



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 22, 2012
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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, in consultation with the Deputy City Manager, Director of Planning, Director of Finance, Managing Director of Social Development, Director of Legal Services, and General Manager of Engineering Services

SUBJECT: Potential Sale of City-owned land located at 508 Helmcken and proposed closure and sale of adjacent lane and Potential Purchase of Land for Housing and Development of Non-Market Housing

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.

RECOMMENDATION

- A. *THAT Council authorize the Director of Real Estate Services to negotiate a conditional lease surrender (the "Lease Surrender") with The 127 Society for Housing (the "Society") and Provincial Rental Housing Corporation ("BC Housing") for the City owned lands at 508 Helmcken Street, legally described as PID: 015-482-073, PID: 015-482-081, PID: 015-482-138, PID: 015-482-162 PID: 015-482-260 LOT 34 to LOT 38, all of BLOCK 94 DISTRICT LOT 541 PLAN 210 (the "City Property"), at no cost to the City.*
- B. *THAT, subject to obtaining the Lease Surrender in RECOMMENDATION A, Council authorize the Director of Real Estate Services to enter into exclusive negotiations with Brenhill Developments Limited ("Brenhill"), the owner of 1077-1099 Richards Street, legally described as PID: 004-904-125 PID: 015-485-811 PID: 003-690-806, PID: 006-706-673 LOT 20 to LOT 23, all of BLOCK 84 DISTRICT LOT 541 PLAN 210 (the "Brenhill Lands"), over the next 12 months to:*

(i) negotiate the sale of the City Property to Brenhill, together with a portion of lane described in the attached Appendix A (the "City Lane"), and

(ii) negotiate the City's acquisition of the Brenhill Lands;

such negotiations to be based on the following terms and conditions:

(a) the City to purchase the Brenhill Lands for a purchase price of \$8,400,000, plus closing costs and taxes;

(b) the City to sell the City Property and City Lane (collectively the "City Lands") to Brenhill for a price of \$15,000,000, net of closing costs and taxes;

(c) the City successfully negotiating the terms of a development agreement with Brenhill, BC Housing, and the Society (the "Development Agreement"), on terms subject to final Council approval, in which Brenhill agrees to build an anticipated 172 turnkey replacement units of non-market housing (herein the "Replacement Non-Market Housing Units"), such final unit count, tenant mix, and terms of the operating agreement to be approved by Council; such Replacement Non-Market Housing Units to be constructed on the Brenhill Lands, to be owned by the City of Vancouver at no development or construction cost risk to the City; and,

(d) that the City's maximum contribution towards funding the Replacement Non-Market Housing Units will be the sum resulting from the difference in the purchase price amount for the Brenhill Lands and the sale price amount for the City Lands, being \$6,600,000, together with the CAC value of approximately \$25,000,000 from rezoning the City Lands, to be used to finance the construction costs for the Replacement Non-Market Housing Units on terms as further set out in this Report.

C. THAT, if the Director of Real Estate Services can successfully conclude such negotiations with Brenhill, BC Housing, and the Society, Council authorize the Directors of Legal and Real Estate Services to enter into a legally binding Lease Surrender and Contracts of Purchase and Sale, such agreements being subject to the City Lands being rezoned;

FURTHER THAT, if the Director of Real Estate Services can successfully conclude such negotiations with Brenhill, BC Housing, and the Society, Council authorize the Directors of Legal and Real Estate Services to enter into a legally binding Development Agreement, such agreement being subject to final City Council approval.

D. THAT the closure and sale of the City Lane will be subject to the approval of the rezoning of the City Lands at public hearing and approval by Council to stop up, close and convey the lane to the abutting owners.

