

ADMINISTRATIVE REPORT

Report Date: October 22, 2012
Contact: Michael Flanigan
Contact No.: 604.873.7422
RTS No.: 9822
VanRIMS No.: 08-2000-21
Meeting Date: October 31, 2012

TO: Vancouver City Council

FROM: Director of Real Estate Services and General Manager of Real Estate & Facilities Management

SUBJECT: Proposed Sale of 1327 Marine Drive, West Vancouver

IN CAMERA RATIONALE

This report is recommended for consideration by Council in the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city.

RECOMMENDATIONS*

- A. THAT Council authorize the Director of Real Estate Services to accept an offer to purchase real property owned by 0583424 B.C. Ltd., a wholly owned subsidiary of the City, located at 1327 Marine Drive, West Vancouver and legally described as PID: 007-720-475, Lot F, Block 15, District Lot 237, Plan 15155 as shown highlighted on Appendix B attached to this report (the "Subject Property") made by Serra Holdings (No. 3) Ltd. ("Serra") for a purchase price of s.17(1) and enter into a conditional sale contract (a "Sale Contract"), on such terms and conditions as are satisfactory to the City's Directors of Real Estate and Legal Services, but subject to Serra receiving a satisfactory development and environmental feasibility analysis within 30 days of offer acceptance and the Serra receiving satisfactory zoning approval by September 1, 2013.
- B. THAT Council authorize the Director of Real Estate Services to execute any agreements required to effect Recommendation A.

CONSIDERATION*

THAT, as an alternative to Recommendation A, Council instruct the Director of Real Estate Services to accept an offer to purchase the Subject Property made by Mojority Investment Corporation ("Mojority"), for a purchase price of s.17(1) and enter into a Sale Contract, subject to Mojority obtaining a satisfactory environmental review and satisfactory financing within 7 business days of offer acceptance. The net purchase price would be s.17(1), subject to adjustments on closing, after sale commission is paid.

REPORT SUMMARY *

Offers to purchase the Subject Property were solicited by an Invitation to Offer commencing the beginning of August 2012. The offer period closed October 5th, 2012. Following an evaluation of the offers, staff recommends that a conditional Sale Contract be entered into between 0583424 B.C. Ltd. and Serra, the offeror who offered the highest purchase price. Serra's offer is subject to satisfactory development and environmental feasibility within 30 days of offer acceptance and obtaining satisfactory zoning by September 1, 2013. As the current contract language in Serra's offer requires clarification so as to be more specific with regards to the exact nature of the rezoning, staff would only proceed to execute the Sale Contract on terms that were satisfactory to the Director of Real Estate Services and Director of Legal Services. The proposed closing date for the Sale Contract is October 31, 2013. Serra's offer provides for a s.17(1) deposit to be increased by s.17(1) to a total of s.17(1) after 30 days. Staff seeks Council authorization to negotiate Serra's offer in order to proceed with this Sale Contract.

Staff note Serra's lengthy condition period extending to September 1, 2013 and have included for Council's consideration an alternative of instructing the Director of Real Estate Services to accept the offer from Mojority for the Subject Property and enter into a conditional Sale Contract with Mojority on terms and conditions described in the CONSIDERATION. The proposed closing date for this purchase and sale is November 30, 2012, but this offer is also conditional upon the purchaser satisfying its conditions to review all environmental reports and obtain satisfactory financing within 7 business days of offer acceptance. The Mojority offer provides for a s.17(1) deposit to be increased to 10% of the purchase price upon removal of all conditions.

Should the rezoning of the property be unsuccessful, staff will re-issue the Invitation to Offer and report back to Council for further direction.

COUNCIL AUTHORITY/PREVIOUS DECISIONS *

While the Subject Property is owned by wholly-owned subsidiary of the City of Vancouver, Section 190(b) of the Vancouver Charter authorizes Council to dispose of City-owned real property deemed to be surplus to the City's needs and requires an affirmative vote of two thirds of all members of Council for the disposition of property which exceeds \$400,000 in value.

