

ADMINISTRATIVE REPORT

Report Date: February 7, 2011
Contact: Michael Flanigan
Contact No.: 604.873.7422
RTS No.: 8955
VanRIMS No.: 08-2000-21
Meeting Date: February 17, 2011

TO: Vancouver City Council

FROM: Director of Real Estate Services in consultation with the Director of Planning and General Manager of Engineering Services

SUBJECT: Potential Sale of City-owned land located at 520 West Georgia Street and adjoining lane

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.

CONSIDERATION

- A. THAT Council authorize the Director of Real Estate Services to enter into exclusive negotiations for a sole source sale to Telus Inc. (“Telus”) of the City owned lands at 520 West Georgia Street, and for sale of use or a portion of lane, all described in Appendix A (the “Subject Lands”) provided that the terms of a contract of purchase and sale (the “Sale Contract”) can be concluded within 6 months of approval of this report;

FURTHER THAT, if the Director of Real Estate Services can successfully conclude a sale to Telus for a purchase price of not less than s.17(1) (the “Minimum Stipulated Price”), which reflects a premium assembled market value for the Subject Lands, that Council authorize the Director Real Estate Services to enter into a legally binding Sale Contract on terms and conditions satisfactory to the Director of Legal Services, such contract being subject to the Subject Lands being rezoned in accordance with the City’s Metro Core Jobs and Economy Land Use Plan to a minimum density of 13.45 FSR for non-residential, commercial, retail, and office uses, through the City’s normal regulatory process, it being noted that Council’s decision to enter into a Sale Contract with Telus will not in

any way limit Council or the City and its officials, including the Approving Officer, in exercising their regulatory discretion with respect to any related rezoning or permitting;

AND FURTHER THAT, should the site be rezoned to an FSR higher than 13.45, the Minimum Stipulated Price be increased by a proportionate dollar amount equivalent to the value per buildable per sq.ft. (which results from dividing the Minimum Stipulated Price by the buildable area resulting from a 13.45 FSR) times the additional gross buildable floor area approved through a rezoning (the "Final Purchase Price"); in any event, Director of Real Estate will report back to Council of the amount of the Final Purchase Price;

AND FURTHER THAT, one of the surviving conditions of sale is that should a development permit not be issued and construction has not commenced within 5 years of the "Effective Date" of the Sale Contract, the City shall have the option to re-acquire the site from Telus for the same amount as the Final Purchase Price;

AND FURTHER THAT, no legal rights or obligations will arise or be created between Telus and the City unless and until a legally binding Sale Contract is successfully negotiated and executed and delivered by Telus and the City through its authorized signatory, the Director of Real Estate Services.

- B. THAT, if the Director of Real Estate Services is unable to negotiate a Sale Contract at the Minimum Stipulated Price with Telus, the Director of Real Estate Services report back to Council for further direction.

GENERAL MANAGER'S COMMENTS

The General Manager of Business Planning and Services notes this is a very strategic property holding of the PEF. In considering this proposal Council must balance the ability to bring certainty to the financial return that would be achieved through a public tender and the total financial and other benefits that will be achieved through the proposal from Telus.

It is the view of the General Manager of Business Planning and Services that the sale of this property to Telus is a strategic opportunity that could provide significant benefit to the City and should be considered.

COUNCIL POLICY

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 **s.17(1)** in value.