- E. *THAT as part of the Development Agreement and rezoning process, Council authorize the Director of Real Estate Services to negotiate a requirement for Brenhill to provide a minimum of 110 units of new secured market rental housing, on the City Lands, to be owned by Brenhill, which market rental housing will be secured through the contemplated rezoning of the City Lands by a Housing Agreement entered into pursuant to section 565.2 of the Vancouver Charter, including covenants in favour of the City protecting this affordable rental housing stock for a minimum of 60 years or life of the building, whichever term is longer, and prohibiting subdivision by strata plan and separate sale of any of such units (the "City Housing Agreement").*
- F. *THAT as part of the Development Agreement, Council authorize the Directors of Legal and Real Estate Services to negotiate a new replacement lease with the Society and BC Housing for the Replacement Non-Market Housing Units, for a term of 60 years (the "Lease"), subject to Council approval. The Lease will require payment of property taxes in lieu unless the Replacement Non-Market Housing Units are classified by BC Assessment as a Class 3 supportive housing property.*
- G. *THAT Council authorize the Director of Finance and Managing Director of Social Development to prepare a strategy for optimizing the value of a prepaid lease to the Society to the extent that mortgage financing is supported by the housing operations over the long term, with a report back to Council with recommended prepaid lease options.*
- H. *THAT Council authorize the Director of Legal Services to negotiate with the Society and BC Housing, and Canada Mortgage and Housing Corporation ("CMHC") for the transfer of two existing mortgages registered against the Society's leasehold interest in the City Property in favour of CMHC under registration numbers #BK273470 and #BM295775 from the City Property to the Society's leasehold interest pursuant to Recommendation G, in the building to be constructed on the Brenhill Lands upon the City successfully becoming the registered owner of the Brenhill Lands.*
- I. *THAT Council accept a voluntary contribution from Brenhill to the City's Affordable Housing Fund in the amount of \$1,000,000, payable to the City at the time of successful enactment of the rezoning of the City Lands.*
- J. *THAT Council authorize the creation of a 2013-2015 project management budget of \$1,000,000 (the "Project Management Budget") to be used to fund City project management services, expert consultants, Quantity Survey expenses, as well as to reimburse the Society for City approved legal fees, independent technical expert expenses, Jubilee tenant relocation costs, Land Title registration fees, overhead and administration expenses and related consulting costs as set out in this report; source of funds to be the Brenhill contribution to the City's Affordable Housing Fund as set out in Recommendation J.*

- K. *THAT a Council decision to enter into a Development Agreement with Brenhill, BC Housing and the Society or Contracts of Purchase and Sale with Brenhill will not in any way limit Council or the City and its officials, including the Approving Officer, in exercising their discretion with respect to any related rezoning, permitting, or subdivision of the City Lands or Brenhill Lands.*
- L. *THAT no legal rights or obligations will arise or be created between Brenhill and the City unless and until a legally binding Development Agreement, Contracts of Purchase and Sale, Lease Surrender, and Lease are successfully negotiated and executed and delivered by Brenhill and the City through its authorized signatories, the Director of Legal Services and the Director of Real Estate Services;*

FURTHER THAT, if the Director of Real Estate Services is at any time during the 12 month negotiation period of the view that terms cannot be successfully concluded with either the Society, BC Housing, CMHC, and/or Brenhill, the City Manager and Director of Real Estate Services report back to Council for further direction.

REPORT SUMMARY

On April 18, 2012, staff presented Council with a project briefing on the proposed Brenhill land transaction. City staff advised Council that Brenhill had approached the City with a land exchange proposal that would involve the transfer of ownership of the Brenhill Lands to the City in exchange for fee simple title to the City Lands. In consideration for the City agreeing to the land exchange, including transfer of ownership of the City Lane, and further subject to a rezoning of the City Lands by Vancouver City Council, Brenhill would be responsible for all costs and risk of constructing and fitting out 179 non-market housing units on the Brenhill Lands, pursuant to the City's non-market housing construction plans and specifications. In addition, Brenhill proposed to construct 84 new units of purpose built secured market rental housing, together with conversion of the Brookland Court's non-market units to market rental housing, to total 158 market rental housing units.

The Council deliberations focussed on one key component of the Brenhill proposal: although innovative, the proposal provided a net increase of only 14 units over the 165 combined existing non-market housing units already in Jubilee House (87 units) and Brookland Court (78 units). Although generally supportive of this proposal, Council directed staff to return to the negotiating table with a focus to achieve an increased level of "affordability" and a mandate to secure a higher total number of social housing units on the block, even if that meant delivering less purpose built market rental housing than the 158 units proposed.

