Subject: FW: Lynn Valley Town Center financing
Date: Tue, 22 Jul 2003 10:22:44 -0700
From: "Ernie Crist" <ernie_crist@dnv.org>
To: "FONVCA (E-mail)" <fonvca@fonvca.org>, <cagebc@yahoo.com>, <patroberta@telus.net>

A MESSAGE FROM ERNIE CRIST

Dear Bill:

THANK YOU FOR YOUR WELL THOUGHT OUT AND WELL PRESENTED BRIEF ON THE FINCIAL PLAN FOR THE DISTRICT lIBRARY AND TOWN CENTRE.

BELOW ARE MY COMMENTS;

The District is bankrupt. Instead of financing such things as the proposed new Lynn Valley Library from the interests generated by the Heritage Fund as was originally planned, the Council of the District of North Vancouver wasted one half billion dollars over the years with virtually nothing to show for it. The Infrastructure Reserve Funds were liquidated too, thus making the District number one in the Region, that is if you start from the bottom. Now the chickens are coming home to roost.

The plan to finance the Library and town center is at least a temporary stopgap in preventing everything from coming crashing down. The financial plan is being manipulated to extract from the public via the referendum a maximum amount. At the same time an additional $5 million, which includes the proceeds from land sales on Anne McDonald Way and could be used, will go to pay for road maintenance instead. Land sale money for road patching and referendum money for the Library, that is the mentality of the District.

Neither do they want to include or make a firm commitment to include the income from the old Library site because they hope to use that money too for operating later on. That is the real reason for the $ 18 million referendum. The same is true for the income from the commercial sector of the proposed site. They continue to make the point that the proceeds from the commercial portion of the town center will go back into the Heritage Fund but that too is a hoax. This line too is peddled to confuse the public. Although this money will go into the Heritage Fund it is a mere formality as they have every intention to take it out again. To make sure that this can be done the policy to that effect was changed a long time ago.

They are using the Library and town center as the "comeon" hoping that it will create enough smoke to carry on with business as usual. The alternative would be a huge tax increase or make drastic changes the way the District is run.

Those who listened to the Council debate heard the most "unscrupulous" Councillor of all beating her chest claiming that those who will vote against the financial plan are against the Library and are stabbing the project in the back. The people in Lynn Valley deserve the Library she bleated. That is the Councillor who was in the forefront in liquidating the Heritage Fund to subsidize incompetence on a scale that is unprecedented in the annals of any municipality.

My dilemma and the dilemma of the community in the upcoming months is that voting against it would accomplish nothing other than possibly risking the project altogether which would mean the people would get nothing at all. At the same time the Heritage Fund would still be misused to continue the mismanagement that has become an ingrained part of the District culture.

Ernie Crist

-----Original Message-----
From: Bill Tracey [mailto:wrtracey@telus.net]
Sent: Monday, July 21, 2003 5:18 PM
To: Mayor and Council - DNV
Subject: Lynn Valley Town Centre financing

Dear Mayor and Council

Following is my analysis, an engineering economist, of the proposed financing of the Lynn

Valley
Town Centre according to the three staff reports before on tonight's agenda.

I urge you not to approve the borrowing authorization as recommended without further careful review of the project and of the estimated costs and revenues. As you will see, I believe the project costs are seriously underestimated, and the revenues seriously overestimated.

Although I stand by those conclusions, I have not had time to check the calculations because of the short notification that this matter was to come before Council this evening. I am prepared, however, to sit down with District financial staff to go through the calculations and try to reach some agreement on an amended report that they could then provide to you for consideration at a later Council meeting.

Re the Report To Council of July 16 from Irwin Torry, Manager of Community Planning:

Page 2 - "Negotiations with Bental ... were not concluded ... their adjacent property." Translation? Does this mean negotiations failed and have been terminated, or does it mean that negotiations are ongoing? If negotiations failed, it would be helpful to know on what points the parties could not agree.