On December 13, 2011, Vancouver City Council (In Camera) approved the following:

- A. THAT Council authorizes the transfer of 177 West Pender Street, legally described as Lots 37 & 38, Block 28, District Lot 541, Plan 210, from 535538 BC Ltd. to City of Vancouver ownership in order to add these properties to the City's list of Affordable Housing sites for a purchase price of \$170 (the appraised value for these sites), source of funding to be determined by the City's Director of Finance.
- B. THAT Council authorizes the Director of Real Estate Services to issue a public tender for the sale of the remaining properties noted below.

Address	Ownership	Legal Description
198 W. Hastings Street, Vancouver	HPD Properties Ltd. (BC0909239)	Parcel D, Block 28, District Lot 541, Group 1, New Westminster District, Reference Plan LMP41672. (PID: 024-477-648)
1583 Marine Drive, West Vancouver	HPD Properties Ltd. (BC0909239)	Lots 10 & 11, Block 1, District Lot 237, Plan 4133. (PID: 011-795-701, 011-795-719)
1846 - 1854 Marine Drive, West Vancouver	HPD Properties Ltd. (BC0909239)	Lot A, Blocks 1 and V, District Lot 775, Plan 13982. (PID: 007-971-184)
1379-1381 Marine Drive, West Vancouver	0583424 BC Ltd.	Lot 33, Block 15, District Lot 237, Plan 3459. (PID: 012-864-099)
1327 (1321-1341) Marine Drive, West Vancouver	0583424 BC Ltd.	Lot F, Block 15, District Lot 237, Plan 15155. (PID: 007-720-475)
131 Esplanade W, North Vancouver	0686484 BC Ltd.	Lot 1, Block 177, District Lots 271 and 274, Plan 5243. (PID: 011-201-568)
127 Esplanade W, North Vancouver	0686484 BC Ltd.	Lot F, Block 177, District Lots 271 and 274, Plan 5243. (PID: 011-201-746)
119 Esplanade W, North Vancouver	0686484 BC Ltd.	Lot G, Block 177, District Lot 271, Plan 19820. (PID: 006-961-045)
4270 Dawson Street, Burnaby	Millennium Madison Properties Ltd. (BC0677201)	Lot 76, District Lot 119, Group 1, New Westminster District, Plan 58623. (PID: 002-113-341)
260 Esplanade W & 255 West 1st - Esplanade Centre, North Vancouver	0686484 BC Ltd.	Strata Lots 1, 2 & 3, District Lot 271, Strata Plan VR 761, together with an interest in the common property in proportion to the unit entitlement of the Strata Lots as shown on Form 1. (PID: 005-828-139; 005-828-147; 005-828-201)

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS *

The General Manager of Real Estate and Facilities Management approves the foregoing recommendations.

REPORT

Background/Context *

The Subject Property is one of 32 collateral properties transferred to the City or a City-owned subsidiary holding company from the Millennium Group in early 2011. All properties are authorized by Council to be sold except for a vacant property at 177 West Pender Street, which is being held by the City as a potential housing site. A summary of sales to date is provided as Appendix A.

The Subject Property comprises a 15,647 square foot rectangular lot (see Appendix B) improved with a two storey, 9 unit, commercial/retail building constructed approximately 40 years ago (the "Building"). The net rentable area of the Building is approximately 10,743 square feet. The Subject Property is zoned Ambleside Centre Zone 2 permitting a range of commercial and residential uses.

The Subject Property was assessed at s.17(1) (2012) and appraised at s.17(1) s.17(1) (end of 2011). The City's marketing process resulted in over 150 inquiries and 3 submitted offers. Staff believes that more offers would have been submitted had the Subject Property not been the subject of contamination migrating from the neighbouring Shell gas station property. Despite Shell being responsible under existing legislation to clean up any migrating contamination exceeding commercial standards, the contamination issue represents an additional complication that many passive investors were not prepared to deal with.

The 3 offers submitted included:

1. an unconditional offer of s.17(1) net of sale commission;
2. an offer of s.17(1) net of sale commission (subject to further environmental review and financing to the prospective purchaser's satisfaction within 7 days of acceptance and closing November 30, 2012) and;
3. an offer of s.17(1) with no commission payable (subject to development and environmental feasibility review within 30 days of acceptance and zoning approval by September 1, 2013 to the satisfaction of the prospective purchaser, and closing October 31, 2013.)

