



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: June 28, 2013
Contact: Michael Flanigan
Contact No.: 604.873.7422
RTS No.: 10209
VanRIMS No.: 08-2000-21
Meeting Date: July 23, 2013

TO: Vancouver City Council

FROM: Director of Real Estate Services and the General Manager of Real Estate and Facilities Management

SUBJECT: Sale of City-owned land located at 1733 East 18th Avenue

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.

RECOMMENDATION

- A. THAT Council authorize the Director of Real Estate Services to enter into a sole source contract of purchase and sale (the "Sale Agreement") with Cressey Projects Corporation ("Cressey") for the sale to Cressey of the City-owned lands at 1733 East 18th Avenue, as shown on Appendix A, legally described as PID: 009-908-200, Lot 2, Block A, District Lot 753, Plan 1795 (the "Subject Property"). Such contract is based on the following terms and conditions:
- i. the City to sell the Subject Property to Cressey for a price of s.17(1), net of closing costs and taxes (the "Purchase Price"); and
 - ii. the sale is subject to the Subject Property being consolidated with adjoining properties and the consolidated property being rezoned;

FURTHER THAT, no legal rights or obligations will arise or be created between Cressey and the City unless and until all legal documentation is fully executed on terms and conditions that are to the satisfaction of the Directors of Real Estate and Legal Services.

- B. THAT a Council decision to enter into a Sale Agreement with Cressey will not in any way limit Council or the City and its officials, including the Approving Officer, in exercising their discretion with respect to any related rezoning or permits.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management RECOMMENDS approval of the foregoing.

REPORT SUMMARY

The purpose of this report is to seek Council approval to sell the Subject Property to Cressey Projects Corporation. The sale of the Subject Property will permit the assembly of a larger development site which will be the subject of a proposed rezoning for market rental housing under the Council approved Interim Rezoning Policy on Increasing Affordable Housing Choices Across Vancouver's Neighbourhoods ("IRP").

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 190(1)(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 where the City-owned lands are essential to a land assembly or expansion project, whereby an attempt is made to obtain a price above market value noting that worthwhile developments provide benefits to the City.

On May 15, 2013, Vancouver City Council (In Camera - RTS No. 10095) approved the following:

- A. *THAT Council authorize the Director of Real Estate Services to enter into exclusive negotiations with Cressey Projects Corporation ("Cressey") over the next 6 months for the sale to Cressey of the City-owned lands at 1733 East 18th Avenue (the "Subject Property"), legally described as PID: 009-908-200, Lot 2, Block A, District Lot 753, Plan 1795 (see Appendix A to the Administrative Report dated April 30, 2013, entitled "Potential Sale of City-owned land located at 1733 East 18th Avenue, Vancouver, BC"), provided that the City obtain a price reflecting premium assembled market value for the Subject Property;*

FURTHER THAT, if the Director of Real Estate Services can successfully conclude such negotiations with Cressey, Council authorize the Director of Real Estate Services to enter into a legally binding Contract of Purchase and Sale, such sale being subject to the Subject Property being rezoned, and subject to Council approval;

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

- B. THAT Council authorize the Director of Real Estate Services to undertake all necessary site investigations and preparations relating to the sale of the Subject Property, including environmental, geotechnical assessments, site survey, appraisals and consultant fees with a total budget of s.17(1) . Source of funding being the Property Endowment Fund (PEF).*
- C. THAT, if the Director of Real Estate Services is at any time during the 6-month negotiation period of the view that terms cannot be successfully concluded with Cressey, the Director of Real Estate Services will report back to Council for further direction.*
- D. THAT a Council decision to enter into a Contract of Purchase and Sale with Cressey will not in any way limit Council or the City and its officials, including the Approving Officer, in exercising their discretion with respect to any related rezoning or permits.*

REPORT

Background/Context

The Subject Property is held in the Property Endowment Fund ("PEF") with a site area of approximately 3,180 square feet (60 feet x 53 feet). It is a vacant and unimproved single-family zoned (RS-1) residential lot.

On October 3, 2012, City Council approved the Interim Rezoning Policy on Increasing Affordable Housing Choices Across Vancouver's Neighbourhoods. The IRP is aimed at encouraging innovation and enabling real examples of ground-oriented affordable housing types. Through the IRP, rezoning applications can be considered for secured market rental projects, as well as other types of affordable housing. Building forms of up to six-storeys can be considered on arterial streets within 500 metres of a local shopping area.

Cressey has assembled the properties surrounding the Subject Property as part of a larger assembly, and has made pre-application enquiries to the City to rezone and develop market rental housing under the IRP.

Strategic Analysis

The sale of the Subject Property to Cressey would enable the development of a market rental housing project by facilitating the assembly of a much larger development site. The entire assembly would have a site area of approximately 35,122 square feet. Cressey has proposed a market rental apartment building up to six-storeys, with a floor area of approximately 105,366 square feet (3.0 FSR). The total number of rental apartment units proposed is 140. The site is located at the corner of East 18th Avenue

and Commercial Drive, an arterial street that is well-served by transit. Staff have determined that the proposal meets the basic criteria for consideration under the IRP. Therefore, Cressey is anticipated to make a rezoning application submission under the IRP.

The proposed project could generate significant benefits to the City, including:

- achieving objectives set out in the City's IRP by providing approximately 140 units of secured purpose built market rental housing;
- the sale of vacant City-owned land at assembled market value to enable a larger site assembly for higher-density residential redevelopment; and
- achieving an anticipated LEED Gold development.

The Director of Real Estate Services is of the opinion that the Purchase Price of s.17(1) offered by Cressey for the Subject Property represents a premium assembled value as currently zoned, noting that the Subject Property is currently assessed at s.17(1) (2013 assessed land value). In addition, the City obtained an independent appraisal report to determine fair market value. The appraisal report estimated the value of the Subject Property to be s.17(1).

As per the terms of the Sale Agreement, Cressey (the buyer) is responsible for all site investigations, including environmental, survey, and geotechnical assessments. Cressey has agreed to the purchase of the Subject Property on an "as is, where is" basis; therefore, there will be no environmental and financial risks to the City (for claims by Cressey) when the sale is completed.

Implications/Related Issues/Risk (if applicable)

Financial

The Subject Property is held in the PEF and the net sale proceeds will be credited to the PEF.

Environmental

No environmental risks are anticipated as Cressey has agreed to the purchase of the Subject Property on an "as is, where is" basis.

CONCLUSION

The Director of Real Estate Services is of the opinion that the Purchase Price for the Subject Property represents a premium assembled value as currently zoned and recommends that Council authorize the proposed sale.

The successful conclusion of direct negotiations with Cressey to sell the Subject Property at a price reflective of premium assembled market value will allow the City to realize the full value of the Subject Property, whilst a future rezoning of the Subject Property for market rental housing under the IRP will increase the affordable housing choices in the City of Vancouver.

