

NO: **R216**

COUNCIL DATE: **October 1, 2012**

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## REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **September 24, 2012**

FROM: **General Manager, Engineering**

FILE: **0930-30/255**

SUBJECT: **Proposed Lease Agreement with the Fraser Valley Heritage  
Railway Society for the City Property Located at 5554 - 176 Street**

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## RECOMMENDATION

The Engineering Department recommends that Council approve the execution by the appropriate City officials of a lease agreement as generally described in this report between the City and the Fraser Valley Heritage Railway Society ("FVHRS") to allow the FVHRS to use the City-owned site at 5554 - 176 Street (the "Property"), as illustrated in Appendices I and II attached to this report, for the operation and maintenance of a car barn and related facilities as part of the Heritage Rail Demonstration Project ("HRDP") that the FVHRS is proposing to operate on the Southern Railway between the Property in Cloverdale and the former car barn site in Sullivan Park.

## BACKGROUND

At its Regular meeting on January 10, 2011, Council approved the recommendations of Corporate Report R007; 2011 (copy attached as Appendix III) to allow the construction of a new Heritage Rail car barn in Cloverdale to allow relocation of the FVHRS's rail cars and other assets from their current car barn in Sullivan Park. The purpose of the relocation is to enable the Society to implement the HRDP.

### 1. Property Description

The 3,081 m<sup>2</sup> (33,165 ft.<sup>2</sup>) property at 5554 - 176 Street was acquired by the City in February 2011. A new car barn with a floor area of 705 m<sup>2</sup> (7,588 ft.<sup>2</sup>) has been constructed on the site in accordance with approvals granted under Development Application No. 7911-0056-00.

### 2. Plan Designations, Zoning, and Land Uses

The Property is zoned High Impact Industrial (IH) Zone and is designated "Industrial" in the Cloverdale Town Centre Plan and the Official Community Plan.

### 3. Current Status of HRDP

To date, significant progress has been made on the HRDP as follows:

- Construction has been completed and an occupancy permit has been issued for the car barn building at 5554 – 176 Street. Two interurban cars and Streetcar 30 were moved into the car barn on August 15, 2012.
- The City and Southern Railway have entered into an operating agreement for the Heritage Rail Demonstration Project that will run on the Southern Railway between the subject property in Cloverdale and the former car barn site in Sullivan Park.
- The rail line connection from the car barn site to the Southern Railway Cloverdale spur line has been completed.

## DISCUSSION

City staff and FVHRS representatives have reached agreement on the terms and conditions of a proposed lease related to the lot at 5554 – 176 Street in Cloverdale on which the new car barn is situated.

Current policy regarding the leasing of City land and buildings to non-profit organizations is to lease the land/building at fair market value. As a non-profit organization, the FVHRS has the opportunity to apply to Council for an annual grant in lieu of rent. Based on an internal rental valuation of the subject premises and the associated annual operational expenses, the annual rent for the proposed lease is \$112,000. The following is a summary of the proposed lease:

#### 1. Main Lease Terms:

- Duration: 5 years with a 5-year renewal option
- Rent: \$112,000 per annum
- Utilities: Shared by the City and FVHRS
- Maintenance: City to maintain building systems  
FVHRS to perform day-to-day maintenance obligations
- Security: FVHRS's responsibility
- Equipment and supplies: FVHRS's responsibility

#### 2. Operational Requirements:

The FVHRS agrees to operate BC Electric Railway Car # 1225 as the HRDP passenger service each weekend between mid-May and mid-October of each year of the Term. Every effort will be made by the Tenant to maintain a regular weekend Saturday and Sunday service (between 10 a.m. and 4 p.m.) between Cloverdale and Sullivan and/or to other locations as may be agreed by the parties from time to time. There will be no scheduled operations between mid-October and mid-May of each year.

#### 3. Dissolution Agreement:

The FVHRS agrees that in the event of the winding up or dissolution of the Society, that the City of Surrey has the option to purchase for one dollar the Society's physical assets. The City agrees that if it exercises the option and at some future time chooses to abandon the maintenance, display, or operation of the Society's historical assets, such collection

shall be donated to another non-profit museum, society, or association located in British Columbia.

