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REPORT TO GOVERNANCE AND FINANCE COMMITTEE MEETING OF WEDNESDAY, JULY 29, 2020

SUBJECT Sale of 808 and 836 Viewfield Road Properties

ISSUE SUMMARY

To receive direction on \$3.7 million of net proceeds generated through the disposition of 808 and 836 Viewfield Road.

BACKGROUND

808 and 836 Viewfield Road were two properties purchased on September 30, 2014, for \$17.4 million by the Core Area Wastewater Treatment service as a potential site for residuals treatment within the wastewater treatment project. Through various engagements, consultations, and project scoping exercises, the CRD Board concluded the properties would not be used in the treatment process and as a result, staff were directed to recover expenditures in a fiscally responsible manner. Subsequently, the properties underwent improvements of \$1.7 million to attract lease tenants and increase resale value. Over the past five years, building operations have generated a surplus of \$2.1 million or \$0.6 million net of interest costs related to debt.

On June 24, 2019, the property located at 808 Viewfield Road was sold for \$11.3 million to Spinnakers Brewery. Furthermore, on July 23, 2020, 836 Viewfield Road was sold for \$11.1 million to the 836 Viewfield Limited Partnership. The completed sale of both properties has resulted in a net gain on sale of \$3.1 million.

Combining both the operating surplus and gain on sale, net proceeds total \$3.7 million.

ALTERNATIVES

Alternative 1

The Governance and Finance Committee recommends to the Capital Regional District Board: That the net proceeds from the sale of 808 and 836 Viewfield in Esquimalt, BC, be used to reduce borrowing requirements of the Core Area Wastewater Treatment service.

Alternative 2

The Governance and Finance Committee recommends to the Capital Regional District Board: That the net proceeds from the sale of 808 and 836 Viewfield in Esquimalt, BC, be transferred to reserves and staff report back with additional options.

IMPLICATIONS

Financial Implications

Table 1 provides additional details on one-time and ongoing impacts related to the Viewfield properties since 2014. Highlights include the \$2.1 million operating surplus from building operations and a simple return on investment of 16.7%. Net proceeds total \$3.7 million to the benefit of the core area service participants.

Table 1: Timing of One-time and Operating Impacts (\$ millions)

	2014	2015	2016	2017	2018	2019	2020	Total
One-Time Impacts								
Purchase of Properties	(17.4)							(17.4)
Improvements			(1.2)	(0.3)	(0.2)			(1.7)
Proceeds of Sale						11.2	11.0	22.2
Net Gain of Sale								3.1
Ongoing Impacts								
Leasing Revenue	0.3	0.9	0.2	0.5	0.8	0.7	0.2	3.6
Building Expenses		(0.5)	(0.4)	(0.3)	(0.2)	(0.1)		(1.5)
Gross Operating								2.1
Interest Costs	(0.1)	(0.2)	(0.2)	(0.2)	(0.4)	(0.3)	(0.1)	(1.5)
Net Operating								0.6
Net Proceeds of Sale								3.7
Return on Investment (ROI)								16.7%

The participant share of net proceeds is based on the design capacity benefit allocation and summarized below in table 2.

Table 2: Participant Share of Net Proceeds (\$ millions)

Colwood	0.158	4.26%
Esquimalt	0.246	6.65%
Langford	0.468	12.66%
Oak Bay	0.239	6.45%
Saanich	1.130	30.54%
Victoria	1.341	36.25%
View Royal	0.118	3.19%
Total Apportionment	3.700	100%

Alternative 1

As a one-time benefit, the typical procedure would be retention of net proceeds within the service to reduce future borrowings. Within the 2020-2024 Financial Plan, the Core Area Wastewater Treatment service has planned borrowings of approximately \$25 million. Reducing debt by \$3.7 million would save an estimated \$4.3 million in principal and interest payments through 2034.¹

Alternative 2

Alternatively, as a one-time benefit, the net proceeds could be transferred to reserves of the Core Area Wastewater Treatment service participants as shown in table 2. The existing reserve structure is currently under review. The aforementioned planned borrowings would proceed and be recovered from participants as needed.

¹ Assumptions: CRD Financial Planning Guidelines – Interest rate of 1.9%

CONCLUSION

The CRD has successfully recovered expenditures and generated net proceeds of \$3.7 million through the building operations and sale of the 808 and 836 Viewfield properties. This building was funded through the Core Area Wastewater Treatment service and therefore will be credited to the service participants.

RECOMMENDATION

The Governance and Finance Committee recommends to the Capital Regional District Board: That the net proceeds from the sale of 808 and 836 Viewfield in Esquimalt, BC, be used to reduce future borrowing requirements of the Core Area Wastewater Treatment service.

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