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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 8440 Beatrice Street

RECOMMENDATION

THAT Council approve the removal of the improvements of the City-owned single family dwelling at 8440 Beatrice Street legally described as Parcel Identifier: 014-024-535, Lot 1, Block J, District Lot 328, Land District 36, Plan 2123 (the "Lot"), as shown in Appendix A. The cost of deconstruction estimated to be $68,000 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

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 on the City-owned property at 8440 Beatrice Street.

BACKGROUND

The subject property was purchased by the City in January 1974 as part of a land assembly with neighbouring Lots 2 and 3. The Subject lot is approximately 0.5 acres and the three sites combined total approximately 1.4 acres. Refer to the attached Appendix A for details.

DISCUSSION

The subject property is zoned RS-1B and improved with an older 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 greater than $100,000. The most recent rental income as of September 2010 was $1,300 per month, or $15,600 per annum.

If the subject property were rehabilitated and re-tenanted:

- Potential rental income is projected to be $20,400/annum (reflecting a 30.8% 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 $9,180 annually.
- Therefore, Net Operating Income (N.O.I.) in this scenario would be $11,220/annum, reflecting an annual rate of return of 0.57% for this property (Based on the 2011 Tax Assessment Value). This N.O.I. would amortize the $100,000 rehabilitation expense in roughly 9 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. Given that the lot is adjacent to two neighbouring City-owned vacant parcels, the highest and best use is to redevelop the site. The Lot will generate greater value as a redevelopment site, upon consolidation with the adjacent Lots 2 and 3, which will form the subject of a later report to council.

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.

FINANCIAL IMPLICATIONS

The cost to deconstruct the residential building on the Lot is estimated to be $68,000. Funding for deconstruction is to be provided from the Property Endowment Fund (PEF).

CONCLUSION

Considering the costs of upgrading and the poor rate of return for this asset, 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 improvements be removed.

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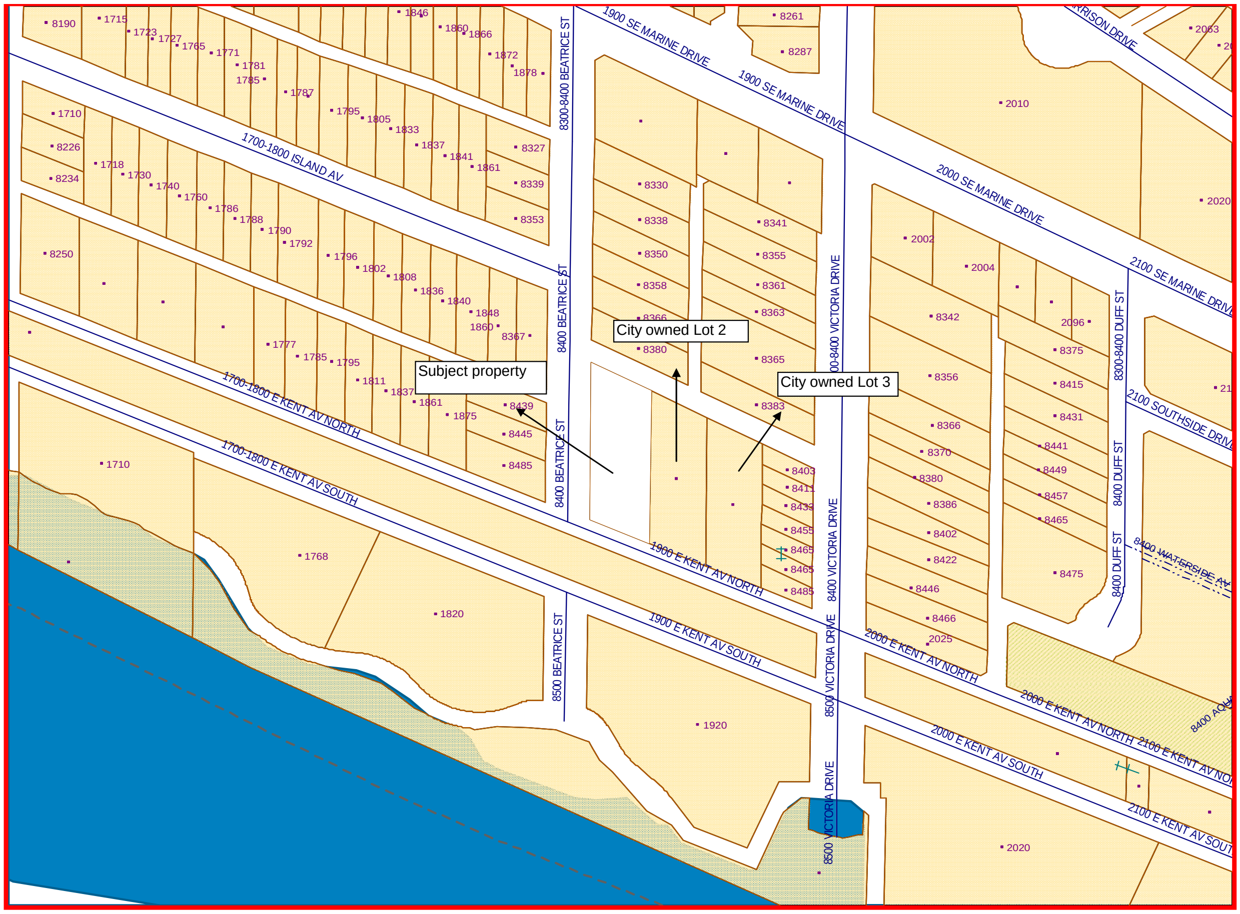
City owned Lot 2
Subject property
City owned Lot 3
1900 SE MARINE DRIVE
2000 SE MARINE DRIVE
2100 SE MARINE DRIVE
1700-1800 ISLAND AV
1700-1800 E KENT AV NORTH
1700-1800 E KENT AV SOUTH
1900 E KENT AV NORTH
1900 E KENT AV SOUTH
2000 E KENT AV NORTH
2000 E KENT AV SOUTH
2100 E KENT AV SOUTH
2100 SOUTHSIDE DRIVE
8300-8400 BEATRICE ST
8400 BEATRICE ST
8500 BEATRICE ST
8400 VICTORIA DRIVE
8500 VICTORIA DRIVE
8300-8400 DUFF ST
8400 DUFF ST
8400 WATERSIDE AV