



City of Richmond

Report to Committee

To: General Purposes Committee
From: Jean Lamontagne
Director of Development

To General Purposes - Apr 16, 2007

Date: April 11, 2007

File: 08-4045-20-11-WE

Re: West Cambie Area Plan - Financing for Required Off-Site Services

Staff Recommendation

That City Staff develop a partnership agreement with Polygon Homes Ltd., for the design and construction of off-site works and services required to implement the West Cambie Area Plan as outlined in Option 2.

Handwritten signature of Jean Lamontagne

Jean Lamontagne
Director of Development

Attachments (3)

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ROUTED TO: CONCURRENCE
CONCURRENCE OF GENERAL MANAGER
REVIEWED BY TAG YES NO
REVIEWED BY CAO YES NO

Staff Report

Origin

The West Cambie Area Plan was adopted by Council on July 24, 2006. Polygon Homes Ltd., who is one of the major landholders in this area, has attempted to organize the "development community" to front end the off-site costs but has been unsuccessful. As a result, Polygon Homes Ltd., has approached the City with an alternate proposal related to the off-site utility works required to service the site. Under this proposal, Polygon Homes Ltd., would fund 50% of the off-site cost (to a value of \$5 million) solely.

The purpose of this report is to review the West Cambie off-site utility servicing options, including the proposal by Polygon Homes Ltd., and to provide a recommendation to Council.

Analysis

Staff proceeded with the preparation of a detailed Local Area Plan for West Cambie based upon Council instruction. During the Area Plan preparation process it was made clear that all costs to develop West Cambie were to be paid by the development community. This position is incorporated in the text of the West Cambie Area Plan for clarity, specifically that all costs to develop that neighbourhood be borne by the development industry. Staff prepared a servicing plan and expended considerable effort to provide the development community the details of this plan as well as the anticipated off-site servicing costs estimate of \$9.8 million during the West Cambie Area Plan preparation process (**Attachment 1**). The development community has since sent letters (**Attachment 2**) requesting that the City reconsider the arrangements to provide off-site works.

Currently, there are five rezoning applications in the West Cambie area with up to three potential additions where staff had preliminary meetings with the applicants (**Attachment 1**).

Staff reviewed the following options for financing the off-site servicing works required for the West Cambie area to proceed with development:

Option 1 - Developer Pay Approach (Supported)

This option is incorporated in the West Cambie Area Plan that was adopted by Council in July 2006 and would typically be achieved through a Front Ender Agreement (i.e., developer(s) coordinate their own arrangements to complete off-site servicing and financing). A DCC refund agreement between the City and Developer(s) would then be required whereby payments would be made to the developer(s) on a yearly basis.

Developers have indicated that they do not favour this option as it depends upon the pace of development. Subsequent discussions between a group of West Cambie developers has failed to produce an agreement to front end the full cost of the off-site works. As a result, one developer, Polygon Homes Ltd., has proposed to fund half of the off-site works costs as outlined in (**Attachment 3**) and the next section.

Financial Impact

None.

Option 2 - City cost share for Off-site Works and Services (Recommended)

Polygon Homes Ltd., on behalf of the development community, approached the City with a commitment to pay \$5 million towards design and construction of the required off-site works based upon a 50/50 cost sharing partnership agreement. With their proposed approach, Polygon Homes Ltd., would enter into a development partnership agreement with the City which would outline detailed works and services to be provided and a funding mechanism. Polygon Homes Ltd., would receive re-payment of their share above their DCC contribution as a first priority from DCC's to be collected from future projects. In addition to the partnership agreement a by-law could be adopted to cover the interest costs of financing the off-site services works which would then be included into the development charges for projects within the West Cambie Area and interest would be payable to Polygon Homes Ltd., and the City for their upfront contributions.

In view of the apparent inability of West Cambie developers to work together to fund off-site services in accordance with the Area Plan, Senior Staff believe that the proposal by Polygon Homes Ltd., represents an option that can be supported and is the best available opportunity to initiate development in West Cambie.

Financial Impact

City staff do not recommend use of DCC'S, utility reserves or the capital reserve revolving fund to fund the West Cambie off-site servicing because that would require a dramatic change to the existing city priorities. However, a possible source of funding is funds that were allocated in 2005 for purchase of DFO Lands. \$10 million dollars was allocated for the purchase but it now appears that \$5 million will be sufficient.

If Council wish to proceed with funding a portion of the West Cambie off-site works as proposed by Polygon Homes Ltd., staff recommend that the use of this source on a loan basis with repayments including interest going back to the industrial use reserve which was the original source of funding for the DFO Lands.