The purpose of this Report is to update Council on the outcome of the subsequent negotiations staff have undertaken with Brenhill to achieve the stated Council objectives. In addition, this Report seeks Council approval for the Director of Real Estate Services to enter into a time-limited, 12 month negotiation with Brenhill for the direct sale of the City Lands, in exchange for the City acquiring the Brenhill Lands, complete with approximately 172 new Replacement Non-Market Housing Units to be constructed at Brenhill's sole risk, cost, and expense, with a construction value of approximately \$31,600,000. The final unit count, unit

sizes, tenant mix, operating model, and prepaid lease options remain to be finalized with the Society and the number of Replacement Non-Market Housing Units may change slightly (+/- 10) depending on final project configuration, and any final decision will be reported back to Council for final approval once known.

These negotiations would be undertaken on a direct basis that would justify by-passing the normal competitive bidding process for the disposition of the City Lands, as further set out in this report.

COUNCIL AUTHORITY/PREVIOUS DECISIONS *

Council's mission is to create a city of communities that cares about its people, its environment, and the opportunities to live, work, and prosper.

Council's Housing and Homelessness Strategy empowers City staff to work with other City departments, community partners, and all levels of government, to:

- Leverage the City's assets to build more affordable housing
- Build additional supportive housing for our most vulnerable citizens
- Target shelters, and supportive and social housing to underserved neighbourhoods
- Enhance support to renters
- Increase the opportunities for renters to become homeowners

Council's priorities for social housing are to maintain and expand housing opportunities with priority being given to families with children, SRO residents, and the mentally ill, physically disabled, and others at risk of homelessness.

The City leases land for non-market housing on 40-year or 60-year terms and currently considers prepaid rent of 50% of freehold land value to be the market value of a 40 year ground lease, and 75% of freehold land value to be the market value of a 60 year ground lease. Where improvements owned by the City are included in a non-market housing lease, the City considers 75% of the improvement construction value to be the market value of a 60 year lease.

Section 190(b) of the Vancouver Charter authorizes Council to dispose of City-owned 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.

Council policy is to dispose of City-owned land through a public tender process. Council policy further provides for the direct sale of property without a public tendering in certain circumstances, such as those set out in this Report.

On April 18, 2012, staff presented Council with a project briefing on the proposed Brenhill land transaction and were directed to report back to Council with a revised deal structure that placed a stronger emphasis on achieving increased affordability options for the project.

The recommendation in Recommendation K is considered to be a grant, and requires 8 affirmative votes of Council.

GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management supports the decision to sell the City Lands at this time in order to further Council's Housing and Homelessness priorities. This Report seeks Council approval for the Director of Real Estate Services to enter into time-limited negotiations with the property owner, Brenhill, to determine if there is an arrangement that will enhance the value to the City on the sites in the Helmcken and Richards Street blocks while commensurately delivering on Council's priority to create new Affordable Housing and help end Street Homelessness by 2015. A potential deal structure is documented in this Report for Council's consideration.

It is Council policy that City property be sold by public tender, however, in the case of City Property that is the subject of this Report, Council may decide to sole source this property where there is a distinct public benefit related to the delivery of social housing. The unique and innovative nature of this proposal would allow the City to capture a significant public benefit in the form of new non-market housing funded through a financial mechanism that would not otherwise be available to City Council until sometime after 2046, the current expiry date of the existing Jubilee House ground lease.

It is the view of the General Manager of Real Estate and Facilities Management that this is a strategic decision that will provide significant benefit to the City in the form of new and improved social housing stock as well as a significant addition of critically needed rental housing product in the City and should be pursued and, as a result, RECOMMENDS approval of A through N.

BACKGROUND/CONTEXT

Jubilee House

The City owns the lands on which the Jubilee House is located at 508 Helmcken Street. This City land is leased to the Society which owns the building during the term of the lease, a non-market housing project built in 1985 containing 87 units. The term of the lease is for 41 years, with an option to renew for a further 20 years bringing the expiry date to 2046. Tenants in the building reside in 78 studio units, 5 one bedroom units, and 4 Accessible studio units and are low and limited income residents over the age of 45. The City does not have any financial obligations for these 87 housing units, as this project is subsidized by BC Housing.

