

ADMINISTRATIVE REPORT

Report Date: September 12, 2011
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Meeting Date: September 20, 2011

TO: Vancouver City Council

FROM: Director of Real Estate Services

SUBJECT: Removal of the improvements of a City-owned residential building at 1379 East 1st Avenue.

RECOMMENDATION

THAT Council approve removal of the improvements of a City-owned single-family dwelling at 1379 East 1st Avenue, legally described as Parcel Identifier: 015-213-552, Lot 15, Block 60, District Lot 264A, Plans 383 and 1771 (the "Lot"), as shown in Appendix A. The cost of deconstruction estimated to be \$60,000 will be funded from the Property Endowment Fund (PEF).

GENERAL MANAGER'S COMMENTS

The General Manager of Business Planning & Services recommends approval of the foregoing.

COUNCIL POLICY

On October 31, 1989, Council approved the City Manager's recommendation that 1379 East 1st Avenue, legally known as Lot 15, Block 60, D.L. 264A, Plans 383 and 1771, be acquired to assist with proposed intersection improvements on East 1st Avenue and Clark Drive.

The installation of left turn bays on East 1st Avenue at Clark Drive is a necessary improvement identified in the Grandview-Woodland Traffic Management Plan approved by Council in July, 1986.

Per the City of Vancouver Zoning and Development Bylaw (No. 3575): **Section 10.12.3 Demolition of a Building** - "The following cases of residential rental accommodation are exempted from the provisions of section 10.12.2 (requirement for development permit prior to demolition)...*h*) where located in a building deemed by City Council to be appropriate for demolition because the premises are a nuisance".

PURPOSE

The purpose of this report is to seek Council approval to remove the building improvements located on the City-owned property at 1379 East 1st Avenue.

BACKGROUND

The subject property was purchased by the City in December 1989 for future left-turn bay intersection improvements on East 1st Avenue at Clark Drive, and was operated as a residential rental property until December 2009. The General Manager of Engineering Services has confirmed in writing that the intersection improvements on East 1st Avenue and Clark Drive remain a necessary priority, requiring the widening of East 1st Avenue.

DISCUSSION

The subject property is zoned RM-4N and improved with an older single-family house that is currently vacant and in deteriorating condition. At present, the property poses a security and fire risk to the City of Vancouver, attracting squatters and requiring ongoing security patrols. The Director of Real Estate Services is of the opinion that the true-cost of rehabilitating the property to suitable living standards is \$100,000. The most recent rental income as of December 2009 was \$1,280 per month, or \$15,360 per annum.

If the subject property were rehabilitated and re-tenanted:

- Potential rental income is projected to be \$16,350/annum (reflecting a 6.4% increase over the most recent rate).
- Typical operating-expense ratios for rental properties are 45% of gross rental income. In this example, expenses would approximate \$7,360 annually.
- Therefore, Net Operating Income (N.O.I.) in this scenario would be \$9,000/annum, reflecting an annual rate of return of 1.0% for this property. This N.O.I. would amortize the \$100,000 rehabilitation expense in roughly 11 years.

The Director of Real Estate Services does not consider the expense of rehabilitation to be justified for this property, considering the low return on investment, the prolonged pay-back period and given the current structure is not reflective of the property's highest-and-best use. The subject site will generate higher value as a redevelopment site under the RM-4N zoning designation and consequently, the existing improvements are recommended for removal.

The City's practice when deconstructing a building is typically as follows:

- The City elects a deconstruction contractor through tender process, with the rights to salvageable value reflected in the net contract price.
- An environmental survey of the building is carried out. If any asbestos containing materials or lead paint is found, it is removed and sent to the appropriate landfills.
- Once the hazardous material is removed, the contractor will remove all the drywall from the house and recycle it. At this time all other material in the house such as windows, doors, plumbing, and electrical wiring that can be recycled or has some value will be removed by the contractor and sold.
- Any material that has no value or can't be separated will be sent to the landfill.

Upon completion of East 1st Avenue & Clark Drive intersection improvements, the balance of the Lot (net of road takings) will be assembled with neighbouring City-owned lots 13 & 14 to form a 99 x 82 ft parcel with strong sale or redevelopment potential (sale proceeds of which are currently estimated at \$1 - 1.22 million). Site disposition options will form the subject of a later report back to Council, upon completion of said road improvements.

FINANCIAL IMPLICATIONS

The cost to deconstruct the residential building on the Lot is estimated to be \$60,000. Funding for deconstruction is to be provided from the Property Endowment Fund (PEF).

CONCLUSION

Considering the costs of upgrading (and poor rate of return for this asset), the requirement for future road takings from the property, issues of safety and security relating to the vacant property, and the strong redevelopment potential afforded by the subject site, the Director of Real Estate Services recommends that the subject building be removed.

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