

ADMINISTRATIVE REPORT

Report Date: April 19, 2011
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RTS No.: 9139
VanRIMS No.: 08-2000-21
Meeting Date: May 3, 2011

TO: Vancouver City Council

FROM: Director of Real Estate Services

SUBJECT: Modification of the Purchase Agreement for the purchase of 18.4 acres of land from Providence Health Care - 1002 Station Street

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

THAT Council authorize the Director of Real Estate Services to conclude a further amendment to the Second Modification of Purchase Agreement dated March 8, 2008 with Providence Health Care (PHC) for the lands commonly known as Tech Park and located at 1002 Station Street (near Prior Street) and legally described as:

- Parcel Identifier: 018-550-185 Lot A District Lot 196 and 2037 Plan LMP 14138;
- Parcel Identifier: 010-813-217 Lot 19 District Lot 181, 196 and 2037 Plan 6780;
- Parcel Identifier: 008-776-300 Lot C Block 15 to 18 District Lots 196 and 2037 Plan 12884;
- Parcel Identifier: 008-776-326 Lot D Blocks 15 to 18 District Lots 196 and 2037 Plan 12884;
- Parcel Identifier: 008-126-780 Lot E District Lot 196 and 2037 Plan 13449;

- Parcel Identifier: 008-126-798 Lot F District Lot 196 and 2037 Plan 13449,

for the purchase price of s.17(1) Dollars and with an extension of the expiry date to May 9, 2014; source of funding to be the Property Endowment Fund, if required.

FURTHER THAT no legal rights or obligations shall arise or be created until all documents are prepared and fully executed to the satisfaction of the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Manager of Business Planning and Services RECOMMENDS approval of the foregoing.

COUNCIL POLICY

There is no applicable Council Policy; however Council does consider the acquisition of property for strategic civic uses on a case by case basis.

The Property Endowment Fund (PEF) holds strategic properties not in civic use with a view to long term development potential for non-civic or civic uses.

PURPOSE

The purpose of this report is to seek Council authority to amend the purchase agreement between the City and Providence Health Care (acting as the Vancouver Esperanza Society) for the property at 1002 Station Street by extending the expiry date from May 9, 2011 to May 9, 2014. (Appendix A).

BACKGROUND

Providence Health Care, who operates several hospitals and health care facilities within Vancouver, have proposed amalgamating some of their health care facilities into one large facility known as the Providence Legacy Health Campus which would be located at 1002 Station Street near Prior Street (Appendix B). Providence Health Care purchased the subject site for a price of \$24.5 Million dollars or (\$30 psf of land) in 2004 from TechPark.Com in order to develop this new acute health care facility. The site is zoned I-3 (High Technology Industry) and allows for industrial related uses with significant research and development activity. The site comprising of 6 legal lots is approximately 18.4 acres or (801,558 sq feet).

On March 10, 2004, PHC entered into a purchase agreement with the City. The agreement required the City, if asked by PHC for any reason, to purchase the entire site "as is, where is" from PHC at the same purchase price of \$24.5 Million dollars. Factored into this price was an estimated s.17(1) dollar allocation for remediation costs due to possible site contamination

which would have been negotiated with PHC if the City did purchase the site (report to Council dated March 1, 2004 [RTS 4036]) given that the ultimate property owner would be responsible for paying these costs upon development. The City subsequently consented to the assignment of the property to the Vancouver Esperanza Society which is a Providence Health Care not-for profit society Assignee. Vancouver Esperanza Society remains the current owner.

On March 8, 2008, City Council further authorized the Director of Real Estate Services to enter a modification to the purchase agreement between Providence Health Care and the City to amend the contract to reflect a revised price more reflective of market value at that time of s.17(1) dollars and to extend the term of the agreement to expire on May 9, 2011. The s.17(1) price was again calculated net of the estimated s.17(1) in remediation costs. Given the appraised market value of the property in 2008 was in excess of s.17(1), Council consented to Providence's request to extend the agreement to May 9, 2011, and increase the strike price to s.17(1), plus the s.17(1) estimated remediation costs, given the spread between the total price and appraised value was significantly in the City's favour.