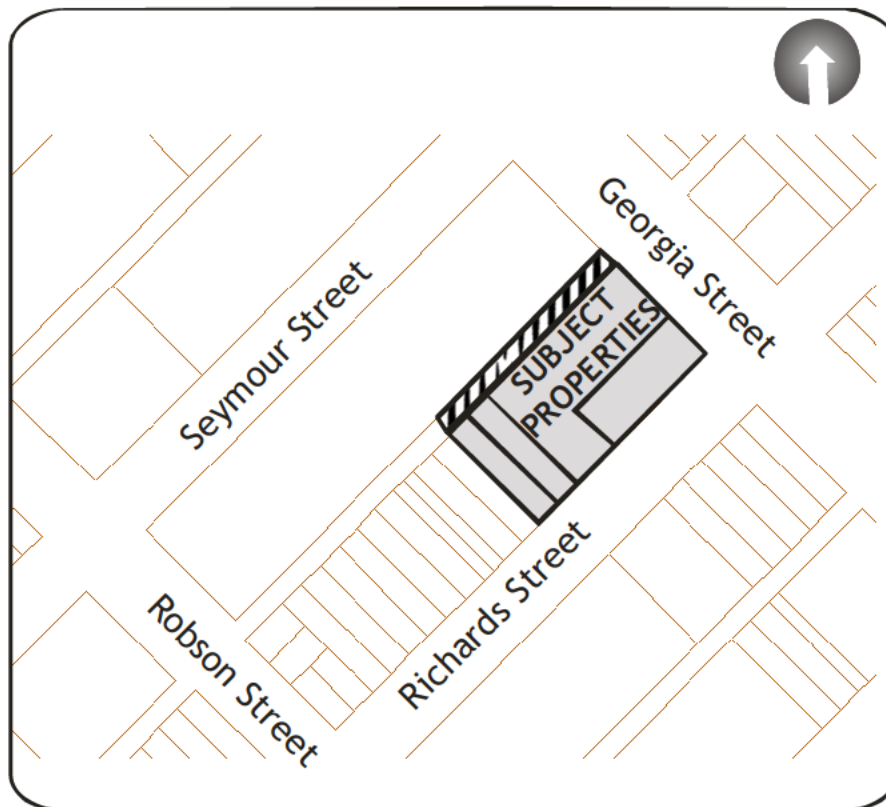
Council policy is to dispose of City-owned land through a public tender process. Council policy further provides for the direct sale of property without a public tendering in certain circumstances.

PURPOSE

The purpose of this report is to seek Council approval for the Director of Real Estate Services to enter into negotiations with Telus for the direct sale of the City owned lands located at 520

West Georgia Street, including possible sale or partial use of the adjacent lane, as outlined in bold in Figure 1 below, at a Minimum Stipulated Price of **s.17(1)**, subject to increased adjustment as noted above.

Figure 1 - Subject Lands



BACKGROUND

A 3-storey parkade was constructed in 1953 on the Subject Lands and contains 324 parking stalls. The BC Assessment for the Subject Lands in 2010 was **s.17(1)**. City Engineering Services has identified the Subject Lands as a let go site for redevelopment. In accordance with the City's Metro Core Jobs and Economy Land Use Plan, the site is well suited to meet the City's strategic objectives, increasing jobs and employment, and developing new sustainable "AAA" office space. This site is located in a prime downtown location on two key streets and is conducive to a major office redevelopment. The 2010 revenue and expense report indicates income, net of property tax, of **s.17(1)** to the City from EasyPark, which based upon the estimated value represents a net effective return of 3.9% on 2010 BC Assessment value. The site is located in the heart of the Downtown Official Development Plan, which permits office, commercial, hotel, parking, parks, public and institutional, and a variety of cultural and recreational uses.

DISCUSSION

Telus, which owns the majority of other properties in the block bounded by Georgia, Robson, Seymour and Richards Streets as shown in Appendix B, is contemplating a major development of their properties which would include a new head office tower. Telus is proposing a new 22-storey office tower at the Subject Lands, coupled with a new 43-storey residential tower at

the southern end of the site fronting Robson Street, and refurbishment of the existing Telus buildings onsite is also planned. The Telus proposal is consistent with Council's recent decisions as part of the Metro Core Jobs and Economy Land Use Plan: The residential component of the block is located in sub-area C3 of the Downtown ODP, which permits residential use while the remainder of the block, including 520 West Georgia, is located in sub-area C1 which permits up to 7 FSR of non-residential/office use. The proposal calls for additional office space beyond the permitted density which is supported strongly by the Council-approved *Rezoning Policy for the Central Business District (the "CBD") and the CBD Shoulder*.

Staff note that the Telus proposal is consistent with all of Council's recent direction for more job space in the CBD, particularly near public transit. The total development man hours to construct the development are estimated at over 3,000,000. Total development cost of the entire project is estimated at s.17(1), representing a very significant commercial investment in the downtown core. Telus will have over 1,000 employees in the new project.

