



City of Richmond

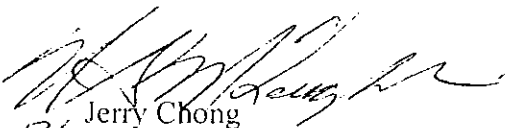
Report to Committee

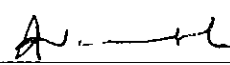
To: Finance Committee  
 From: Jerry Chong  
 Director, Finance  
 Re: Community Legacy & Land Replacement Reserve Fund

*To Finance July 18, 2007*  
 Date: July 12, 2007  
 File: 12-8060-20-8282

Staff Recommendation

That the Community Legacy & Land Replacement Reserve Fund Establishment Bylaw No. 8282 be introduced and given first, second, and third readings.

  
 Jerry Chong  
 Director, Finance  
 (4064)

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<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>	
Law .....	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>		
Clerks .....	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>		
<b>REVIEWED BY TAG</b>	YES <input type="checkbox"/>	NO <input type="checkbox"/>	<b>REVIEWED BY CAO</b>
			YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

## Staff Report

### Origin

At the April 10, 2007 Council meeting, Council passed the following resolutions in relation to the Oval Lands Development Revenue Allocations;

*“That the balance of the sale proceeds which are available beyond what is required for Oval construction be placed into a Land Replacement Fund to establish a Community Land Bank on the basis that the City would only accrue interest until December 31st, 2007, and that after that the funds would be utilized on the basis that the areas identified in the staff report would be non exclusive guidelines;*

*That after December 31st, 2007, interest may be used on projects including the cost of planning, physical assessments, seismic assessments, project feasibility research, project planning, functional space programming, design concepts, geo-technical testing, cost estimating and preliminary design;*

*That the principal of the funds, along with the interest, could be used to acquire appreciating assets at any time, which would include a minimum of 19 acres of new land to replace the Oval lands;*

*That the City can borrow for the principal amount of a project against the Fund on the basis that the monies would be repaid with interest at a minimum one-quarter of 1% above the average rate of return realized on the Fund during the previous year;*

*That amounts designated for the Special Capital Projects and Major Initiatives Fund may be used as later approved for specific capital projects, up to the sum of \$21 Million;*

*That an amount or value which is equal to 1% of civic taxes, and to be taken from the interest income, would be placed into reserves in each year for four years, commencing in 2008; and*

*That this structure would be reviewed effective after no more than four years with status reports at least every six months.”*

This report is provided in response to those resolutions.

### Analysis

The City has received gross proceeds of \$141 million (M) from the sale and lease of the Oval Lands and after associated expenses and adjustments, net proceeds will be \$139.2 M. From the net proceeds, the original \$43 M required to fund the Oval construction will be transferred to the capital project pursuant to the 5 Year Financial Plan By-law leaving \$96.2 M to be allocated. Of this, \$12,988,278, representing the prepaid lease and parking fee from the leased Oval lands and parking precinct respectively, will be used to complete construction of the Oval. The balance of the sale proceeds is proposed to be set aside in the Community Legacy & Land Replacement Reserve Fund (“Reserve Fund”).

Gross Proceeds	\$141,000,000
Expenses and Adjustments	<u>1,796,998</u>
Net Proceeds	139,203,002
Transfer to Oval project	<u>(43,000,000)</u>
Remaining for Allocation	\$96,203,002
Prepaid Leases and Parking Fee Liability Account	<u>(12,988,278)</u>
Community Legacy & Land Replacement Reserve Fund	<u>\$83,214,724</u>

The Community Charter requires that any proceeds from the sale of City owned lands or improvements (other than from tax sale), be used only for paying debt remaining in relation to the sold property and for acquiring land, improvements and other assets of a capital nature. This Reserve Fund will be used within these purposes to provide benefit to the current and future community of Richmond constituents and taxpayers. Council may also direct proceeds of future surplus land sales be deposited to this reserve fund.

