



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: June 15, 2011
Contact: Michael Flanigan
Contact No.: 604.873.7422
RTS No.: 9242
VanRIMS No.: 08-2000-20
Meeting Date: June 28, 2011

TO: Vancouver City Council

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

SUBJECT: 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

THAT Council authorize the Director of Real Estate Services to enter into a sole source contract of purchase and sale with Telus Communications Inc. ("Telus") to sell the City owned lands at 520 West Georgia Street, and a portion of the adjacent lane, all described in Appendix A (the "Subject Lands") for a purchase price for s.17(1) (the "Minimum Stipulated Price"), which reflects a premium assembled market value for the Subject Lands, 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 approximately 12.50 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;

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

AND FURTHER THAT, should the site be rezoned to a density in excess of 12.66 FSR, 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 12.66 FSR) times the additional gross buildable floor area approved through a rezoning (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 Subject Lands from Telus for the same amount as the Final Purchase Price; and

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;

GENERAL MANAGER'S COMMENTS

The General Manager of Business Planning and Services notes this is a very strategic property holding of the Property Endowment Fund. In considering this proposal Council must balance the ability to bring certainty to the financial return that would be achieved through a publically tendered sale of the Subject Lands and the total financial and other benefits that will be achieved through the proposed sole sourced sale to Telus.

It is the view of the General Manager of Business Planning and Services that the sale of the Subject Lands to Telus is an opportunity that could provide significant benefit to the City and should be considered for approval.

COUNCIL POLICY

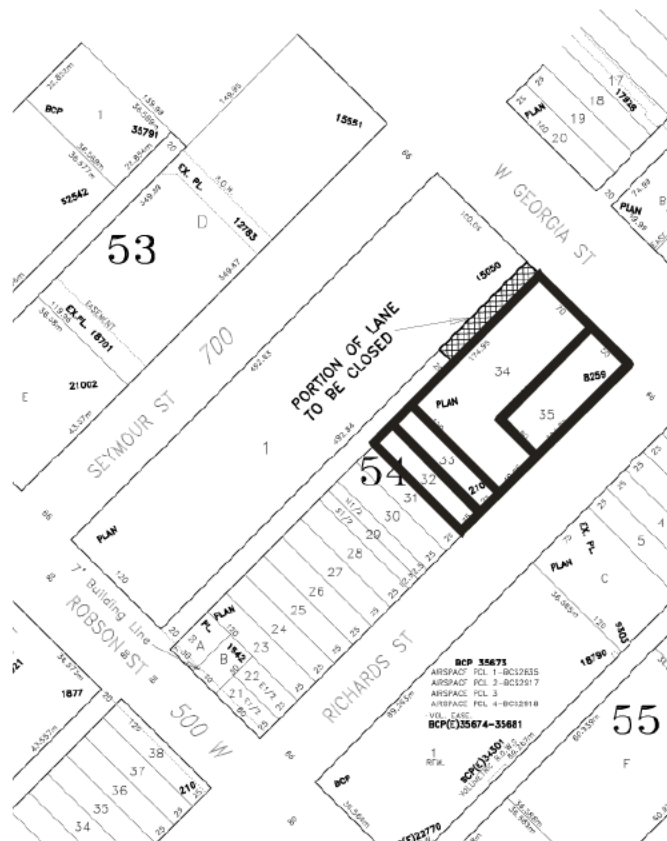
Section 190(b) of the Vancouver Charter authorizes Council to dispose of City-owned property deemed to be surplus to the City's needs and requires an affirmative vote of two-thirds of all members of Council for the disposition of property which exceeds \$400,000 in value.

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.

PURPOSE

The purpose of this report is to seek final Council approval for the Director of Real Estate Services to conclude a contract with Telus for the direct sale of the City owned lands located at 520 West Georgia Street, and a portion of the adjacent lane, as hatched and bolded in Figure 1 below, at a Minimum Stipulated Price of **s.17(1)**, subject to adjustment as noted above.

Figure 1 - Subject Lands



BACKGROUND

On February 17, 2011, Vancouver City Council (In Camera - RTS #8955) approved the following:

- 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 or use or a portion of lane, all described in Appendix A of the Administrative Report dated February 7, 2011, entitled "Potential Sale of City-owned land located at 520 West Georgia Street and adjoining lane" (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.

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, has received approval from its Board of Directors to proceed with a major development of their properties in this location which would include a new head office tower. Telus is proposing a new 22-storey office tower at the Subject Lands and a portion of the Telus lands, (collectively the "Office 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 along Seymour 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*.

Although staff originally anticipated being able to achieve an FSR on the Office Lands of approximately 13.45, ongoing design analysis on the office tower and plaza space has refined this FSR parameter to approximately 12.50-12.66. Despite the decrease in the initial anticipated office density given the architectural and urban design development

considerations, Real Estate Services has successfully negotiated a Minimum Stipulated Price with Telus of s.17(1). The BC Assessment for the Subject Lands in 2010 was s.17(1).

As advised on February 17, 2011, Telus' proposed development 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 million. 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 for the creation of separate airspace parcels, and to respect the requisite view cones. Subject to Council approval Engineering has concluded that the land area for the lane, shown cross-hatched in Figure 1, may be partially closed for use by the development. Future lane access will be accommodated by way of lane outlet(s) running east-west to Richards Street as shown as Appendix C. The new outlet(s) will be achieved by way of a Statutory Right of Way agreement(s).

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 Subject Lands is consistent with Council policy for an assembly or expansion project.