PRESENT SITUATION

Providence Health Care has been developing a proposal for a large scale redevelopment of its institutional holdings in Vancouver and purchased the subject site in anticipation of relocating from the current St Paul's site on Burrard Street. This long term redevelopment will require government approval and significant provincial funding. Providence sought and received Council agreement to purchase the site at their request (essentially a "put" option) should for any reason they not be able to proceed on the Station Street site. Providence wishes to extend the option for three years while the final location of this redevelopment is determined.

An opinion of market value dated January 22, 2008 prepared by Carmichael Wilson Property Consultants Ltd. a reputable fee appraisal firm, estimated the market value of the entire site "as is" to be in the range of s.17(1) or s.17(1) to s.17(1) dollars (report is on file with Real Estate Services). The 2011 BC Assessment value for the property is s.17(1) which equates to s.17(1). Real Estate Services estimates the value of this site as of March 1, 2011, to be s.17(1) dollars or s.17(1). Therefore, after factoring in the previous estimated remediation costs, and the stipulated "put" price of s.17(1) dollars s.17(1) the total cost is considered below current market value. This below market value would continue to provide a price buffer to protect the City against any foreseeable decrease in the real estate market and in property values over the next 3 years. Should Council approve the contract extension requested by PHC, the parties would extend the term of the agreement for an additional three years to terminate on May 9, 2014.

ENVIRONMENTAL RISK

The stipulated "put" price of s.17(1) dollars will remain unchanged. PHC will remain responsible for the estimated s.17(1) dollars in remediation costs until such time as the put is exercised, but should the put be exercised, the City and Providence would then be required to negotiate the exact amount of the remediation costs. Staff's estimate of the s.17(1) may be low today given the significant passage of time since this transaction was first

negotiated (2004), but even if remediation costs exceed the estimated amount and the City was to become responsible for soils clean-up, the spread between the total price of s.17(1) (strike price plus remediation costs) and current market value would remain significantly in the City's favour. That said, it is important for Council to understand that it is possible the City may become responsible for environmental remediation under the original sales contract should PHC exercise the put option.