Based on the current intentions of Council, the Reserve Fund could be used for:

1. the sum of up to \$21 Million could be applied to special capital projects and major initiatives such as the No 3 Road Streetscape and Oval conversion project which cannot be funded from traditional or established funding sources. In addition the principal of the fund, along with interest could be used to acquire capital assets at any time, including acre for acre replacement of the Oval Riverfront lands;
2. commencing in 2008 for four years, and subject to annual review, consider eliminating the one percent of general taxes that has been historically directed to the Capital Building and Infrastructure Reserve, given that interest accumulating in the new Reserve Fund could be used for the same purpose;
3. interest from the reserve fund could be used to fund projects outlined in the non-exclusive guidelines considered by Council at their April 10, 2007 meeting. The interest from the reserve could also be used in relation to such projects for the preliminary designs and due diligence for the acquisition of lands, capital improvements and other assets of a capital nature including the incidental costs of planning, physical assessments, seismic assessments, project feasibility research, project planning, functional space programming, design concepts, geo-technical testing and cost estimating; and
4. the Reserve Fund could be used to pay for capital acquisitions with the intention of repaying the Reserve Fund with interest at a minimum one-quarter of 1% above the average rate of return realized on the Reserve Fund during the previous year,

provided that the preceding statements are a reflection of the current intention of Council and are not binding on Council in the future.

The use of the Reserve Fund is to be reviewed after no more than four years with status reports at least every six months. Spending of the monies in the Reserve Fund is subject to Council approval in accordance with City policies.

The Reserve Fund is intended to be invested with the Municipal Finance Authority of BC (MFA). This arrangement is separate from our current arrangement with Scotia Cassels since these funds are to be managed with long-term investment principles whereas Scotia Cassels manages our cash match requirements.

**Financial Impact**

The Community Legacy and Land Replacement Reserve will realize the interest on the total net proceeds of the Oval Land sale until required to fund the construction of the Oval. Interest income to this time is estimated to be in excess of \$6M which will be allocated to the Reserve Fund.

**Conclusion**

The Community Legacy & Land Replacement Reserve Fund is to be established to ensure that the surplus funds from the sale of the Oval Lands will be utilized on behalf of Richmond constituents and taxpayers for the acquisition of land, improvements and other assets of a capital nature now, and in the future.



W. Glenn McLaughlin  
Manager, Purchasing & Risk  
(4136)

JC:WGM



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**Community Legacy & Land Replacement Reserve Fund  
Establishment Bylaw No. 8282**

**WHEREAS:**

Council intends that the current and future constituents of Richmond continue to receive benefits of lasting value from the proceeds of the sale of those lands described in Schedule A to this bylaw ("the Oval Lands");

Any proceeds of future surplus land sales may be deposited into the Reserve Fund created herein;

The Council of the City of Richmond enacts as follows:

1. The Community Legacy & Land Replacement Reserve Fund is established.
2. The purposes of the Community Legacy & Land Replacement Reserve Fund are:
  - (a) to pay any debts remaining in relation to lands or improvements that have been sold; and
  - (b) to acquire land, improvements and other assets of a capital nature.
3. Money in the amount of \$83,214,724, being a portion of the proceeds received from the sale of the Oval Lands, is directed to the Community Legacy & Land Replacement Reserve Fund.
4. Schedule A is attached to and forms part of this bylaw.
5. If any section, subsection, paragraph, clause or phrase of this bylaw is for any reason held to be invalid by a court of competent jurisdiction, such decision does not affect the validity of the remaining portions of this bylaw.

- 6. This bylaw is cited as the **Community Legacy & Land Replacement Reserve Fund Establishment Bylaw No. 8282.**

FIRST READING

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SECOND READING

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THIRD READING

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ADOPTED

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\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CITY CLERK

**Schedule A to Bylaw 8282**

**OVAL LANDS**

**Lot 1**

PID: 027-090-353, Lot 1 Section 6 Block 4 North Range 6 West New Westminster District Plan BCP30383 (as to freehold interest)

**Lot 2**

PID: 027-090-370, Lot 2 Section 6 Block 4 North Range 6 West New Westminster District Plan BCP30383 (as to freehold interest)

**Lot 3**

PID: 027-090-388, Lot 3 Section 6 Block 4 North Range 6 West New Westminster District Plan BCP30383 (as to freehold interest)

**Lot 4**

PID: 027-090-396, Lot 4 Section 6 Block 4 North Range 6 West New Westminster District Plan BCP30383 (as to freehold interest)

**Lot 7A**

PID: 027-020-975, Lot A Section 1 Block 4 North Range 7 West New Westminster District Plan BCP29277 (as to freehold interest)