## **SUSTAINABILITY CONSIDERATIONS**

The leasing of the property at 5554 – 176 Street to the FVHRS will assist in achieving the objectives of the City’s Sustainability Charter, including:

- developing a sense of place and belonging for the community through the introduction of heritage rail facilities into Cloverdale;
- preserving significant heritage assets;
- building civic pride through educating the public about the City’s history; and
- encouraging tourism and economic development.

The Project addresses the following Sustainability Charter scope action items:

- SC10 - Historical and Heritage Assets; and
- EC1 - Corporate Economic Sustainability.

## **CONCLUSION**

Based on the above discussion, it is recommended that Council approve the execution by the appropriate City officials of a lease agreement as generally described in this report between the City and the FVHRS to allow the FVHRS to use the City-owned site at 5554 – 176 Street for the operation and maintenance of a car barn and related facilities as part of the Heritage Rail Demonstration Project that the FVHRS is proposing to operate on the Southern Railway between the Property in Cloverdale and the former car barn site in Sullivan Park.

Vincent Lalonde, P.Eng.  
General Manager, Engineering

DB/KSW/mpr

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## Appendices

- I. Aerial Photo of Site
- II. Photos of New Barn
- III. Corporate Report R007; 2011







## APPENDIX II

### PHOTOS OF NEW RAIL CAR BARN



NO: R007

COUNCIL DATE: January 10, 2011

**REGULAR COUNCIL**

TO: **Mayor & Council** DATE: **January 5, 2011**

FROM: **General Manager, Engineering** FILE: **8710-20(heritage)**

SUBJECT: **Heritage Rail Car Barn Location Alternatives – Request from the Fraser Valley Heritage Rail Society**

**RECOMMENDATION**

The Engineering Department recommends in relation to the on-going process of implementing a heritage rail demonstration project in Surrey, that Council authorize staff to:

1. proceed with all necessary activities to implement Alternative 4, as described in this report; and
2. advise the Fraser Valley Heritage Rail Society to continue to concentrate its efforts on obtaining funding from other sources for the restoration of the second heritage rail car and for all of the remaining requirements related to implementing a heritage rail demonstration project in Surrey.

**INTENT**

The purpose of this report is to:

- describe and evaluate alternative locations for a car barn and other operational facilities for a heritage rail demonstration project;
- identify the opportunity to accommodate both heritage rail and a future streetcar operation in Cloverdale; and
- obtain Council support to pursue these opportunities.

**BACKGROUND**

The former BC Electric Railway (BCER) Interurban line was built in 1910 for passenger rail service in the Lower Fraser Valley. The passenger service was suspended in 1950. Southern Rail of BC now operates only freight service on the former Interurban rail line. A local interest group has been working for the last few years to re-introduce passenger rail service on the former Interurban line. In 2001, the Fraser Valley Heritage Rail Society (FVHRS) was established with the goal of restoring and operating heritage interurban cars on the Interurban line through Surrey and across the Fraser Valley.

As an initial step toward its longer term goal, FVHRS has developed a concept for a demonstration project to operate a restored passenger car and a replica baggage car between Brownsville and Cloverdale on the subject rail line. The replica heritage baggage car would carry a power module that generates electricity to power the railway car. The FVHRS estimated that the demonstration project would cost \$5 million to bring into operation.

Due the significant capital and partnering requirements for its originally conceived demonstration project, in the summer of 2009 the FVHRS reduced the scope of the demonstration project to a “proof-of-concept” demonstration project that would run between Sullivan and Cloverdale. The cost of the “reduced scope” project has been estimated by FVHRS to be \$1.2 million (this is discussed in more detail later in this report). The reduced project features a diesel-electric generator “donkey” trailer rail unit as the power unit for the heritage railway car.

### **FVHRS Funding Requests**

On July 12, 2010, representatives of the FVHRS made a presentation to Council on the status of the project and on alternatives for locating the permanent car barn and operations in either Sullivan or Cloverdale. The FVHRS also reported that the restoration of the heritage rail car, BCER 1225 housed at the Sullivan facilities was near completion. As part of the presentation, the representatives of the FVHRS requested that the City provide the Society with \$1.2 million for the upgrading of the car barn and for facility improvements necessary to support the heritage rail demonstration project and an additional \$400,000 for the restoration of a second heritage rail car, BCER 1304. The FVHRS also requested that Council consider funding a future phase of the demonstration project, which would involve its extension to Newton and the procurement of a replica baggage car (power unit), all of which would cost an estimated \$1.5 million. The Society also presented an option to convert the demonstration project to clean energy, which would cost anywhere between \$250,000 and \$1.5 million. The total aggregate of the funding requests from the FVHRS amounts to \$4.2 million.