The property is currently zoned DD (sub-area L) and measures 15,000 square feet. Permissible FSR under current zoning is 5.0, indicating existing development capacity of 75,000 square feet. Preliminary discussions with Planning indicate that the site could be rezoned to permit a 320 foot tower comprising approximately 385,000 square feet of development potential, assuming the adjacent lane was included in the site configuration. The 2012 BC Assessment for the property is \$8,491,000. Unencumbered by the ground lease, Real Estate Services ("RES") has valued the City Lands under current zoning at \$15,000,000 which includes an allocation to the City Lane of approximately \$300,000. RES further advises that, unencumbered by the ground lease to the Society for Housing, the City could expect to receive up to \$25,000,000 in Community Amenity Contributions ("CAC's") assuming a rezoning of the City Lands was successful. It is this combined City equity and the CAC's that are being targeted to fund the development of the new Replacement Non-Market Housing Units in this proposal.

There are two existing mortgages registered against the Society's leasehold interest on the City Property in favour of CMHC (the "CMHC Mortgages"). The first mortgage was registered on September 30, 1985 and subsequently assigned to CMHC. The second mortgage was registered to CMHC on October 26, 1998 (charge number BM295775). As at August 1, 2012, the first mortgage had an outstanding balance of \$1,470,830 (including accrued interest), while the second mortgage, required for an emergency workout for roof and structural repairs, has an outstanding balance of \$967,625 (not including accrued interest). Subject to BC Housing and CMHC's agreement, the City would permit these mortgages to be ported over to the Brenhill Lands to be secured against the new leasehold interest of the Replacement Non-Market Housing Units.

Brenhill Lands

Brenhill Development Limited owns the property located at 1077 -1099 Richards Street. This site is improved with two low-rise commercial buildings and is currently home to the Montessori School. The development potential of the Brenhill Land is constrained due to the block already having been developed to the maximum number of high-rise permitted buildings. The site is ideally situated, however, for a modest scale 13 storey building to accommodate the new Replacement Non-Market Housing Units, complete with on-site amenity spaces. Although City Planning has given preliminary support to this proposal, it would only proceed under the discretionary authority of the Director of Planning through a Development Permit process under existing zoning. The 2012 BC Assessment for the property is \$6,609,000, but RES has valued the property under existing zoning at \$8,400,000.

STRATEGIC ANALYSIS AND TRANSACTION FRAMEWORK:

Staff are pleased to report back to Council that the increased housing affordability objective has been achieved. Brenhill has agreed to construct 172 units of new non-market housing units on the Brenhill Lands and has agreed that the Brookland Court will not be part of the land exchange, and will remain in BC Housing ownership, and therefore would not convert this stock of 78 social housing units to market rental. The Society has not yet agreed to the final unit count, unit sizes, or tenant mix, so although staff and Brenhill are working to a figure of 172 Replacement Non-Market Housing Units on the Brenhill Lands, the final configuration and architectural design remains to be finalized and may change slightly, as approved by the City Manager and General Manager of Community Services. As outlined in Figure 1 below, based on the current Brenhill proposal, the combined number of non-market housing units in this City block would increase from 165 to 250 units, producing a net increase of 85 non-market housing units overall, after factoring the loss of the existing 87 Jubilee House units; a significant increase over the 14 net new units originally proposed. In addition, Brenhill will commit to constructing 110 units of secured market rental housing on the City Lands, provided a rezoning is successful.

Figure 1

Housing type	Social Housing	Rental Housing	Condos	Total
Brookland Court now	78	0	0	78
Jubilee House	87	0	0	87
Current Total	165	0	0	165
Retained Brookland Court	78	0	0	78
New Social Housing	172	0	0	172
High Rise Tower	0	110	306	416
New Total	250	110	306	666

The 110 units of market rental housing would be secured by a City Housing Agreement over the City Lands, protecting this affordable rental housing stock for a minimum of 60 years, or life of the building, whichever term is longer. In addition, on enactment of a successful rezoning of the City Lands, Brenhill would contribute a further \$1,000,000 cash to the City's Affordable Housing Fund, to be used in part to fund the City's and the Society's project management and related legal and administrative expenses.

