

**Item No. 10.1.4**

**Halifax Regional Council  
November 18, 2008**

**TO:** Mayor Kelly and Members of Halifax Regional Council



**SUBMITTED BY:**

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Dan English, Chief Administrative Officer



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Wayne Anstey, Deputy Chief Administrative Officer - Operations

**DATE:** October 28, 2008

**SUBJECT:** Central Library Funding

**ORIGIN**

August 12, 2008 motion of Halifax Regional Council to:

- Approve the Central Library in principle.
- Direct HRM staff to examine funding options and develop a financial plan for the project; and the financial plan should be multi year and include funding in both public and private sectors.

**RECOMMENDATION**

It is recommended that Halifax Regional Council:

3. Approve the principles listed in the Discussion section of this report to be used as the basis of assumptions to develop financing scenarios for Council consideration of the Central Library.
4. Authorize expenditures of an estimated value up to \$100,000 from capital account CBW00978 to engage external expertise a) to value potential revenue opportunities through sale of the existing Library site and nearby municipal parking lot sites, b) analyse how to maximize the value through re-development of lands received through the joint provincial land-use transaction and c) explore various development models for the Central Library.

## **BACKGROUND**

HRM staff believe that in order to move forward with development of financing options in time for consideration in conjunction with the 2009/10 Business Planning and Budget cycle, it is necessary to establish a multi-disciplinary project team and a project schedule.

The multi-disciplinary team will include staff from Halifax Regional Library, Infrastructure & Asset Management, Transportation Public Works, Community Development and Finance. The critical steps that must be undertaken immediately are:

- Finalization of the joint municipal/provincial land transfer
- Valuation of potential revenue opportunities through sale of old Library site
- Engagement of external expertise to analyse how to maximize the value we get from the re-development of land received through the transfer and neighbouring land parcels including the parking lots on Clyde Street (owned by the municipality;<sup>1</sup> and explore various development models.
- Funding and Debt repayment models to be run using different scenarios, assuming various assumptions and terms. To identify appropriate scenarios, we need to be able to articulate with better certainty:
  - a) What value can be realized from the land?
  - b) What value/costs can be realized from the old library ?
  - c) What it will cost to build the new library?
  - d) What it will cost to operate the new library?
  - e) What will it cost to maintain and re-capitalization the new library?

Obtaining Council approval regarding principles and assumptions is a necessary first step.

## **DISCUSSION**

Proposed principles upon which financing scenarios will be based:

1. **Sales proceeds from the old library site** should be used to support the development of the new library. This is an exception to how we traditionally treat sale of land. The Municipal Government Act requires that we deposit all revenues from land transactions into the Sale of Land Reserve, and by administrative policy, we generally do not earmark these funds for any specific purpose. Given the magnitude of the Central Library project however, and the direct linkage; there is a good rationale to support using the proceeds from the old library to help off set the cost of the new library.
2. **Sales proceeds from development of the adjacent parking lot lands** available for re-

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<sup>1</sup>A letter has been received from the Spring Garden Road Merchants Association, the current operator of the parking lots, expressing an interest in developing the lots and offering to do the financial analysis referred to above. Staff are of the opinion that this would place them in a conflict of interest situation and that it would be preferable to have the work done independently. They would still have the opportunity to be considered for development of the lands.

development through the joint municipal/provincial land transaction should be used for development of the new library, and improvements to the public realm in that general area. The value of these parcels of land may increase with the development of a new library and it makes sense to view this as a complete financing package for the area.

3. There should be a **Provincial contribution** toward capital. A new Central Library and Halifax Regional Libraries are providing support and services to other libraries around the province. In the absence of these services there would be incremental costs to the Province and others.
4. **Capital from Operating** could be used as a down payment to fund the cost of the new central library, hence reducing any future principle and interest charges.
5. **Debt funding** will have to be considered for any remaining cost to develop the new central library. Incremental funding under the new library funding formula could be designated to help re-pay the debt.
6. There should be an adequate budget for the **incremental operating costs of a new library plus a reserve to re-capitalize and maintain the asset**. These costs could be met through a combination of sources including a reallocation of funds from existing budgets, re-directing funds used to pay down the library debt (once it is paid off), or a dedicated tax to help fund the project.

The Halifax Regional Library Board has approved the use of the \$400,000 in funding towards the required consulting services and moving forward with these principles as a basis for the financial scenarios for the Central library. One of the critical elements of a funding plan will be HRM's ability to realize proceeds from the sale of the existing library site and municipal parking lot lands. Until a value can be placed on their potential sale value the remaining parts of a funding plan cannot be determined. Establishing those values will require specialized market expertise and will help move the plan forward. Hence it is recommended to acquire outside expertise to assesses potential land sales.

### **BUDGET IMPLICATIONS**

The 2008/09 Capital budget included \$400,000 in capital account CBW00978 for the Central Library. It was originally intended to utilize these funds toward a design competition. However, without adequate estimates on the sales potential of key pieces of land a design competition cannot move forward. Using these funds to acquire those estimates, and hence finish the funding plan, is consistent with the spirit of intent to continue the forward momentum with the Central Library project.

This report commits Regional Council in principle to using land sales in the immediate area of the library site for the development of the library. These are funds that might otherwise be available for other capital projects.

**Budget Summary: CBW00978, Central Library Replacement Spring Garden Road**

Cumulative Unspent Budget	\$ 475,141
Less: Consulting fees of up to \$100,000	<u>\$ 100,000</u>
Balance	\$ 375,141

This project is estimated at \$400,000.

The remainder of funds will be used for expenditures related to the Central Library Replacement.

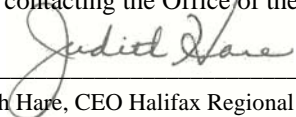
**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

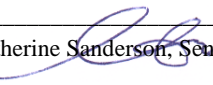
**ALTERNATIVES**

1. Regional Council could choose not to approve the proposed principles and could direct that land sales not be included in any funding plan. This could increase the difficulty in finalizing plans for a new central library.
2. Regional Council could direct that outside expertise not be used to develop estimates for land sales. This means that any estimates developed would either not be developed in time for consideration in 2009/10, or would not be of sufficiently high quality to be reliable or realistic.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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