### **Funding of Heritage Rail to Date**

Since 2003, the City has contributed \$575,000 in direct financial assistance to the FVHRS for the refurbishment of BCER 1225 and the construction of the existing Sullivan car barn and other facilities. In addition, for each of the past eight years, the City has provided the Society with an annual grant of \$24,600 in relation to the use of the City-owned land at Sullivan by the car barn and related facilities. The aggregate of these annual grants amounts to \$196,800.

It is noted that the FVHRS has contributed many hours of volunteer service valued at \$480,000 over the years that have been expended in majority on the restoration of the Interurban car known as BCER 1225. Between 2002 and 2007, the FVHRS also secured a total of \$162,200 from the Province and BC Gaming.

### **Possible Future Cloverdale Streetcar Project**

The Cloverdale District Chamber of Commerce, in partnership with the Surrey Heritage Society, has plans to introduce a streetcar operation in the Cloverdale Town Centre. In 2002, the Chamber arranged for the relocation of a 1912 heritage streetcar (since re-named Clover Belle) from Saanich to Cloverdale with the intention of refurbishing the streetcar for operation in Cloverdale. The

Executives of the Chamber have recently confirmed that they intend to re-initiate the project by launching a fundraising campaign with the intention of fully restoring the “Clover Belle”. The Chamber recognizes the opportunity to coordinate the Chamber’s activities with the activities of the FVHRS to develop integrated heritage rail operation and streetcar operation in Cloverdale. Staff will provide a separate report as this develops further on options with respect to the Cloverdale streetcar project.

## **DISCUSSION**

The FVHRS heritage rail demonstration project has reached a crossroads. For the project to continue, funding is required to construct a proper permanent car barn and facilities at either Sullivan or Cloverdale, including sprinklers and a security system, to protect the significant investment in the Interurban railcar, BCER 1225.

Four alternatives have been developed and evaluated for the location of a permanent car barn for the heritage rail project. The following section describes and provides an evaluation of these alternatives. The alternatives have been evaluated in relation to the following criteria:

1. Protection of existing investments in heritage rail assets;
2. Return to the City of the Sullivan property for other community uses;
3. The degree of difficulty in relation to implementing a heritage rail demonstration project;
4. Potential for future integration with a Cloverdale streetcar project;
5. Suitability of the proposed site for the functional needs of the car barn and related requirements; and
6. Cost.

### **Description and Evaluation of Alternatives:**

The following sections of this report provide a description of each of the alternatives that has been considered and an evaluation of each:

#### **Alternative 1: Remain at Sullivan – Status Quo**

Under this alternative (see map attached as Appendix I) the existing facilities will be maintained at Sullivan as a venue to showcase the two refurbished BCER heritage rail cars to the public; however, there would be no demonstration project.

##### **Pros:**

- Retains the existing investment in buildings and infrastructure at Sullivan.
- Least costly alternative for the City as funding for this alternative would be limited to an annual grant of approximately \$25,000 to the FVHRS for its continued use of the City-owned Sullivan site. No capital expenditure is required for this alternative.

##### **Cons:**

- Would not allow for a Heritage Rail Demonstration Project.
- Would provide no advantage in relation to implementing a streetcar project in Cloverdale Town Centre.



- The current car barn facility is not fire sprinkler-protected and, as such, leaves in some jeopardy the investments that have been made in BCER 1225, which is housed in the building, along with all of the equipment contained within the building.
- The parkland area occupied by the existing car barn facility would not be available for reinstatement as parkland in Sullivan.

### **Alternative 2: Remain at Sullivan – Upgrade Facilities to Allow Heritage Rail Demonstration Project**

Under this alternative (see the attached Appendix II) the car barn would remain at Sullivan but a spur line would be constructed connecting the car barn with the Southern Rail main line that runs immediately to the north of the site to allow the Interurban cars housed on the site to access and run on the Southern Rail main line as a heritage rail demonstration project.

Facility upgrades under this alternative include:

- installation of fire sprinklers and improvement to the electrical system in the existing car barn for site security and protection of the heritage rail cars;
- construction of washrooms, a lunchroom and administrative facilities, and the expansion of the car barn to accommodate a second heritage car; and
- construction of a spur rail line to connect the car barn with the Southern Rail main line.