Option 3 - City Pays for Off-site Works and Services (Not Recommended)

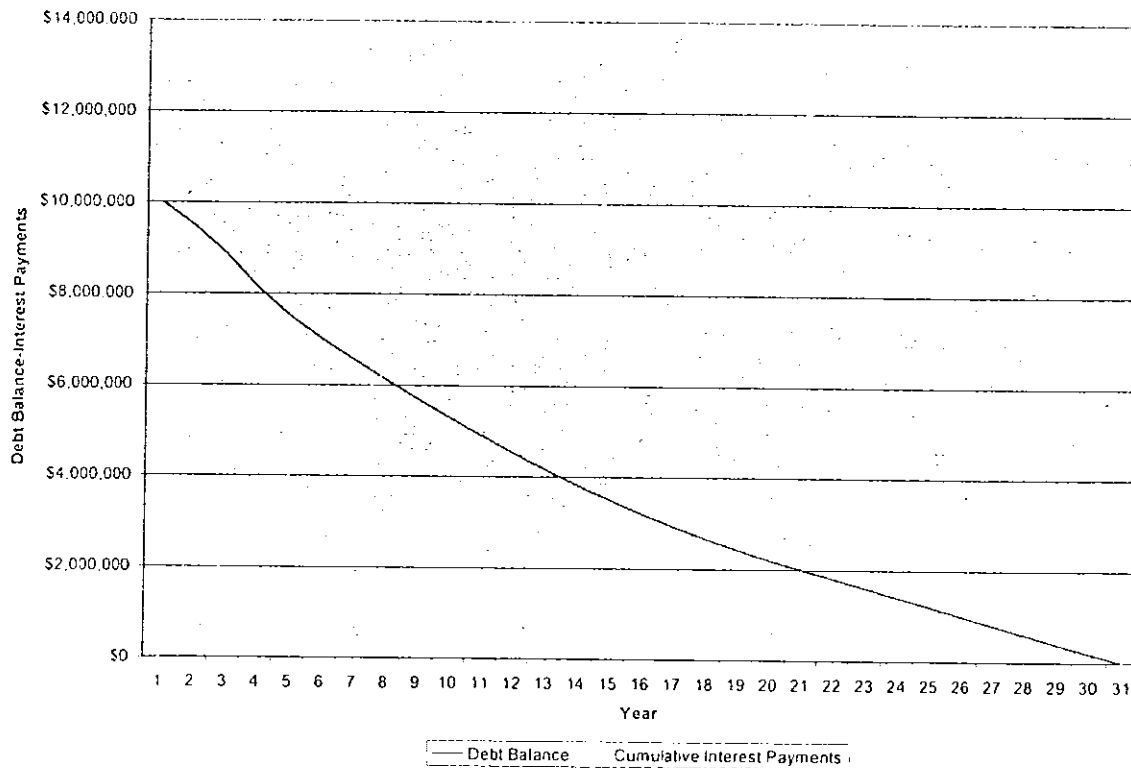
This method is preferred by the development community and would require the City fund the total cost of off-site improvements estimated at \$9.8 million. As development progresses the City would recover the front-ended costs through DCC's.

Financial Impact

Although the off-site improvements are in the DCC program, the works are not in the five-year capital program. Advancing these works by adding them into the five-year capital program would require the City to defer other projects. The projects identified in the five-year capital

program are of higher priority given that they are required to support the development that is already taking place.

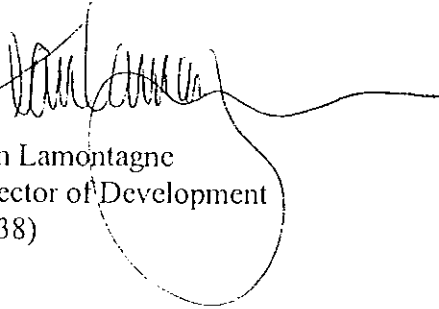
If projects in the current five-year capital program were deferred, the City could be subject to flooding or surcharging sewers and the respective liability. The following chart shows the costs to the City that are associated with financing these improvements. In a normal off-site works project, similar to MacLennan North, most of the development occurs within the first five years with remaining activity occurring at uneven rates over the next 25 years.



In order to finance the project, the City has different options, either borrowing internally from reserves or through the Municipal Financing Authority, which would require a loan authorization bylaw. However, there is no certainty on the timing or length of repayment from the development community, as payments are tied to the development that would occur in the West Cambie area. The interest rate of 11% (unsecured loan rate) represent the risk associated with such borrowing and costs would be approximately \$13.2 million.