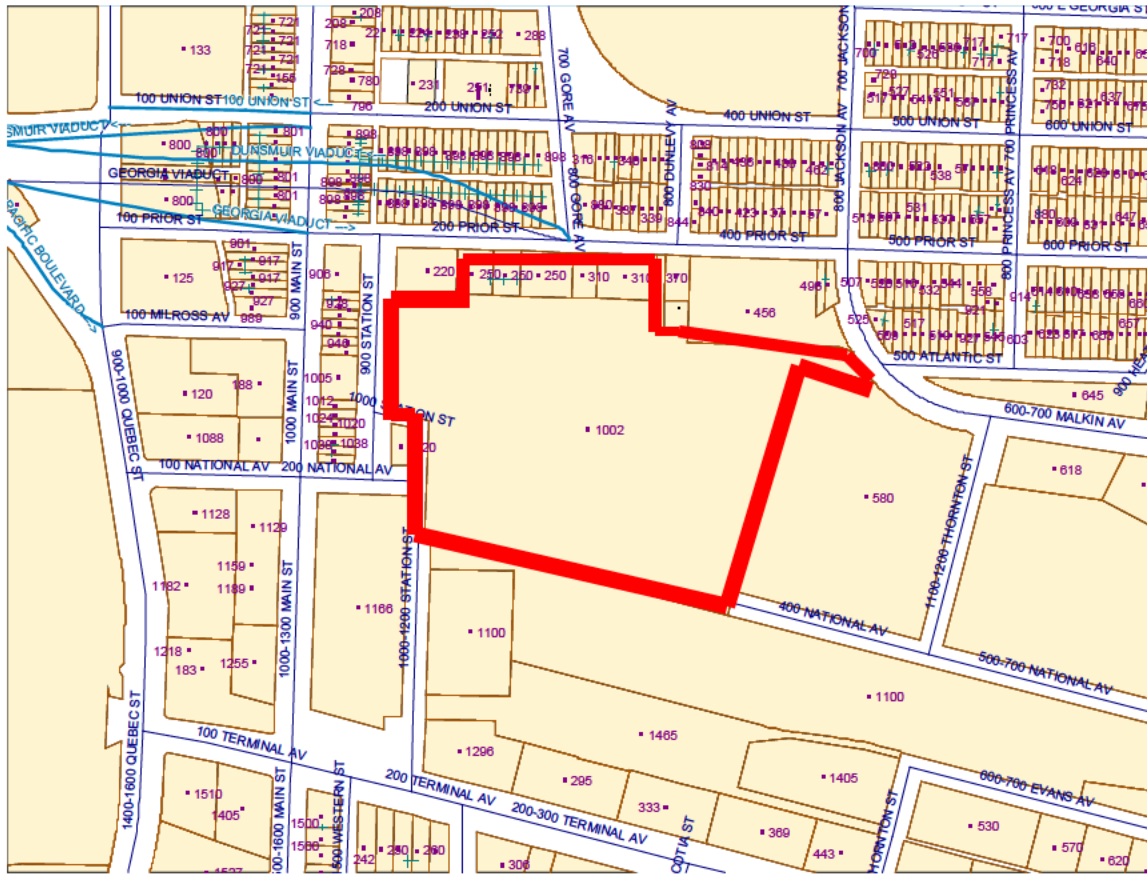
FINANCIAL IMPLICATIONS

Should the City be requested to purchase the property under the amended agreement, the source of funding would be the Property Endowment Fund.

CONCLUSION

The Director of Real Estate Services is of the opinion that extending the dates under the purchase agreement with Providence Health Care will help with their development process of a new health care facility and in the event that development does not proceed, to be able to have the opportunity to purchase a large strategic site in the middle of Vancouver for a stipulated "put" price below current market value.

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Transforming Health Care at the New Providence Health Campus

Background

Providence Health Care (PHC) has an exciting vision for renewing St. Paul's Hospital for the future.

To ensure British Columbians continue to get state-of-the-art health care, the hospital urgently needs to be renewed.

Its buildings are old, seismically unsafe, and lack the space and design to properly house the health-care programs, technologies and services its patients, staff and researchers need and deserve. PHC, therefore, is proposing a two-site solution:

1. a new hospital and research **health campus** at PHC's Station Street site in Vancouver; and
2. a continued presence in the West End to meet the needs of that community.

[In addition, PHC's Mount Saint Joseph Hospital site will be further transformed for acute-care delivery.]

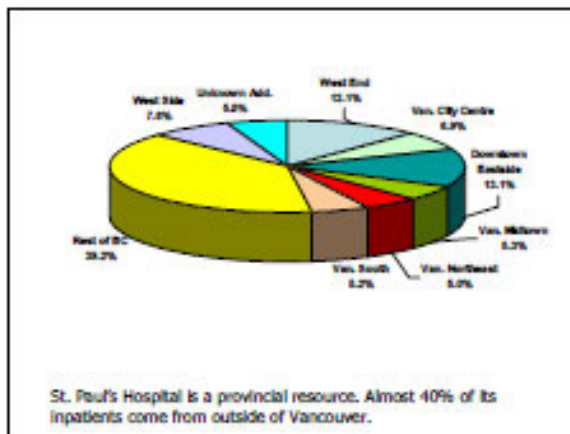


Conceptual drawing of new St. Paul's Hospital at Providence Health Campus on Station Street, Vancouver.



Conceptual drawing of potential continuing services at St. Paul's Hospital's Burrard St. site.

The Two-Site Solution for St. Paul's Hospital



Continued Presence in the West End

Although St. Paul's Hospital is a provincial resource – receiving almost 40 per cent of its inpatients from outside Vancouver – PHC knows it is important to continue the hospital's historic and important presence in the West End of downtown Vancouver.

PHC's vision is to maintain services for the West End community within the West End.

While retaining some heritage component of its buildings, the site could be reconfigured and redesigned to include an urgent care centre, seniors' care and services, seniors' housing, social housing, HIV/AIDS specialty

services, and ongoing primary health care for West End residents.

The Providence Health Campus at Station Street

PHC has acquired 18.5 acres of land in the east False Creek Flats area of Vancouver to enable the renewal of St. Paul's Hospital. PHC refers to the site on Station Street as the Providence Health Campus.

PHC's renewal vision for the site is to develop a health campus that includes a new St. Paul's Hospital and research facilities, along with other potential solutions for the delivery of care for the Lower Mainland and the Province of BC.



