

City of Melfort Policy Manual

<i>POLICY TITLE:</i> Land Development Fund Policy	<i>POLICY NUMBER:</i> 1.3.15	<i>EFFECTIVE DATE:</i> January 1, 2013
<i>ORIGIN:</i> Finance Department	<i>ADOPTED BY COUNCIL ON:</i> September 10, 2012	<i>DATE AMENDED:</i> June 10, 2013

1. PURPOSE

The purpose of this policy is to establish guidelines for funding impairment of value in commercial and multi-residential developments and ensure that anticipated losses incurred on the income statement at the completion of a commercial development are countered through accumulated funds transferred from the Land Development Reserve.

2. STATEMENT

When a land development project costs after completion are higher than the fair market value of the property, an impairment of the asset has occurred:

- 2.1 This impairment loss will be recognized in the income statement as a loss in the year of impairment.
- 2.2 The City's Land Development projects should be budgeted to ensure that the fair market value of the property be higher than the costs of development.
- 2.3 When an anticipated impairment will occur on a land development project, a plan to mitigate the future loss is required.
- 2.4 The plan will offset accounting losses and address cash flow.

3. POLICY

- 3.1 To secure larger commercial and multi-residential developments and to remain competitive with the surrounding communities, anticipated impairments are more likely to occur in commercial developments. A policy specifically to address commercial development impairments has been established.

- 3.2 As new or expanding commercial and multi-residential properties complete the commercial incentive exemption period, 50% of the yearly taxation will be transferred to the Land Development Reserve for a three-year term.
- 3.3 After the three-year term, the transfers will cease and the full taxation will remain with the operating fund.
- 3.4 The new and expanding commercial and multi-residential properties will be staggered into the policy.
- 3.5 When an impairment loss on commercial property is recognized in the income statement, a transfer from the Land Development Reserve in the amount of the loss will be authorized in the same fiscal year.
- 3.6 When the loss is more than has been accumulated from commercial and multi-residential taxation transfers to the Land Development Reserves, a drawdown of the Land Development Reserve is required. The commercial taxation plan will continue until the Land Development Reserve is replenished.
- 3.4 This policy is to be reviewed on an annual basis.

4. RESPONSIBILITIES

4.1 City Treasurer

- 4.1.1 Monitors Commercial and Multi-Residential Development Projects.
- 4.1.2 Updates and administers this policy.
- 4.1.3 Provides City Council, annually during the budget process, amount of commercial taxation to be transferred to Land Development Reserve.
- 4.1.4 Provides Council with amount impairment loss that will be recognized on the Income Statement.

4.2 City Council

- 4.2.1 Annually reviews and approves the commercial taxation to be transferred to the Land Development Reserve.
- 4.2.2 Authorizes transfer from Land Development Reserve.
- 4.2.3 Reviews and approves any and all amendments to this policy.