Conclusion

The West Cambie Area Plan stipulates that a developer-pay approach be utilized to finance and implement the required works and services in order to allow the area to develop as planned. Further to staff's review of the developers' requests, Polygon Homes Ltd., is proposing to cost share the design and construction of the off-site works and services. Staff recommend that the City enter into a Cost Sharing Partnership Agreement with Polygon Homes Ltd., to cost share the design and construction of the off-site works and services.



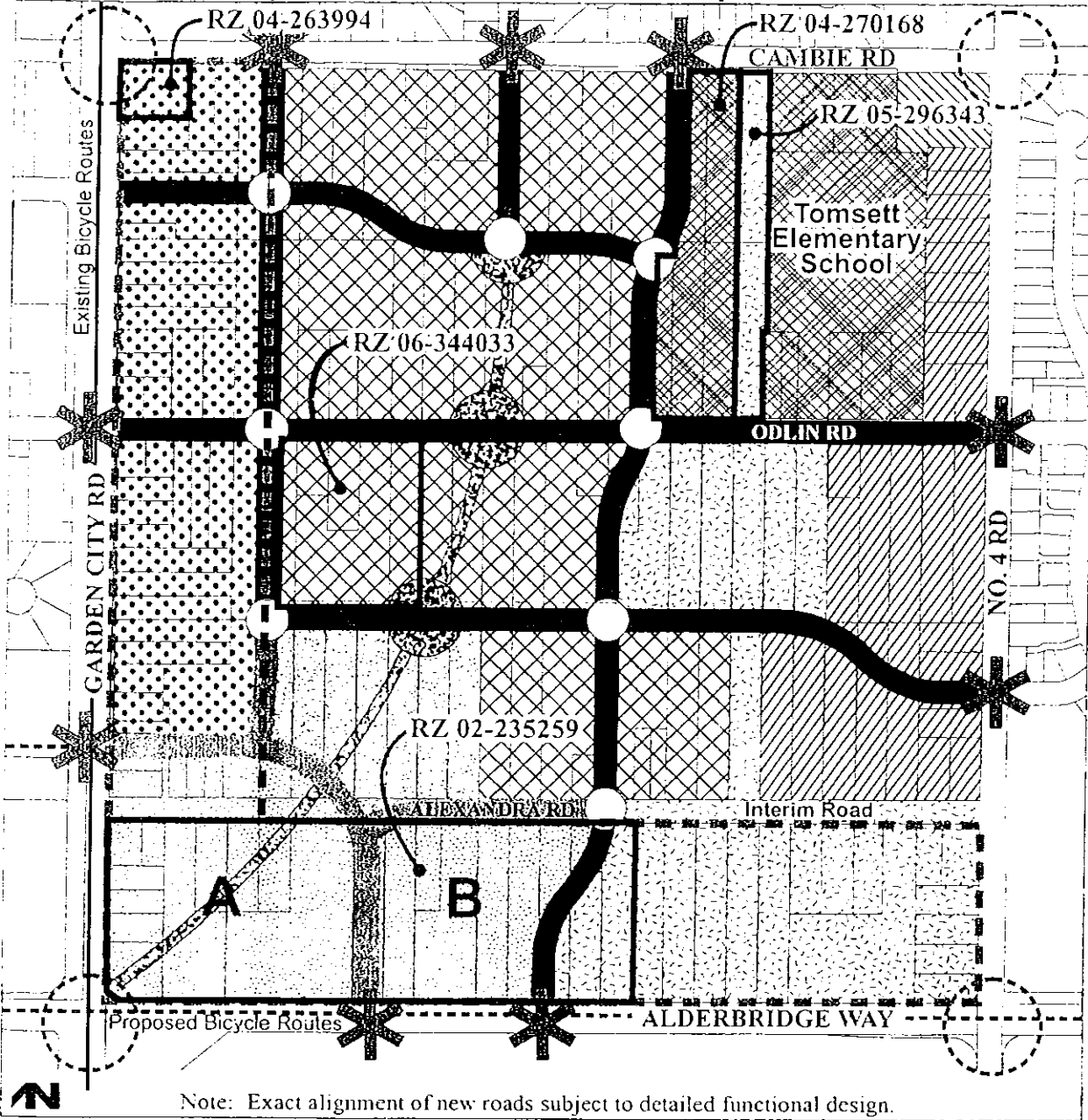
Jean Lamontagne
Director of Development
(4138)

November 28, 2006

Infrastructure Upgrades Estimated Costs

Odlinwood Sanitary Pump Station Upgrade	\$321,250
Odlin Rd. Sanitary Pump Station	\$1,202,000
Odlin Rd. Sanitary Force Main	\$340,000
Walford Sanitary Pump Station Upgrade	\$321,250
Kilby Sanitary Pump Station Upgrade	\$321,250
External Drainage	\$7,291,476
Total	\$ 9,797,226

Alexandra Neighbourhood Land Use Map



Note: Exact alignment of new roads subject to detailed functional design.