#### **Pros:**

- Would allow for the implementation of a heritage rail demonstration project.
- Would retain and protect the existing investments that have been made to date in the existing car barn and other facilities and equipment along with BCER 1225.
- Would not require any additional property acquisition.

#### **Cons:**

- The construction of a spur line connecting to the Southern Rail main line at this location is somewhat complicated and expensive and may be difficult to implement.
- Would provide no advantage in relation to implementing a streetcar project in Cloverdale Town Centre.
- Would cost approximately \$1.7 million in capital funding to implement.
- Would require an on-going grant by the City of approximately \$25,000 to FVHRS in relation to the continued use of the Sullivan parkland site by the FVHRS operation.
- The parkland area occupied by the existing car barn facility would not be available for reinstatement as parkland in Sullivan.

### **Alternative 3: Relocate the Car barn to Cloverdale – Access to 176A Street**

Under this alternative (see the attached Appendix III) a new permanent properly constructed car barn and related facilities would be built in Cloverdale. The car barn would be constructed on a section of the BC Hydro Electric spur line at the south terminus of

176A Street south of Highway 10. The existing spur line would connect the car barn site with the Southern Rail main line to the south of the site.

**Pros:**

- The 1.0 acre site of the existing car barn in Sullivan Park would be available to return to other community uses.
- The implementation of the heritage rail use in Cloverdale will complement and enhance the rich history and heritage character of Cloverdale.
- Implementation of the Heritage Rail Demonstration Project will be less complicated at this location in comparison to the Sullivan site.
- The 25,000 ft<sup>2</sup> site within the BC Hydro spur right-of-way in Cloverdale to accommodate the new car barn and supporting facilities would be available from the Province at no cost.
- Could potentially provide an advantage to the City and others in relation to implementing a streetcar project in Cloverdale Town Centre.

**Cons:**

- The only viable public access to the site is from 176A Street to the north and will require a negotiated easement or some property acquisition to the north as 176A Street does not extend to the property line of the spur line. Access to 176 Street is not available as the Province is intending to sell the westerly portion of the rail spur to the owners of the property at 17608 - Highway 10 to mitigate the loss of parking area that occurred with the widening of Highway 10.
- The site is quite limited in area and would not provide for the construction of a full car barn facility and related parking requirements.
- Implementing a streetcar project in Cloverdale Town Centre would require other property acquisition in Cloverdale.
- Would require approximately \$1.7 million in capital funding for a new car barn and related facilities to operate a Heritage Rail Demonstration Project on the Southern Rail main line.

**Alternative 4: Relocate the Car barn to Cloverdale – Expanded Presence with Direct Access to 176 Street**

Under this alternative (see the attached Appendix IV) in addition to the site that is referenced in Alternative 3 a lot would be purchased fronting on 176 Street to the west. A full-sized and properly constructed car barn and related parking facilities would be constructed on this expanded site. Access to the facility would be from 176 Street. The car barn would be connected to the Southern Rail main line by way of the spur line to the east.

**Pros:**

- The site of the existing car barn in Sullivan Park would be available to return to other community uses.
- The implementation of the heritage rail use in Cloverdale will complement and enhance the rich history and heritage character of Cloverdale.
- Implementation of the Heritage Rail Demonstration Project would be less complicated at this location in comparison to the Sullivan site.

- The 25,000 ft<sup>2</sup> site within the BC Hydro spur right-of-way in Cloverdale to accommodate the new car barn and supporting facilities would be available from the Province at no cost.
- The site would be large enough to accommodate an adequately sized car barn and parking facilities.
- Access to the site would be from 176 Street, which is preferred in comparison to 176A Street as proposed under Alternative 3.
- This is the most advantageous alternative for the City and others in relation to implementing a streetcar project in Cloverdale Town Centre.

**Cons:**

- Is the most expensive alternative to implement, requiring capital funding of \$2.9 million including the acquisition of land and the construction of a new car barn and related facilities to operate the Heritage Rail Demonstration Project.

**Summary of the Evaluation of Alternatives:**

Table 1 summarizes the key considerations in the evaluation of the four alternatives.