Net of the \$1,000,000 Affordable Housing Fund (AHF) contribution, the current construction budget for the Replacement Non-Market Housing Units is \$30,600,000, representing a cost per unit of \$177,907 equivalent to approximately \$320.00 pbsf. Including land as valued by RES, the total value of the project to the City on conveyance would be approximately \$40,000,000 (2012\$).

It is intended that the Replacement Non-Market Housing Units would be operated by the Society. It is a material term and condition that the Replacement Non-Market Housing Units would be developed, with residents moved in, prior to Brenhill commencing demolition of the Jubilee House on the City Property. In order to facilitate this land exchange, the Society, with consent from BC Housing, would have to surrender the existing lease on the City Property in consideration for the City granting a new leasehold interest in the building to be construction on the Brenhill Lands. By agreeing to surrender the existing lease, the Society would be releasing its rights to occupy the City Property for the remaining terms of the existing lease, being 31 years (calculated from 2015 move date). The new lease would be for a term of 60 years and would be registered over the same 87 units currently operated by the Society. The parties to this transaction must agree on the operating relationship that would govern for the remaining approximately 85 additional new social housing units, but it is staff's working premise to consolidate the management of all the Replacement Non-Market Housing Units under the Society's Non-Market Housing Operating Agreement.

FINANCIAL IMPLICATIONS

It is important for Council to understand the funding mechanism being created to finance the construction of the Replacement Non-Market Housing Units. As noted in Recommendation B, there is an inherent value differential between the City Lands and the Brenhill Lands of \$6,600,000. In addition, it is expected that a successful rezoning of the City Lands would create a CAC of approximately \$25,000,000 in addition to the value of the secured market rental housing covenant. It is this combined equity and the CAC's that are being captured to pay for the estimated total Replacement Non-Market Housing project budget.

Including the contribution to the AHF, the cost of delivering the 172 non-market housing units is estimated at \$31.6 million, subject to refinement based on final unit count, unit sizes and tenant mix, as well as the City's housing design standards. The City's equity contribution towards the construction is made up of forgone CAC (\$25 million) and the value realized from the land swap (\$6.6 million).

Sale of land @ 508 Helmcken

Land sale (based on existing zoning)	\$15.0M
CAC (based on future zoning)	<u>\$25.0M</u>
	\$40.0M

Replacement Non-market Housing @ 1077-1099 Richards

Land purchase (based on existing zoning)	(\$8.4M)
Construction costs	(\$30.6M)
AHF contribution	<u>(1.0M)</u>
	(\$40.0M)

The value of the new Lease interest is estimated at \$28.2 million (assuming 75% of freehold value), which is comprised of \$6.3 million on the land portion and \$21.9 million on the improvement portion, net of outstanding CMHC mortgage. As set out in Recommendation H, staff recommend that the City realize a portion of the leasehold interest value through a prepaid lease from the Society and apply such proceeds to further advance Council's priorities on housing. Assuming a rental mix of 30% market and 70% of non-market, a model that is considered to be reasonably sustainable over the long-term, the preliminary financial model suggests that a \$15.5 million mortgage (inclusive of the \$2.4 million CMHC mortgage carried over) can be supported based on 4% financing rate and 30-year amortization. Further, every 25 bps reduction in financing rate could increase the mortgage amount by approximately \$0.5 million.

Council should note that there are significant financial benefits that will accrue to BC Housing. Jubilee House is in poor condition and requires an immediate injection of capital of approximately \$1,500,000 to \$2,000,000. The replacement of the Jubilee units will create a "rehabilitation cost avoidance" benefit for BC Housing as these deferred costs, as well as impending future capital costs, will not be required. Further, the Replacement Non-Market Housing units, when completed, will create a significantly more valuable asset, both in terms of capital scale, enhanced revenue stream, operating surplus, and recharged 60 year leasehold interest, upon which BC Housing and CMHC's mortgage interests will be secured. City staff intend to lever these enhanced security and capital and operating benefits to

ensure BC Housing maintains its obligation to continue paying the current non-market housing subsidies (approximately \$54,000 per annum), as well as to provide attractive mortgage financing rates, in the event Council wishes to finance its interest as set out in Recommendation H.