	Area of No Housing Affected by Aircraft Noise Business/Office - office over retail F.A.R. up to 1.25		Mixed Use: Hotel, office and streetfront retail commercial. Area A: F.A.R. up to 2.0. Area B: Large and small floor plate up to 1.0 F.A.R.		Proposed Roadways
	Convenience Commercial		Mixed Use: Housing over small floor-plate retail. 1.25 base F.A.R. (Max. 1.50 F.A.R. with density bonusing for affordable housing) Building heights low to mid-rise		High Street
	Residential Area 1 1.50 base F.A.R. (Max. 1.70 F.A.R. with density bonusing for affordable housing) Townhouse, Low-rise Apts (4-storey typical)		Community Institutional		New Traffic Signals
	Residential Area 2 0.65 base F.A.R. (Max. 0.75 F.A.R. With density bonusing for affordable housing) 2 & 3-storey Townhouses		Park: North Park Way, Central Park, Natural Park, South Park Way		Feature Intersections details to be developed
	Alexandra Way (Public Rights of Passage Right-of-way)				Feature Landmarks in Combination with Traffic Calming Measures



SmartCentres

201 - 11120 Horseshoe Way, Richmond BC V7A 5H7

Telephone (604) 448-9112 Fax (604) 448-9114

August 29, 2006

RE: West Cambie Area Plan Front End Infrastructure

Mr. Jean Lamontagne
Director of Development
Planning and Development Department
6911 No. 3 Road
Richmond, BC V6Y 2C1

Dear Mr. Lamontagne:

As a follow-up to our meeting on June 28, 2006, we want to confirm our understanding on the implementation of the West Cambie Area Plan Front End Infrastructure.

We discussed and concluded at the meeting that the approximate \$10,000,000 cost for sanitary and drainage upgrades is too large of a burden for a sole developer or for a few committed developers in the West Cambie Neighbourhood to front end. Since these works benefit additional areas outside West Cambie and have been included in the City Wide DCC Bylaw, a solution was brought forth where the City could advance these works to allow the development of West Cambie to move forward. We fully support this initiative.

There is a financial cost to bring forward the Front End Infrastructure, and the total value of the works would have to reflect this. To prevent any monetary burden to the City, we support the idea of the financing cost to be proportionately shared amongst the West Cambie development community.

We look forward to working with the City of Richmond to allow development in West Cambie to proceed.

Yours truly,
Smart Centres

Tiffany Duzita
Land Development Manager



WESTERN

August 29, 2006

Mr. Jean Lamontagne
Director of Development
Planning and Development Department
City of Richmond
6911 No. 3 Road
Richmond, BC, V6Y 2C1

Dear Mr. Lamontagne:

Re: West Cambie Neighbourhood Plan/Frontenders Agreement – Richmond, BC

On behalf of Nelson Chan of the Palladium Group and Western Construction, I would like to address the matter regarding the West Cambie Area Plan infrastructure costs for major storm and sanitary works.

The general consensus of the participants in the meeting held in your office on June 28, 2006 was that the estimated \$10,000,000 cost, calculated into the citywide DCC's, is unfair, unreasonable and financially inhibitive for one developer or a small group of developers to pay up front, particularly in light of the long payback period of up to 15 years. The fact that at least 3 major developers/builders have abandoned their respective projects in this area accentuates this grave problem. Not being able to produce this capital would cause the West Cambie development plan to be held up indefinitely.

We sincerely request that the City finance the design and construction of the infrastructure works so that development in the West Cambie Area can proceed without delay. As each individual development in the Area Plan proceeds, they would contribute their share of the design and construction costs back to the City by paying the allotted citywide DCC's.

In addition, a front-ender's agreement shall be executed to fully reimburse the City for the additional cost of financing the work.

With the assistance of the City of Richmond, we are confident that development in the West Cambie Area will proceed smoothly and expediently.