Page 2 - "Based in the consultant's market assessment ..." It would be helpful to see the assessment, and to know the rational used to determine the "warranted floor areas". Also, it appears the consultant gave a range of "warranted floor areas" - what was that range for each type of space?

Page 3 - The table at the top of the page gives only the "median" warranted size. Why does it not give the range (the reader can calculate the median if s/he wants to)? Note that "Office Uses" is shown as 31,085 vs the median warranted of 25,000 - a 24% increase. Why? No explanation is given. Without knowing the range of "warranted" space, one cannot even know whether the increase is within the "warranted" range.

Page 3 - item b) of the list of strategic considerations is "year-round event programming". If that programming is an essential element for success of the project, the Net Present Cost of its annual expense ought to be calculated and included in computing the cost of the project to the taxpayers. Alternatively, the Equivalent Annual Cost of the capital part of the project ought to be calculated over the expected life of the project and the annual expense of the event programming added to that to show the true annual expense to the taxpayers.

Page 4 - The "refined design scheme" described under Item 8. reduces the retail, restaurant and office components from 78,500 square feet to 37,700 square feet (48% of the original), but reduces the cost from $36 million to $28 million (78% of the original). The developer would now have to recover $743 of capital cost per square foot of rental space vs. the original $459 of capital cost per square foot of rental space. No wonder the District could not find a PPP partner!

Page 6 - under Item 12. the rental space of the project has now increased to a total of 42,800 square feet, and the direct capital cost of that space is shown as $14.4 million, or just over $336 per square foot (and that does not include a share of the associated pedestrian, road and utility improvements -- does it include a share of the parking costs?). Consider that developers can build truly high quality retail and office space for well under $200 per square foot, again it is no surprise that a PPP partner cannot be found.

Under Item 12. there are two lists - one is of the "elements" of the project, the other is of the "capital costs" of the project. But there is no one-to-one correspondence between the two lists, so it is difficult (impossible) to judge the relative costs and merits of the elements. As well, the "elements" list includes the underground parking as "200 stalls" rather than as an area. The area should be listed, as for the other elements, since the average reader will not know the equivalent area of 200 stalls.

Item g) "Contingency" in the list of costs is ridiculously low. A project of this kind, at this stage, should have a contingency of at least 15%, probably more like 20%. As the project progresses through various stages the contingency should be reduced, but at this conceptual stage and before bids have been called, a contingency of just over 1% is unreasonable. A proper contingency then would be between $4.65 million and $6.2 million - say about $5.5 million. This would put the total cost of the project, for budget purposes, at about $36.5 million, rather than the figure shown in the report.

Page 7 - The "estimated annual revenue" shown here assumes a net rate to the District of somewhat over $25 per square foot during the first five years; that again is an unreasonable expectation. Real estate sources tell me that the going rate for first class downtown office and retail space at this time is under $20 per square foot. And that is with substantial inducements (e.g., leasehold improvements or the equivalent) of from $35 to $50 per square foot - the equivalent of the first two years rent in most cases. Therefore, the best the District could expect to obtain is an average of about $10 per square foot during the first five years of leasing. That would work out to about $423,000 per year, not the $1.052 million included in the estimates of the report.

SUMMARY:

1. The report itself does not give enough detail to make a reasoned evaluation of the merits of the Town Centre project. Hopefully, Council has seen more detail in their deliberations leading to a decision to support the project.
2. The stated capital cost of the project does not contain sufficient contingency, by more than $5 million dollars. Therefore, it would be foolhardy, and misleading, to authorize a loan of only $18 million at this time, when there is every expectation that a loan of at least $23 million actually will be required.

3. The estimated revenues to be obtained from the project during the first five years are over-estimated by a factor of at least two and a half, leading to a probable revenue shortfall of
about $3.14 million in that first five years. That will increase the estimated annual net cost from
$209 thousand to more like $629 thousand during that period and result in a much larger tax increase
than has been shown by the District Finance department.

Sincerely,

Bill Tracey, P. Eng.
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North Vancouver, BC
604-929-4122

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