 0557-001**

SUBJECT: Cranley Drive (Seniors) Mobile Home Subdivision

RECOMMENDATION

That this report be received by Council for information purposes.

INTENT

At the Monday, July 10, 2000 Regular Council meeting, Council passed the following resolution:

“That staff report to Council on the status of this property owned by the City.”

The City Clerk referred this resolution to the Acting General Manager, Finance Technology & HR. The intent of this report is to provide financial information on the subject subdivision to December 31, 1999.

BACKGROUND

The City of Surrey completed development of the Cranley Drive Mobile Home Subdivision in 1975 with a total investment in land and construction of approximately \$2.1 million. The proceeds of sales of 119 single and double-wide trailer lots to 'qualified' individuals reduced the City's initial investment cost to \$304,000. A summary of these and other transactions are contained in Appendix A to this report.

Between 1975 and 1981 the City invested a further \$142,200 to build an (RV) Storage Compound and an on-site Seniors' Recreation Centre.

The original sales agreements gave Surrey the right of first refusal (RFR) when owners chose to sell their lots. This allowed Surrey to buy back lots for the original sale price and sell to other qualified purchasers at market value. By 1981, a dramatic rise in market values had occurred. That year, Council amended the agreements such that Surrey would exercise its RFR but pay 90% of the appraised value to the seller and re-sell the lot for 100% of that value to another qualified buyer. This left only 10% to Surrey for the payment of legal fees, conveyancing and appraisal costs as well as, the recoupment of the City's original investment.

In 1993, Council again amended the process to allow owners to sell direct to purchasers and simply pay Surrey a 10% 'transfer fee'. This was done to save the owners from the 7% GST on 90% of the sale proceeds received from Surrey under the previous process.

Implementation of the Reserve and Surplus Policy Q-25 resulted in the transfer of \$970,000 from B/L 9654 'Cranley Drive Mobile Home Park Land Reserve Revolving Fund' to B/L 13810 'Capital Legacy Reserve Fund'. The 'Revolving' Fund is no longer required as a source to exercise its RFR on Cranley lot sales. A balance of \$475,000 remained at December 31, 1999.

DISCUSSION

Appendix A indicates that purchasers have contributed \$576,000 to Surrey through the RFR or transfer fee process from 1976 until 1999. This exceeds Surrey's original investment of \$446,200 by \$130,000. However, costs of appraisals, legal fees, deposit refunds and processing fees since 1992 alone have exceeded \$100,000. It is likely that, given the effect of these costs between 1976 and 1992, the entire original principal investment has not yet been repaid. Repayment of the principal portion only, ignores the effect of interest and if a moderate rate of return were applied, Surrey would not likely recoup the original investment until well beyond 2010.

CONCLUSION

The process change, which allowed the sellers to retain 90% of the sale proceeds of the lots, conveyed substantial financial benefits to individuals. Any further changes to this arrangement may result in increasing those benefits and decreasing our likelihood of recouping our original investment.

Vivienne Wilke, CGA

Acting General Manager, Finance, Technology & HR

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City Solicitor