



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: May 28, 2014
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VanRIMS No.: 08-2000-21
Meeting Date: June 10, 2014

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management in consultation with the General Manager of Engineering Services

SUBJECT: Broadway Rapid Transit Project - Strategic Land Acquisition: 1424 West Broadway

IN CAMERA RATIONALE

This report is recommended for consideration by Council on 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 negotiations with Long Term Holdings Ltd. (Incorporation No. BC0309997), (the "Owner") to acquire the property situated at 1424 West Broadway (see Appendix A), legally described as PID: 026-232-405, Parcel 1 Block 351 District Lot 526 Group 1 New Westminster District Plan BCP16525 (the "Subject Property") to a maximum purchase price of \$17,600,000 plus applicable taxes, with the source of funding to be the 2014 Capital Budget for the Property Endowment Fund (PEF).
- B. THAT if the Director of Real Estate Services can successfully conclude such negotiations, Council authorize the Director of Real Estate Services to enter into a legally binding Offer to Purchase to purchase the Subject Property on such terms and conditions satisfactory to the Directors of Real Estate Services and Legal Services;

FURTHER THAT no legal right or obligation is hereby created, and none shall arise except upon execution of the legally binding Offer to Purchase.

REPORT SUMMARY

Real Estate Services has been directed by the City Manager to proceed with the acquisition of strategic sites suitable for future station entrance locations for the proposed Broadway Rapid Transit project.

Real Estate Services, with the assistance from Engineering Services, the Director of Transportation and the General Manager of Engineering Services, has identified key transit sites along the Broadway corridor, one of which is the Subject Property at 1424 West Broadway.

The Subject Property is expected to be listed for sale by the first week of June and to be marketed broadly. Numerous competing bids are expected and the Owner has provided detailed due diligence information up front to encourage non-conditional offers.

In an effort to make the City's Offer of Purchase and Sale (the "Offer") as competitive as possible, the Director of Real Estate Services is recommending Council pre-approve the acquisition of the Subject Property at a price not to exceed \$17,600,000, such that the City may be free to negotiate the purchase price of the Subject Property up to the maximum amount and the City's Subject Condition period can be greatly reduced or even eliminated.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Council Authority is required to acquire or dispose of civic properties.

On April 2, 2014 (RTS 10441), Council approved the 2014 PEF Capital Budget which included budget of \$26,375,000 for the purchase of four potential Transit Sites east of Arbutus.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management in consultation with the General Manager of Engineering Services recommends approval of the foregoing.

REPORT

Background/Context

The Broadway Rapid Transit project (the "Project") is a key initiative being led by TransLink with the full cooperation of the City of Vancouver. While confirmation of the Project's construction and funding has yet to be approved by the Province, confirmation is expected within one (1) to three (3) years and significant pre-design work to identify the specific station locations, as shown in Figure 1 below, is well advanced and the City of Vancouver will wish to demonstrate to TransLink that it has secured prime station locations.

Figure 1 - Broadway Rapid Transit Line, Proposed Stations Locations



To facilitate this project and in order not to miss opportunities to guide alignment decisions and secure critical station locations, the City has proceeded to acquire sites from Main Street to Arbutus Street which are:

- deemed necessary for station boxes;
- deemed necessary for alignment right of ways; and
- of a strategic nature, both in terms of income/redevelopment and potential future land swaps and negotiations.

With substantial work completed to date on most intersections, Main Street and Granville Street have proved difficult as owners contacted are not willing to sell. Accordingly, staff are eager to secure a station location in this block and pursue the Subject Property. Figure 2 below, outlines the City's status on the Project acquisitions.