The incorporation of the Subject Lands into the Telus project is necessary to facilitate this proposed redevelopment to meet design requirements pertaining to underground parking facilities, maximize project development efficiency, for the creation of separate airspace parcels, and to respect the requisite view cones. The land area, shown hatched in Figure 1, may be subject to partial closure of use by the development. Future land access may be accommodated by way of a lane outlet running east-west to Richards Street as shown as Appendix C. The new lane outlet may be achieved by way of a Statutory Right of Way agreement. Sale or use of a portion of lane will be subject to Engineering review and approved.

Telus has indicated its desire to negotiate a purchase of this site from the City (Appendix D) and would intend to rezone the site for this development.

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 proposed direct sale of the Subject Lands is consistent with Council policy for an assembly or expansion project.

FINANCIAL IMPLICATIONS

The proceeds from the sale of this property will be credited to the Parking Sites Reserve in the Property Endowment Fund.

ENVIRONMENTAL IMPLICATIONS

Staff are not aware of any environmental issues, however, the purchaser would be responsible to undertake environmental investigations as part of their due diligence, which may include a

Phase 1 and/or Phase 2 site investigation. Telus would additionally remain solely responsible for all costs associated with demolition, site preparation, and debris removal.

CONCLUSION

The successful conclusion of direct negotiations with Telus to sell the Subject Lands at the Minimum Stipulated Price, which is reflective of premium assembled market value, will allow the City to realize the full value of the Subject Lands, while a future assembly of the Subject Lands with the adjoining properties will commensurately generate significant amenities and public benefits which would not have been achieved otherwise. 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, and Council when considering this sole source Sale Contract with Telus will not in any way limit Council or the City and its officials, including the Approving Officer, in exercising their regulatory discretion with respect to any related rezoning or permitting.

* * * * *

Legal Description of the Subject Lands

Lots 32 and 33, Block 54, District Lot 541, Plan 210,

Lots 34 and 35, Block 54, District Lot 541 Plan 8259

PID: 010-205-543

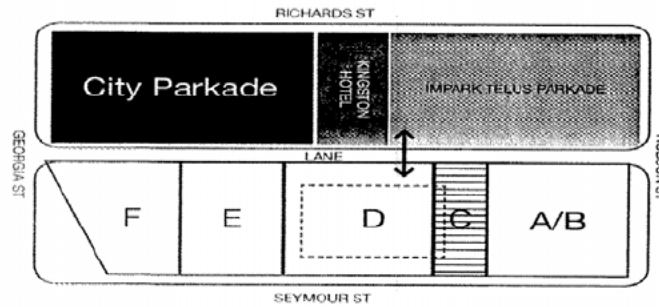
015-467-767

015-467-791

010-205-471

And all that portion of lane between the 700 block of Seymour Street and Richards Street bounded by Georgia Street to the north and Robson Street to the south as cross-hatched on Figure 1 - Subject Lands.

Block Plan



TELUS Buildings (A-E)	59,160 sq. ft.
TELUS Building F	13,500 sq. ft.
TELUS Parkade	25,100 sq. ft.
<i>Kingston Hotel</i>	<i>7,500 sq. ft.</i>
<i>City Parkade</i>	<i>27,000 sq. ft.</i>