As such, staff recommend that Council adopt the strategy of optimizing the value of the prepaid lease to the extent that the mortgage financing is supportable by the housing operation over the long-term. With Council's approval, staff will pursue negotiations with BC Housing to provide low cost financing in exchange for the benefits accrued to them as noted above. Upon conclusion of the negotiation, the final project cost, unit count, mortgage financing and operating model will be reported back to Council by the Managing Director of Social Development and Director of Finance.

PROJECT OVERSIGHT AND CONTROL

Although the project will be led by Brenhill, the City will retain management oversight of the Replacement Non-Market Housing Units during design and construction. The City will hire (or assign) a Project Manager to represent its interest in the project and Brenhill and the City will meet regularly to review project issues, schedules, and budgets as required. A provision will also be established in the Development Agreement for the use of independent Quantity Surveyors and any construction cost savings arising from the construction cost estimates will be retained by the City.

Staff have met with industry professionals to seek guidance and advice on deal structure, construction cost management and risk transfer, form of construction contracts, project management, and project oversight. The expert advice to the City was to secure third party consultants to supervise building envelope testing and close-out, review detailed electrical/mechanical specifications, and attend for onsite pouring and installation of structural components and roof membranes. Accordingly, the Project Manager will attend the site to supervise these critical milestone events in the development schedule and as otherwise appropriate or necessary to protect the City's interests. Staff have prepared a Project Budget as follows:

1.	City Project Manager	
	\$170,000 per annum (based on 30% EFT) for three years:	\$153,000
2.	City Technical Reports & Expert Review Project Costs:	\$150,000
3.	The 127 Society outside legal and consulting:	\$75,000
4.	The 127 Society Housing Consultant (prepare construction specs):	\$60,000
5.	The 127 Society administration / overhead:	\$25,000
6.	The 127 Society tenant relocation expenses: \$500 per resident:	\$43,500
7.	CMHC registration/mortgage costs:	\$20,000
8.	Contingency:	<u>\$473,500</u>
	TOTAL	\$1,000,000

The securing of a \$1,000,000 cash contribution from Brenhill upon enactment of a successful rezoning of the City Lands for the City's Affordable Housing Fund will be used to fund these project management expenses.

SOLE SOURCE DISPOSITION

City policy is that City property is sold through a public tender process; however, the policy provides for the direct sale of City lands without a public tendering process in certain circumstances, most notably:

- the sale of a small City owned site to an adjoining owner, subject to consolidation, as close to fair market value as possible, bearing in mind the advantages to the City of the sale;
- where certain social purposes can be achieved, such as non-market housing; or
- where City owned lands are essential to an assembly or expansion project, whereby an attempt is made to obtain a price above market value based upon value to the purchaser noting that worthwhile developments provide benefits to the City.

The Director of Real Estate Services is of the opinion that the direct sale of the City Lands to Brenhill is consistent with Council policy for achieving non-market housing.

ENVIRONMENTAL IMPLICATIONS

Given the historic uses of both the City Lands and Brenhill Lands, it is not expected that there are any environmental issues that will have to be addressed. That said, Brenhill will undertake its own due diligence to ensure that both properties can be developed free and clear of any environmental contamination. Brenhill would purchase the City Lands "as is, where is" and will be responsible to undertake any preliminary and detailed site investigations of the soil and groundwater conditions that may be required to satisfy the City or Ministry of Environment regulations. The City would not take title to the Brenhill Lands until the City was satisfied that the property was free and clear of any environmental contamination, which would include delivery of a Ministry of Environment Certificate of Compliance, if required.

Under the Development Agreement, Brenhill will additionally remain solely responsible for all costs associated with demolition, site preparation, and debris removal of both the Brenhill Lands and City Lands. The development proposal anticipates achieving a LEED Gold certification for both the Replacement Non-Market Housing Units as well as the market condominium components of the project.