**Table 1: Summary of Alternative Evaluation**

Alternative	Alternative Description	Protects Investment in BCER 1225 <sup>1</sup>	Enables the Launch of HRDP <sup>2</sup>	Reinstates Community Use at Sullivan <sup>3</sup>	Integrates & Enhances Cloverdale Streetcar Development	Total Cost <sup>4</sup>
1.	Remain at Sullivan - status quo	No	No	No	No	\$ 0
2.	Remain at Sullivan - upgrade facilities	Yes	Yes	No	No	\$1.7 M
3.	Relocate to Cloverdale - limited access to 176A Street	Yes	Yes	Yes	Limited	\$1.7 M
4.	Relocate to Cloverdale - expanded presence and direct access to 176 Street	Yes	Yes	Yes	Best	\$2.9 M

Notes: <sup>1</sup> Protects rail car and barn through provision of sprinklers and security system.

<sup>2</sup> HRDP denotes Heritage Rail Demonstration Project.

<sup>3</sup> Value of property is estimated at \$1 million.

<sup>4</sup> Total cost includes costs to construct car barn and related site facilities, the provision of diesel generator unit, liability insurance and land.

Based on operational flexibility and other benefits such as the potential integration with a future streetcar operation in Cloverdale, the relocation of the car barn facility to Cloverdale is strategically superior and more effective than the alternatives associated with the car barn remaining at Sullivan. Either of Alternatives 3 and 4 would re-introduce heritage rail back into

the Cloverdale community that is recognized as being historically linked with the railway. The relocation of the car barn to Cloverdale will allow for the repatriation into the City's park inventory of the one acre site in Sullivan. The City would also take over ownership of the existing buildings on the Sullivan site for its own uses.

Despite its higher cost, Alternative 4 is considered superior to alternative 3, by virtue of the larger site area to accommodate a superior car barn facility and related parking and its potential to better integrate with a future streetcar operation in the Cloverdale Town Centre. Alternative 4 also provides the City with a valuable piece of land in the Cloverdale business area. As such, staff considers Alternative 4 to be the preferred alternative. Staff has negotiated a Purchase Agreement for the property at 5554 - 176 Street in support of Alternative 4, but such purchase would still be subject to Council approval of the purchase.

## **FUNDING**

Staff has reviewed funding sources and has determined that funds for implementing heritage rail demonstration project as described in this report can be accommodated within the financial capabilities of the City as part of the Build Surrey Program.

Under Alternative 4, staff would protect the City's investments in Heritage Rail by having an agreement with the FVHRS that would result in the rail cars being transferred to the City's ownership should the FVHRS cease to exist or suspend its operation in Surrey.

The recommendations of this report do not include any funding for the restoration of a second heritage rail car or the acquisition of a replica baggage "power module" car or any other power module. It is recommended that Council advise the FVHRS that it should continue to focus its attention on obtaining other external funding for these other requirements.

## **SUSTAINABILITY CONSIDERATIONS**

The construction of a new car barn and related facilities in Cloverdale would assist in achieving some of the Socio-Cultural goals within the City's Sustainability Charter. These include:

- developing a sense of place and belonging for the community through the introduction of heritage rail facilities into Cloverdale;
- preserving significant heritage assets, and promoting and educating the public about the City's history; and
- establishing tourism and economic development opportunities.

The specific Sustainability Charter actions addressed by this proposal include:

- SC10 - Historical and Heritage Assets
- EC1 - Corporate Economic Sustainability



## CONCLUSION

Based on the above discussion, it is recommended that Council authorize staff to:

- proceed with all necessary activities to implement Alternative 4, as described in this report; and
- advise the Fraser Valley Heritage Rail Society to continue to concentrate its efforts on obtaining funding from other sources for the restoration of the second heritage rail car and for all of the remaining requirements related to implementing a heritage rail demonstration project in Surrey.

Vincent Lalonde, P. Eng.  
General Manager,  
Engineering

VL/JB/PCL/KSW/mpr/brb/jkb

Appendix I - Alternative 1: Remain at Sullivan - *status quo*  
Appendix II - Alternative 2: Remain at Sullivan - Upgrade Facilities  
Appendix III - Alternative 3: Relocate to Cloverdale – Limited Access to 176A Street  
Appendix IV - Alternative 4: Relocate to Cloverdale – Expanded Presence with Direct  
Access to 176 Street