Strategic Analysis *

While all prospective buyers are qualified, staff believe that Serra has provided the best offer for the following reasons:

1. At s.17(1), the price is almost s.17(1) more than the next best offer even after accounting for time differences on proposed closing dates;
2. Serra's director is well known and respected in the development community and has done many redevelopment projects with Shell in the Lower Mainland. Not only does

he have the experience to manage the environmental issues, he has an on-going relationship with Shell and is a sophisticated purchaser deemed qualified to take the Subject Property successfully through West Vancouver's rezoning process.

3. Serra intends to redevelop the property upon acquisition. Staff have met with the District of West Vancouver and confirmed the Municipality's support for redevelopment of the site as a means to realizing its revitalization plans for Ambleside Village. Given the profile of the Subject Property at the gateway to Ambleside Village, District staff see a unique opportunity to improve the streetscape at this important location with redevelopment and the Director of Planning for West Vancouver has demonstrated his appreciation for Vancouver facilitating this possibility as evidenced in the attached letter. (See Appendix C)

It is Serra's intent to either rezone the Subject Property to CD, or consolidate a portion of the neighbouring Shell Station lands with the Subject Property and rezone the larger resulting parcel to AC2, the current zoning of the Subject Property. This aspiration has met with support of the West Vancouver Planning Department, but remains to be approved by their District Council. The current contract language in Serra's offer requires clarification so as to incorporate this clarity around the rezoning into the Sale Contract. Accordingly, staff would only proceed to execute the Sale Contract on such revised terms that were satisfactory to the Director of Real Estate Services and Director of Legal Services, should Council wish to proceed with Recommendation A.

Implications/Related Issues/Risk (if applicable)

Financial

The purchase price of s.17(1) (subject to standard adjustments on closing and mortgage payout costs) represents a partial disposition of the City's South East False Creek development asset. Sale proceeds after accounting for the release of the existing mortgage on title is estimated to be s.17(1). In the alternative, should Council authorize acceptance of the Majority offer and the sale completes, the sale proceeds after accounting for the release of the existing mortgage on title is estimated to be s.17(1).