LEGAL IMPLICATIONS

Approval by Council for a sole source transaction would require the City to enter into a Development Agreement with Brenhill, BC Housing and the Society. The Development Agreement would provide an omnibus transaction framework that would likely include the following contracts: reciprocal Contracts of Purchase and Sale with Brenhill for the respective properties, interim site access License Agreements for conducting site due diligence, a Lease Surrender Agreement with the Society, a new Lease and City Non-Market Housing Operating Agreement with the Society, and a CCDC-2 Non-Market Housing Construction Contract with Brenhill and/or its General Contractor. Recommendation C allows the City to provide Brenhill with a strong level of "in principle" approval by Council for staff to enter into the Lease

Surrender, finalize the Contracts of Purchase and Sale agreements and dollar amounts, and grants authority for staff to negotiate a “sole source” transaction; as these are the critical and immediate deal decisions for Brenhill. Recommendation D provides that the other terms of the Development Agreement will be reported back to Council for further approval as the parties still must finalize the terms of the new Lease, the Replacement Non-Market Housing unit designs and mix, the CCDC-2 contract, terms of the City Non-Market Housing Operating Agreement, and complete the rezoning of the City Lands. In addition, both the City Lands and the Brenhill Lands will require a DP process, to approve the respective forms of development being contemplated.

It is important to note that Council, when considering this Report, is acting as owner of the City Lands and as proposed purchaser of the Brenhill Lands only and in order to ensure Council remains unfettered when considering any future rezoning or development permit as City regulator, Recommendation L has been added to provide: “that a Council decision to enter into a Development Agreement with Brenhill, BC Housing and the Society or Contracts of Purchase and Sale with Brenhill will not in any way limit Council or the City and its officials, including the Approving Officer, in exercising their discretion with respect to any related rezoning, permitting, or subdivision of the City Lands or Brenhill Lands”.

Further, with regard to the sale of the City Lane (shown hatched in Appendix A), staff will report back to Council prior to enactment of the rezoning to seek direction on its closure and stopping up once the technical review has been completed. Subject to Council approval, Engineering’s working premise is that the City Lane may be closed for use by the development. Existing utilities will be protected with registered SRW’s and placement of structures within certain portions of the City Lane will be limited.

CONCLUSION

The successful conclusion of direct negotiations with Brenhill to sell the City Lands at a price reflective of premium market value will allow the City to realize the full value of the City Lands, whilst a future rezoning of the City Lands will generate significant amenities and public benefits which would not have been achieved until well after 2046 (the current expiry date of the existing Jubilee House ground lease). Council approval to proceed with Brenhill’s development proposal would see 100% of the estimated \$25,000,000 public equity invested from the rezoning, plus an additional \$6,600,000 in freed up land value, to be used in the creation of the City’s long term non-market housing stock, including the delivery of 110 new secured market rental units.

Although the subject of this report is a real estate transaction, the form and conditions of development would still be subject to a future Council rezoning. When considering this sole source sale contract with Brenhill, Council is not in any way limited, nor are the City and its officials, including the Approving Officer, limited, in exercising their regulatory discretion with respect to any related rezoning, permitting, or subdivision of either the City Lands or Brenhill Lands.

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Legal Description of the "City Lands"

- Parcel Identifier: 015-482-073, Lot 34, Block 94, D.L. 541, Plan 210
- Parcel Identifier: 015-482-081, Lot 35, Block 94, D.L. 541, Plan 210
- Parcel Identifier: 015-482-138, Lot 36, Block 94, D.L. 541, Plan 210
- Parcel Identifier: 015-482-162, Lot 37, Block 94, D.L. 541, Plan 210
- Parcel Identifier: 015-482-260, Lot 38, Block 94, D.L. 541, Plan 210

Legal Description of the "Brenhill Lands"

- Parcel Identifier: 004-904-125, Lot 20, Block 84, D.L. 541, Plan 210
- Parcel Identifier: 015-485-811, Lot 21, Block 84, D.L. 541, Plan 210
- Parcel Identifier: 003-690-806, Lot 22, Block 84, D.L. 541, Plan 210
- Parcel Identifier: 006-706-673, Lot 23, Block 84, D.L. 541, Plan 210

Legal Description of the "City Lane"

- All that portion of lane East of Seymour Street, South from Helmcken Street; and South of Helmcken Street, West from Richards Street, shown hatched on Appendix A.