# APPENDIX I



Produced by GIS Section: December 17, 2010, AW

Date of Aerial Photography: May 2010



**ALTERNATIVE 1:  
REMAIN AT SULLIVAN - *status quo***

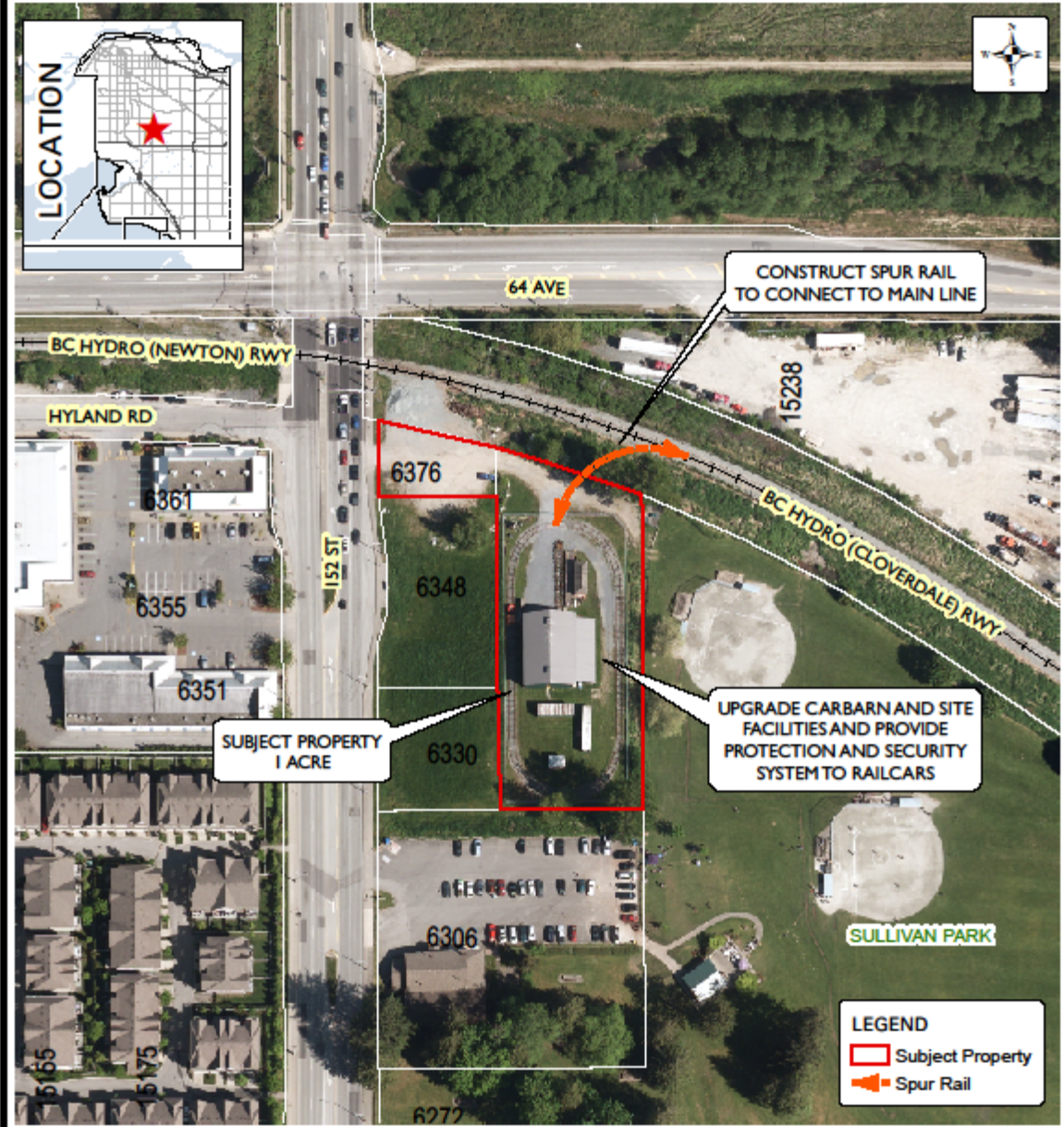
**ENGINEERING  
DEPARTMENT**

The data provided is compiled from various sources and IS NOT warranted as to its accuracy or sufficiency by the City of Surrey.  
This information is provided for information and convenience purposes only.  
Lot sizes, Legal descriptions and encumbrances must be confirmed at the Land Title Office.