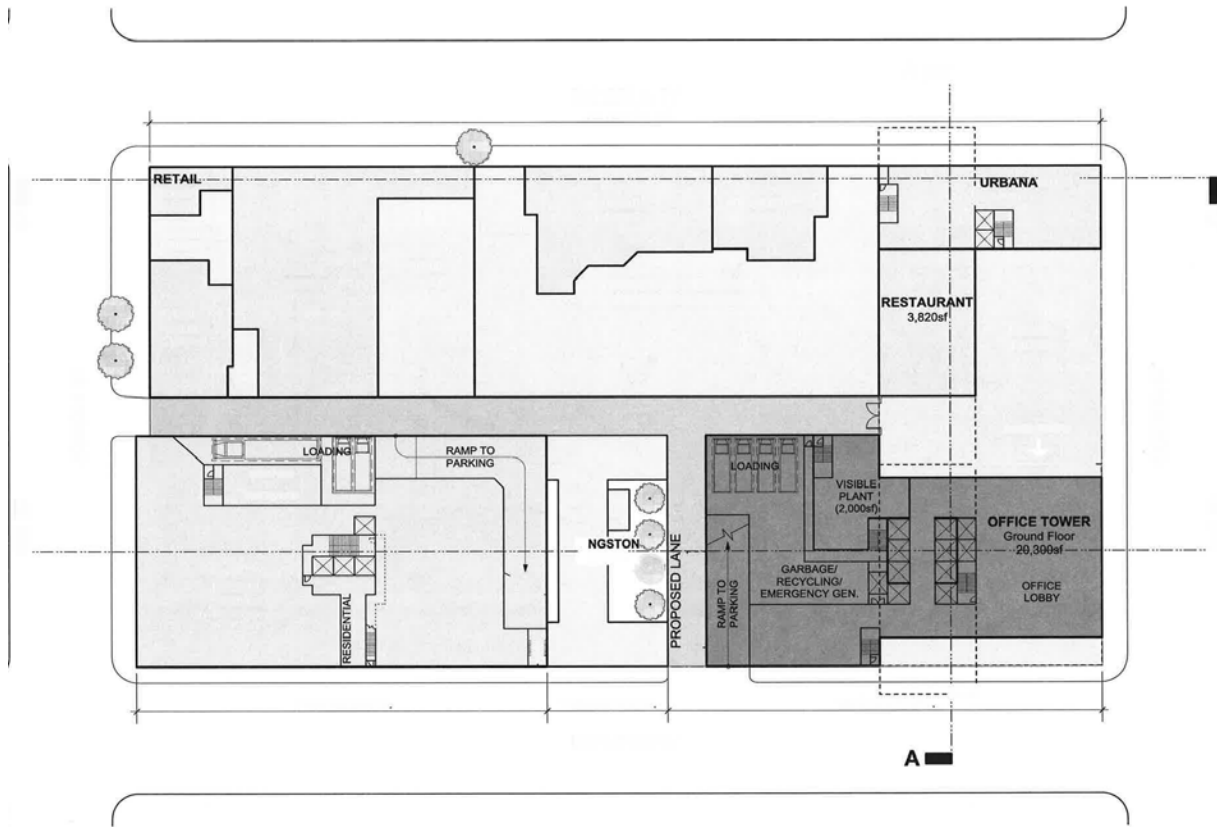
PRELIMINARY ZONING STUDY

FSR PERMITTED:

C1 - FSR 7.00 - Commercial

C3 - FSR 5.00 - Split between 3 FSR
Residential & 2 FSR
Commercial

Additional 10% FSR possible from
Heritage transfer



TELUS Corporation
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Vancouver, British Columbia
Canada V6B 3K9
www.telus.com



Darren Entwistle
President and CEO

December 9, 2010



Penny Ballem
Manager
City of Vancouver
Vancouver City Hall
453 West 12th Avenue
Vancouver, BC V5Y 1V4
Canada

RE: TELUS Redevelopment - City Parkade - 520 Georgia Street

Dear Penny,

On behalf of the TELUS team, I am pleased to share with the City of Vancouver that TELUS has received unanimous approval from our TELUS Board of Directors to pursue a comprehensive rezoning for the block bounded by Georgia, Robson, Seymour and Richards. Our vision is to create a landmark that will become a symbol of innovation and sustainability in our community for decades to come.

This exciting project will include TELUS' corporate headquarters in a new office building to be constructed on Georgia Street. This includes land currently owned by TELUS in addition to the City of Vancouver-owned land by 520 Georgia Street. Accordingly, TELUS is desirous of negotiating an acceptable agreement to purchase 520 Georgia Street from the City of Vancouver as a sole source sale by the City to include it with our neighbouring land holdings as part of our comprehensive rezoning of the block. The purchase of city lands will be subject to a successful rezoning of the entire project.

We look forward to working with the City on this project, which will set a new standard in North America for environmental sustainability and technology, acting as an engine for economic development by opening up sought-after office space and providing a bridge between the Robson shopping and entertainment district and Vancouver's cultural precinct. I trust that we can come to an acceptable agreement with regard to the city land and please know that I am in full support in progressing this incredible initiative.

Sincerely,

A handwritten signature in black ink, appearing to read 'Darren'.

Darren Entwistle
A Member of the TELUS team