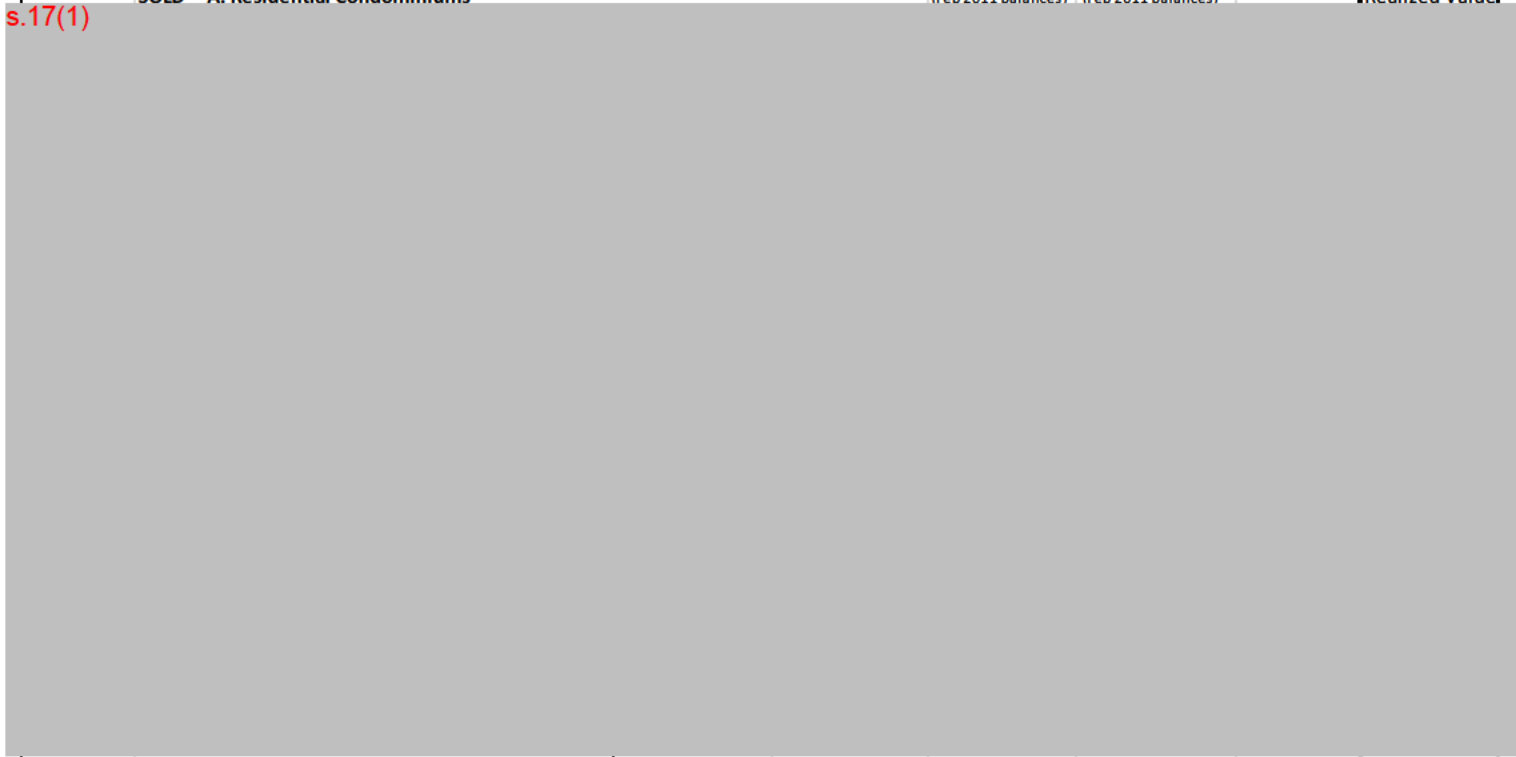
CONCLUSION *

The Director of Real Estate Services confirms the purchase price reflects fair market value and recommends that Council authorize the proposed sale. Should the rezoning of the property be unsuccessful, staff will re-issue the Invitation to Tender and report back to Council for further direction.