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# APPENDIX II



Produced by GIS Section: December 17, 2010, AW

Date of Aerial Photography: May 2010



## ALTERNATIVE 2: REMAIN AT SULLIVAN UPGRADE FACILITIES

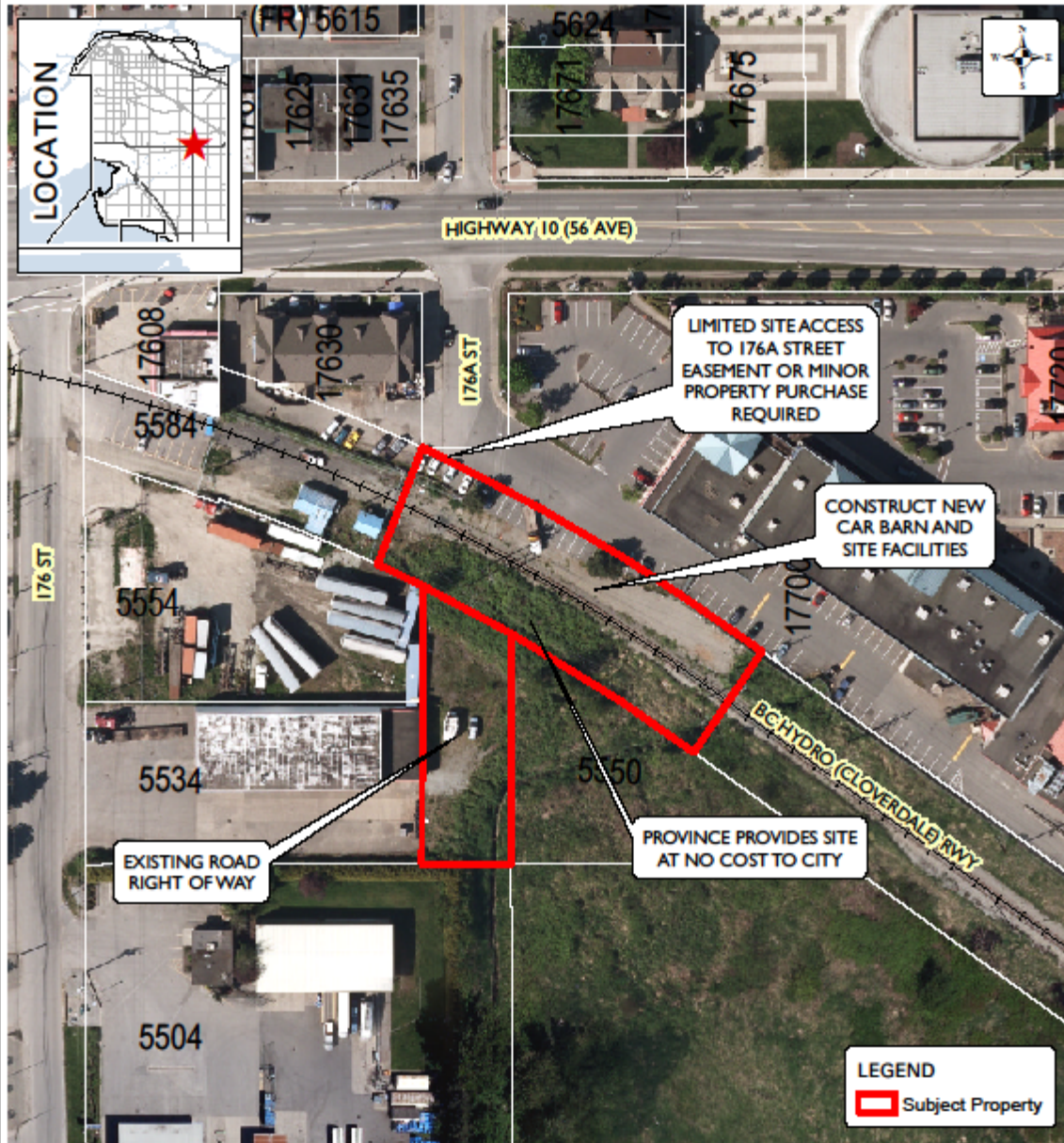
ENGINEERING  
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AW-RemainSullivan2-AP.mxd