Sincerely,

Thomas C. Leung, C.A., M.B.A.
President

TCL/tl

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Western International Construction (2002) Ltd.

#250 – 8833 Odlin Crescent, Richmond, B.C., V6X 3Z7 • Tel: (604) 213-8833 • Fax: (604) 214-8844 • Email: lleung@westernmba.ca



August 23, 2006

Mr. Jean Lamontagne
Director of Development
Planning and Development Department
City of Richmond
6911 No. 3 Road
Richmond, B.C. V6Y 2C1

Re: West Cambie Neighbourhood Plan/Frontenders Agreement – Richmond, BC

Dear Mr. Lamontagne:

Further to our discussions and our meeting of June 28, 2006 regarding the West Cambie Area Plan infrastructure costs, we wish to reiterate our position.

The approximate \$10,000,000 cost of major infrastructure works is too much of a burden for a single property or a portion of the benefiting area to front end. We are of the opinion it is the proper role of the City to advance these works and recover the cost through the collection of Citywide Development Cost Charges, which we would fully participate in.

We support the idea that the total cost of the West Cambie infrastructure works being grossed up to include the financing cost of bringing these works forward and individual developments would pay only their proportionate share of the area's development potential.

We look forward to working with the City of Richmond to ensure that development in West Cambie proceeds without delay.

Yours truly,
POLYGON HOMES LTD.

Christopher Philps, Executive Vice President

/SJ



April 2, 2007

via fax: (604) 276-4197

City of Richmond
Planning and Development Department
6911 No. 3 Road
Richmond, B.C. V6Y 2C1

Attention: Joe Erceg; General Manager, Planning & Development

Dear Mr. Erceg:

Re: West Cambie Servicing Infrastructure Works

Thank you for meeting with us this morning to discuss the servicing infrastructure works for West Cambie. We understand staff are unable to support the development groups' previous proposal (letter dated March 9, 2007) as it does not provide the certainty the City desires in limiting the financial exposure of front-ending of the works.

Having discussed the possibility of additional financial contributions with the development group, it would appear that the group is unable to provide the financial guarantees that the City requires. As such, we are pleased to submit an alternative proposal by Polygon which we hope will facilitate the installation of the storm and sanitary works needed to kick start development in the West Cambie neighbourhood.

The Engineering Department has estimated the cost of the works, which are included in the current DCC program, at approximately \$10,000,000 inclusive of design fees. Polygon is offering to commit \$5,000,000 towards the storm and sanitary works if the City agrees to front-end the balance of the costs and the following additional conditions are met:

1. Polygons' two in-stream applications in West Cambie (Meridian Gate apartments, and Odlin Road townhomes) shall not be subject to the new DCC rates coming into affect on July 1, 2007.
2. Polygon will receive DCC credits towards their \$5,000,000 contribution first, before the City, as developments in West Cambie obtain Zoning enactment.
3. All developments in West Cambie will be required to pre-pay 100% (i.e. all phases of a multi-phased development) of their applicable sanitary and storm drainage component of DCC's at time of Zoning Enactment.

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Apr. 2, 2007

In accordance with the approved area plan for West Cambie, whereby development is to pay 100% of servicing costs, the City will be applying a levy to the benefiting lands to offset the financing costs of the City's front-ending commitment. We would also like this levy to include our financing costs and we understand you will be looking into this possibility on our behalf.

To have the best chance of success at meeting the July 1st DCC deadline for grandfathering, we would like to have our two in-stream development applications on the agenda for the April 17th Planning Committee meeting if at all possible. We look forward to your response to this request.

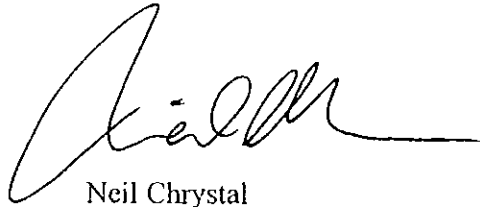
If this proposal meets with your approval we will work with the City to finalize an agreement which prescribes the form of payment and reimbursement of the \$5,000,000 commitment. It would be Polygon's preference to provide payment to the City with a letter of Credit that would be reduced and replaced periodically as Polygon pays cash to cover the first \$5,000,000 in design and construction costs.

If you have any questions regarding this proposal please feel free to contact either of us at (604) 877-1131 to discuss this matter further.

Yours truly,
Polygon Meridian Gate Homes Ltd.
Polygon Development 172 Limited



Scott Baldwin
Senior Vice President, Development



Neil Chrystal
President

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