



August 3, 2021

Ginny Cullen, CEO
Resort Municipality of Whistler
4325 Blackcomb Way
Whistler, BC
V0N 1B4

Dear Ginny

RE: Cheakamus Crossing Phase 2 - Subdivision Security

We are writing to request consideration of waiving Subdivision Security requirements for Cheakamus Crossing Phase 2. The request is consistent with how the RMOW assisted affordable housing in Phase 1 of Cheakamus Crossing and is contemplated within the historic partnering agreements, namely the 2008 Declaration of Bare Trust and Agency Agreement and the Municipal Services Agreement 2006.

Council policy requires that security be posted when a subdivision servicing agreement is signed and the servicing works for a new subdivision are not yet completed. The amount of security required for Phase 2 could be in the range of \$4,000,000, subject to approved estimates and cost to complete. The intent of this security is to ensure that the roads and services agreed to in the servicing agreement are built according to the approved drawings and standards, and within the timeline stipulated. In addition, there is also an Engineering inspection fee for new services (4% of the first \$500,000, 3% of the next \$500,000 and 2% thereafter), which for Phase 2 could be as much as \$165,000. While there will be staff time required to inspect the final works, most of the construction inspections will be done by WDC's consultants, at WDC's cost. WDC is expecting to pay for all staff time required to complete the development.

The reasons to consider waiving the Security are:

- The property is held by the RMOW in Trust for WDC. As RMOW is on title, subdividing the property into 6 new lots, excluding the park and road dedication, adds value to the property. The RMOW is in a better position to control the use of the various parcels, which are also further restricted by site specific zoning. No parcel can be sold without the RMOW's signature, so in effect the RMOW is subdividing the parcel to itself.
- WDC is negotiating with the Royal Bank of Canada (RBC) for construction financing. WDC has offered Lots 1 & 4 as security. Without the master subdivision (initial lot creation), RBC will need to encumber all the Phase 2 lands. WDC expects to have financing in place by the end of

August 2021. Any delay in registering the subdivision adds complexity to the loan and additional legal expenses.

- WDC's preliminary loan offer assumes that Lot 4 (23 Strata Lots) will be marketed, and several pre-sales achieved by late summer 2021. Pre-sales increase the loan amount available for both civil construction costs and the Parcel A building costs. The only outstanding documents required for the Disclosure Statement relate to OCP requirements for Wildfire, Sensitive Ecosystems and Riparian Ecosystems. WDC believes these issues can be resolved relatively simply, and will work with the RMOW Planning Dept to complete this task.
- The master subdivision enables the Parcel 4 Disclosure Statement to acknowledge the new legal lot (Lot 4), reducing risk to potential buyers. The Disclosure Statement will likely require Council to be named on the document. Pre-sales reduce the risk to WDC and the RMOW. If Pre-Sales can be closed prior to completion of the subdivision WDC can use the proceeds to reduce debt and pay for continuing expenses directly.
- To create the for-sale Strata Lots the approving officer needs to sign the second subdivision plan for submission to the Land Titles Office. Currently processing times in the Land Titles Office are approximately 3 – 4 weeks, so the sooner the application is complete the sooner WDC can consider the timing of pre-sales and ultimately the sale of the prepared lots.
- WDC is incentivised to complete the civil works as expediently as possible. For two reasons: To complete the sales of the market lots, and secondly to close the FSR to allow Lot 1 buildings to be re-graded, landscaped and sold (also reducing debt). This needs to happen by June 2021, after the first lift of asphalt is laid on the Mt Fee Road extension. The total value of Parcel A and the market lots is at least \$65,000,000.
- Lastly, the amount of security required would tie up funds that would otherwise be used to pay for construction related expenses, until the Approving Officer approves monthly security reductions, based on acknowledged progress and reduced cost to complete. This takes consultant and staff time and typically slows progress payments to contractors. It also adds cost to the project for Letter of Credit fees, interest on the additional loan amount, and processing monthly reductions.

The reasons that the RMOW is protected from the potential risks normally seen when dealing with an independent developer are:

- The RMOW holds title to the lands. Therefore, WDC cannot sell any or all the lands without RMOW's knowledge or signature. Having six parcels instead of one large parcel allows the least number of lots to be used as financing collateral.
- WDC's RBC loan, the RMOW loan and the Reserve Fund Policy ensure any lot sales or other income goes to reducing debt associated with the project. WDC is not able to sell land and use proceeds for dividends or other typical business activities – which is why the RMOW would typically hold security (developer not completing civil works prior to selling lots created by subdivision)
- The RMOW, as WDC shareholder, would not allow WDC to go bankrupt and/or not complete the civil services. If the WDC Board of Directors were to resign prior to completing the project, the RMOW could either appoint new directors or complete the project as an RMOW project. RMOW projects are not required to post security. RMOW civil projects typically demand a performance bond from the contractor. Corona Excavations has confirmed that the RMOW, as

WDC Shareholder, is named on the Performance Bond. If the WDC Board resign, the civil contract is still in place to complete the project.

- If either the RMOW was not satisfied that the WDC Board was managing the project appropriately, or was grossly negligent, and wanted to call on the security, the debt would still need to be paid by selling the assets currently owned by the RMOW. To be clear, the security (as part of loan proceeds) is debt, regardless of who is managing the project.

If it's reasonable to assume there is no benefit to requesting subdivision security, the same argument could easily be applied to landscape security. WDC has paid \$268,445.58 as a security bond for the landscaping on Parcel A (Lot 1). This was required because the building is in a Development Permit area, unlike 1330 Cloudburst, where no security was required. Similarly, a condition of subdivision requires WDC to post security of \$325,000 for the cost of improving the new community park. The two security amounts will sit in an RMOW account for the duration of the building or park construction and will be returned once the landscaping is complete. In the meantime, WDC must borrow additional funds to pay for the works, which adds to the cost of the project (s).

In summary, while it's possible to meet the requirements outlined above, it adds complexity and cost to the project. And in WDC's opinion does not protect the RMOW anymore that if the project was an RMOW capital project. Therefore, we respectfully request Council consider waiving or reducing the security requirements to enable WDC to focus on delivering affordable employee housing projects, similar to how the first phase of Cheakamus Crossing was managed.

Yours truly,
Whistler 2020 Development Corporation



Neil Godfrey
Development Manager