Figure 2 - Acquisition Status

| STATION LOCATION: | STATUS: | DETAILS: |
|---------------------------|---|--|
| Great Northern Way Campus | s.17(1) | |
| Main & Broadway | Negotiations ongoing | Multiple Offer to Purchase made; multiple phone conversations and emails made to owners; generally un-willing to sell; TransLink made aware of situation and possibility of need to expropriate; CoV has also requested that TransLink review options to allow mid-block station locations, in order to expand the purchase opportunities. |
| Cambie & Broadway | CoV-owned | CoV-owned |
| Oak & Broadway | 1 of 2 sites acquired by CoV | 1 site acquired - sufficient for Station Location. However, opportunity to acquire neighbouring 50' site being pursued; negotiations for remainder ongoing (Lol's delivered, third-party realty investigations made, still no response). |
| Granville & Broadway | NEGOTIATIONS TO COMMENCE PENDING COUNCIL APPROVAL | Subject of this Council Report; opportunity to acquire strategic site at 1424 W Broadway, pending subject-free Offer to Purchase |
| Arbutus & Broadway | CoV-owned | CoV-owned |

The Subject Property at 1424 West Broadway was identified for acquisition due to its functionality as a station location for either underground or elevated Rapid Transit alignment options, and its strategic nature as a holding property with rental income and strong redevelopment potential.

Subject Property Specifics:

- Dimensions: a square site with 125 feet of frontage on West Broadway and 125 feet of depth (roughly 15,630 square feet in site area).
- Zoning: C-3A Commercial with permitted FSR of 3.00. Land use policy recommends only commercial/office uses (no residential).
- Current Use: Restaurant, Joey's - initial term expires October 31, 2018 with two five-year options to extend the term. Owner has advised that the lease contains a lease termination clause - one condition of the Offer to Purchase will be review of the lease and any other charges on title to the satisfaction of the City.
- Current tenant holds option to purchase. Owner has advised that the current tenant will release its option on or prior to sale of Subject Property - the release will be made a condition of completion of the Offer to Purchase.
- Improvements: 2-storey restaurant measuring approximately 10,000 sq. ft. leasable, with at-grade parking. Extensive renovations in 2003/2004. Improvements generally in very good shape.

Strategic Analysis

Due to anticipated strong interest in this site, it is expected that multiple competing bids will be made upon marketing. Discussions with the Listing Broker indicate a strong preference by the Owner for non-subject offers to purchase and accordingly, the Owner is compiling all necessary records and documentation to facilitate a quick sale.

Typically, the City's Offer to Purchase includes a Subject Condition removal period (the "Subject Period") of one (1) to three (3) months due primarily to the need for environmental due diligence and Council approval. In order for the City's Offer to be as competitive as possible, it is recommended that a very short Subject Period be included in the offer, or ideally, a subject-free offer.

With a Certificate of Compliance issued by the BC Ministry of Environment for the Subject Property (discussed under the Environmental section of this report), obtaining Council Approval of Recommendations A and B will allow the City to submit the most competitive Offer to Purchase as possible.

Implications/Related Issues/Risk (if applicable)

Financial

Real Estate Services has appraised the Subject Property and has also received independent third-party valuations which lend support for premium prices approaching an up-side maximum price of \$17,600,000, including any necessary capital improvement expenses.

The source of funding for the purchase is the 2014 Capital Budget for the Property Endowment Fund (PEF). Total of \$26,375,000 was included in the 2014 Capital Budget for PEF for transit site land acquisitions, of which \$9,400,000 was budgeted for Granville site. Due to the inability to secure the Granville site identified in the 2014 Capital Budget, RES Staff in consultation with Engineering are recommending the acquisition of the Subject Property which is expected to trade at higher value than as provided for in the original budget.

The Subject Property currently generates a Net Operating Income of \$240,000 per annum. Upon expiry/renewal of the Joey's lease, it is expected the Net Operating Income could be improved to \$400,000 with proceeds to be credited to the PEF.

Environmental

The Subject Property received a Certificate of Compliance from the BC Ministry of Environment in 2006 confirming the site had been remediated to the applicable standards of the time. While there have been minor regulatory amendments since then, Environmental Planning is satisfied with the available documentation and has determined that the risk of additional environmental contamination on the Subject Property is low.

Title Review

As noted above, the Offer to Purchase will contain a condition in favour of the City regarding the City's satisfaction with the lease in favour of Joey's restaurant and any other charges on title.

CONCLUSION

The purchase of 1424 West Broadway is a strategic acquisition to facilitate the Broadway Rapid Transit project. Given the difficulty in securing sites at this location and the anticipated competing interest for the Subject Property, the Director of Real Estates Services recommends approval of recommendation A and B to facilitate a timely and competitive Offer to Purchase from the City of Vancouver.

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Subject Property