* * * * *

APPENDIX A - SALE TRACKING - TRANSFERRED PROPERTY PORTFOLIO
PAGE 1 OF 1

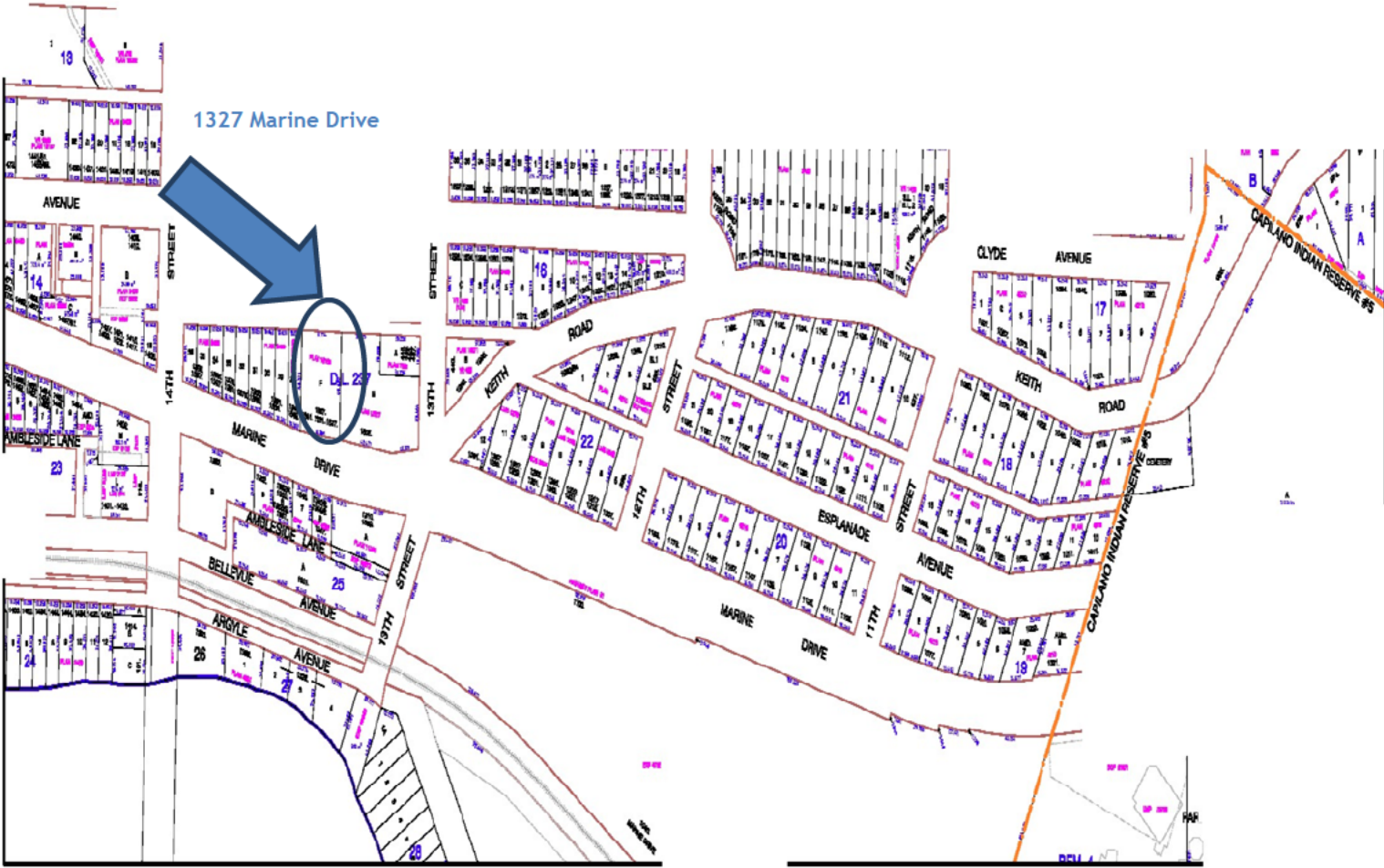
	Address	Building Leasable Area	Assessed Value 2011	Assessed Value 2012	Appraised Value	Orig. Mortgage Balance	*Expected Gross Realizable Value	Sale Value	**Net Sale Proceeds
	SOLD -- A. Residential Condominiums					(Feb 2011 balances)	(Feb 2011 balances)		Realized Value



	FOR SALE -- D. Potential Value Add Dispositions								
ICI	1327 Marine	s.17(1)							
1 Title									



APPENDIX B - LOCATION MAP - 1327 MARINE DRIVE, WEST VANCOUVER



APPENDIX C - LETTER FROM DIRECTOR OF PLANNING, WEST VANCOUVER

PLANNING, LANDS AND PERMITS
750 17th Street West Vancouver BC V7V 3T3
t: 604-925-7055 f: 604-925-5968



October 23, 2012

Michael Flanigan
Director of Real Estate Services, City of Vancouver
453 West 12th Avenue
Vancouver BC V5Y 1V4

Dear Mr. Flanigan:

RE: 1327 Marine Drive, West Vancouver

Thank you again to you and your team for keeping us apprised of the status of the City of Vancouver owned properties located in West Vancouver.

We understand that the City is doing its due diligence on Offers received for the above captioned property. We understand that the City of Vancouver's objective is to maximize value through a competitive bid process. It is our hope that, all things being equal, the property is purchased by a developer who is willing and able to further the vision of a revitalized Ambleside.

Accordingly, we were pleased to learn that one of your proponents, an experienced developer who is able and prepared to proceed with a development application in short order, is proposing redevelopment of the site that meets several of our objectives for Ambleside:

- A quality, architecturally appealing development at this important 'gateway' property;
- A design and layout that is potentially able to integrate the new Shell gas station redevelopment on adjoining lands to create an enhanced entry to the Ambleside Village Centre.

We confirm that we would be pleased to work with the proponent on advancing such an application that both maximizes value for the City of Vancouver and furthers revitalization of Ambleside, a priority of West Vancouver Council.

Yours Sincerely,

Geri Boyle, MCIP
Acting Director of Planning, Lands and Permits