# APPENDIX III



Produced by GIS Section: December 17, 2010, AW

Date of Aerial Photography: May 2010



## ALTERNATIVE 3: RELOCATE TO CLOVERDALE LIMITED ACCESS TO 176A STREET

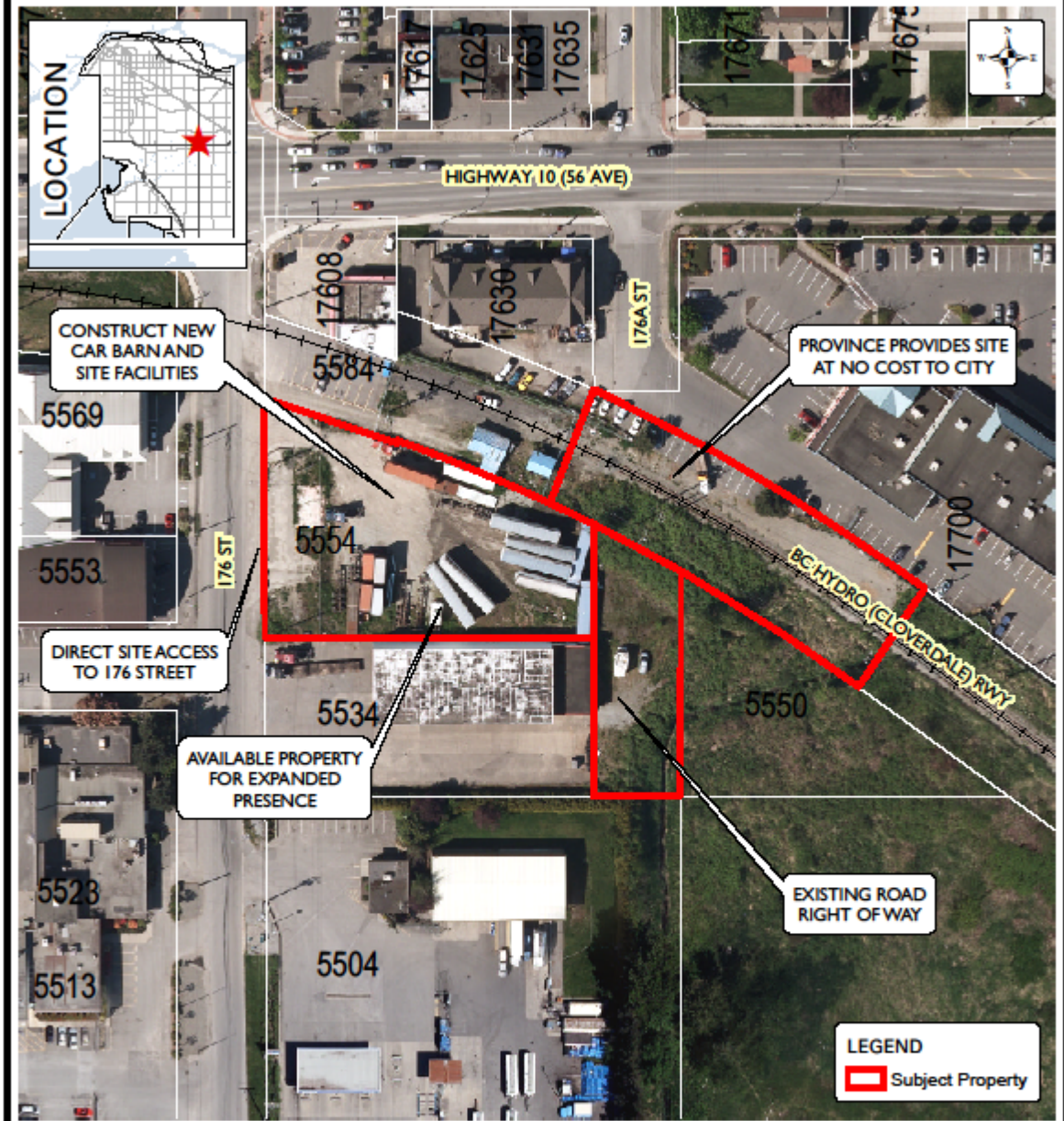
ENGINEERING  
DEPARTMENT

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# APPENDIX IV



Produced by GIS Section: December 17, 2010, AW

Date of Aerial Photography: May 2010



## ALTERNATIVE 4: RELOCATE TO CLOVERDALE EXPANDED PRESENCE WITH DIRECT ACCESS TO 176 STREET

**ENGINEERING  
DEPARTMENT**

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Lot sizes, Legal descriptions and encumbrances must be confirmed at the Land Title Office.

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