FINANCIAL IMPLICATIONS

The report recommends that the PEF held site at the southwest corner of Georgia and Richards be sold to Telus at a minimum price of s.17(1) reflecting assembled market value which takes advantage of the full density expected to be achieved across the full block on redevelopment. It is unlikely that a similar price could be expected on a lesser development in this time frame.

City has right to re-purchase the Subject Lands if Telus's development does not receive a Development Permit and does not proceed within five years of the Contract date.

This sale back provision provides the City with an "escape clause" so that the City's interest in this strategic downtown asset is preserved in the event the Telus head office does not proceed as contemplated by this Council approval.

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 is to be responsible for undertaking environmental investigations as part of their due diligence, which may include a Phase 1 and/or Phase 2 site investigation. Under the contract of purchase and sale, Telus will 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. When considering this sole source sale contract with Telus, 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 or permitting.

* * * * *

Legal Description of the Subject Lands

Parcel Identifier: 015-467-767, Lot 32, Block 54, District Lot 541, Plan 210,

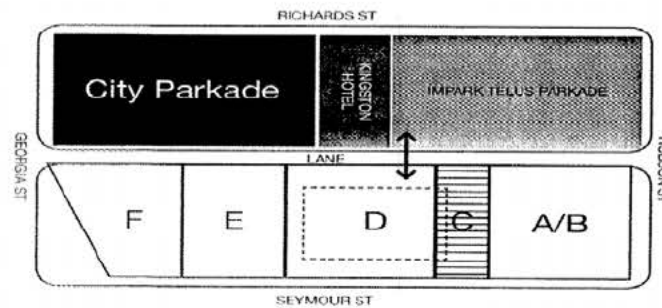
Parcel Identifier: 015-467-791, Lot 33, Block 54, District Lot 541, Plan 210,

Parcel Identifier: 010-205-471, Lot 34, Block 54, District Lot 541, Plan 8259,

Parcel Identifier: 010-205-543, Lot 33, Block 54, District Lot 541, Plan 8259

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>

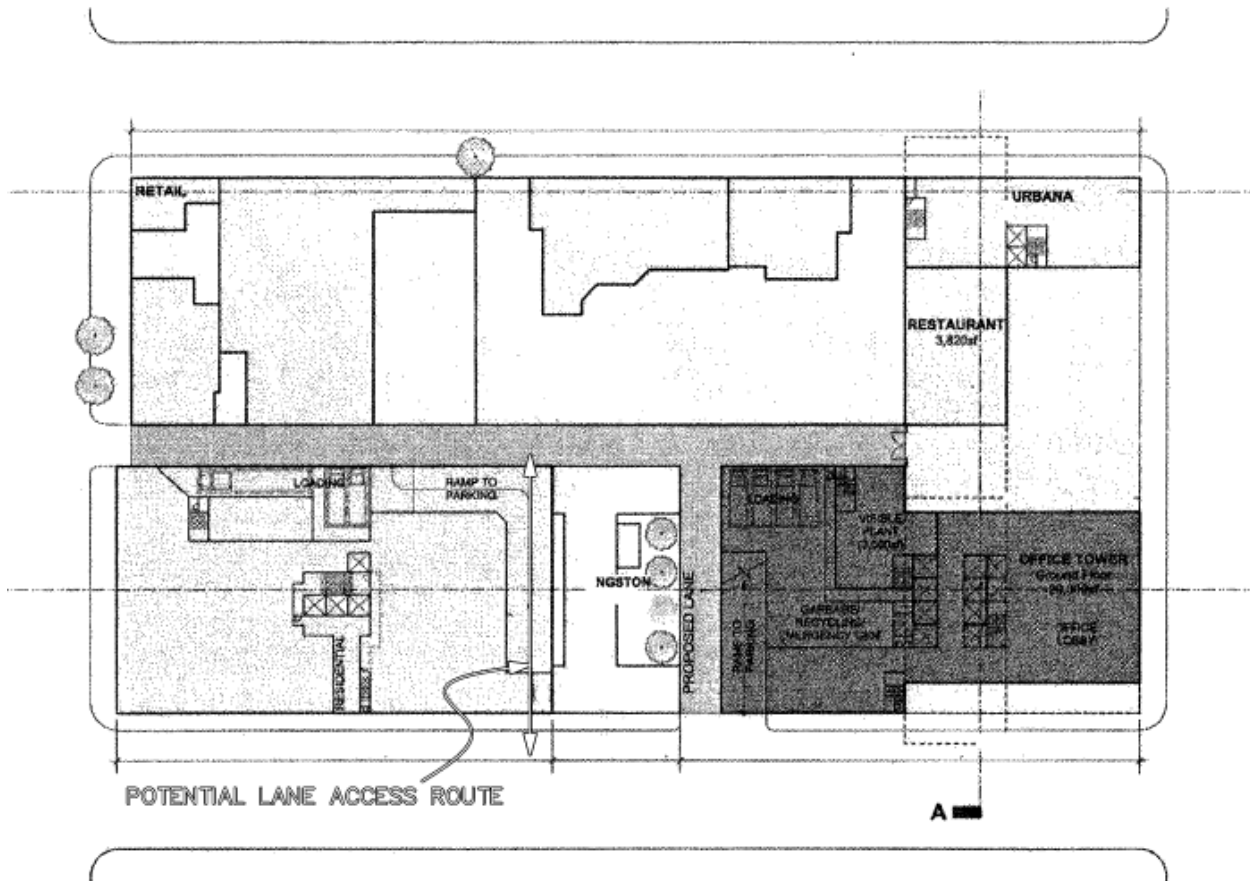
PRELIMINARY ZONING STUDY

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



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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