With 18.5 and acres of available land, it is an ideal opportunity to completely redesign acute and ambulatory care, offering future generations the best health solutions for the region and the province.

The campus can enable a sustainable step change in the way acute health care is delivered in BC, accelerating current trends in health care towards short-stay and ambulatory care, and adopting new approaches to care through a comprehensive process redesign – increasing efficiency and effectiveness and linking services to create better patient flow and efficient care.

The campus will deliver:

- A new patient care model, focused on increased shift to outpatient and same day/short stay medical and surgical services, improved efficiency, patient safety and outcomes.



- Strengthened clinical teaching and research capabilities, consistent with medical school expansion plans and interdisciplinary training goals.
- Optimal use of facility and human resources.
- The opportunity to leverage and enhance medical research applications.
- A catalyst for health research and growth in the biotechnology sector into the future

- A safe, efficient, affordable, adaptable and sustainable environment.

The Campus will attract and retain health care professionals and replace inappropriate physical infrastructure to meet current and future demand and changes in health care, and to support the future health care direction for British Columbia.

Model of Care

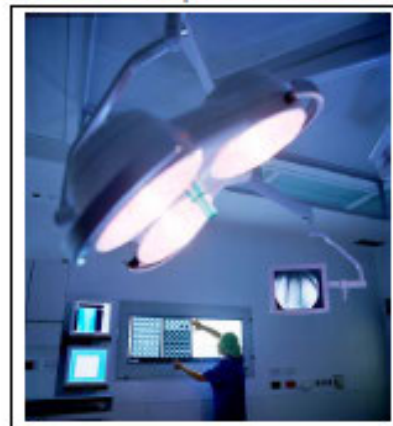
The model of care for the campus would be based upon the provision of an integrated academic and research campus providing specialized and unique services, including tertiary and quaternary care, linking research, teaching and clinical care programs.

Within the new campus, re-engineered processes will optimize patient flows, facilitate earlier discharge, and patient and staff safety, delivering more rapid translation of research into patient-focused treatments.

New designs will ensure integration and efficiency improvements and will facilitate the use of new technologies and new equipment. Updated operating rooms will also contribute to improved patient wait times and outcomes.

The campus will be developed on the basis of "Lean Flow Analysis," a widely used design tool that is intended to optimize operating efficiencies in complex processes, including for example:

- The development of a Patient Intake Centre to consolidate many patient flows around admission processes and to act as a gate for clearing patients prior to providing more complex services;
- Consolidation of patient flows into and out of therapeutic/invasive services requiring anesthesia, and associated consolidation of staff to allow more efficient staffing flows;
- 100% acuity flexible single patient bedrooms. The review of a broad spectrum of evidence based design research demonstrates extensive support for single patient rooms.
- An acute academic/research campus focused upon the provision of emergency services, inpatient services and specialty services.
- Therapeutic/invasive services, outpatient clinics and clinical support services. For analytical purposes, this approach has been presented as a single "Centre for Ambulatory and Surgical Treatment" (CAST), and will involve multiple linked facilities.



Benefits of Renewing at Providence Health Campus

The St. Paul's Hospital renewal at the Providence Health Campus will benefit patients through:

- 146,000 more ambulatory visits per year
- 33,000 more medical imaging tests
- 20,000 more ER visits

It will immediately improve health care using the latest technology and facility designs to decrease wait times, improve patient flows and access, improve overall care and safety – especially in the areas of infection control, earthquake preparedness and emergency care.

The new hospital will be 26 per cent cheaper to build at the Providence Health Campus site than a complete renovation at the current Burrard Street site.

A new hospital will also be faster to build at the Providence Health Campus site: taking five years for construction as opposed to 15 years' construction for a rebuild at the current Burrard Street site.

In addition, a new hospital at Providence Health Campus will result in 12 per cent annual operational and efficiency savings.

Because the Station Street campus site has more space (18.5 acres compared to the current Burrard St. site's 6.5 acres), it will be able to meet the 30 per cent additional space required to meet the health-care demands for 2020 and beyond; and it will have flexibility to expand for future growth requirements. (All these advantages are not present for a rebuild option at the current Burrard St. site.)