



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 28, 2014
Contact: Jerry Evans
Contact No.: 604.873.7430
RTS No.: 10765
VanRIMS No.: 08-2000-21
Meeting Date: November 25, 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: Purchase of Portion of Lot Q, 525 Great Northern Way

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 on behalf of the City (the "Buyer") to proceed with the acquisition of that 0.196 hectare portion of lands currently legally described as PID: 027-789-624, Lot Q, District Lots 264A and 2037 Group 1 New Westminster District Plan BCP39441, which portion is described as Lot "5" (the "Subject Property") and outlined in bold on Schedule A - attached hereto, from Great Northern Way Campus Ltd., as trustee of Great Northern Way Campus Trust (the beneficial owner) (the "Seller") for the price of \$5,800,000.00 plus applicable taxes, with the source of funding to be the 2014 Capital Budget for the Property Endowment Fund (PEF), subject to the following:
- i. on or before January 15, 2015, the Buyer being satisfied in its sole discretion with the proposed state of title of the Subject Property;
 - ii. on or before January 15, 2015, the Buyer will have obtained, at its cost, such reports and investigations regarding the Subject Property and its surrounding environment as it considers necessary, and the Buyer will have approved such reports and investigations;

- iii. on or before January 15, 2015, the Seller will have caused to be registered against title to one or more of the lots created upon the subdivision of Lot Q a modification to or replacement of the Servicing and Open Space Agreement (the “SOSA”), as described in the Implications/Related Issues/Risk section of this report;
 - iv. on or before January 15, 2015, the Seller’s Board of Directors and shareholders (the “Registered Owners”) will have approved the sale of the Subject Property on the terms and conditions agreed upon by the Seller and Buyer;
 - v. on or before January 15, 2015, the Provincial Ministry of Advanced Education and the Provincial Ministry of Finance will have approved the transfer of the legal interests in the Subject Property by the Registered Owners to the Buyer;
 - vi. on or before January 15, 2015, the Seller will have received approval from the City of Vancouver’s Subdivision, Planning & Development Department for the subdivision of Lot Q to create the Subject Property in accordance with the subdivision plan submitted by the Seller, as it may be amended from time to time by agreement between the Buyer and the Seller;
 - vii. on or before January 15, 2015, the Seller and the Buyer have agreed on the legal notations, charges, liens and interests which will be permitted to remain registered in respect of or against the Subject Property upon the creation of title thereto; and
 - viii. on or before January 15, 2015, the Seller and the Buyer have agreed upon a lease agreement (the “Lease”) in respect of the use of the Subject Property by the Seller for the period of time post-closing, until the commencement of construction of the Broadway Rapid Transit Project, for purposes including, but not limited to, surface parking and/or art gallery uses and as further described in the Implications/Related Issues/Risk section of this report.
- B. THAT Council authorize the Director of Real Estate Services to negotiate and enter into the Lease with the Seller for the purposes of surface parking, as noted in Recommendation A, subject condition viii, and further described in the Implications/Related Issues/Risk section of this report, on such terms and conditions satisfactory to the General Manager of Real Estate and Facilities Management and Director of Legal Services.

REPORT SUMMARY

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

Real Estate and Facilities Management, with 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.

The Subject Property has been selected by Engineering, in conjunction with TransLink and their consultants, as a required location for construction staging in relation to the tunnelling and building of the Broadway Rapid Transit project. The Subject Property will not function as the station entrance, which will be located on adjacent lands owned by the Seller and secured by way of prior-to conditions at the Development Permit stage.

The purpose of this report is to request Council authorization to acquire the Subject Property for transit purposes, subject to the conditions outlined in Recommendation A.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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

On April 29, 2014 (RTS 10441), Council approved In-Camera the 2014 PEF Capital Budget which included a budget of \$26.4M for the purchase of four potential transit sites east of Arbutus.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

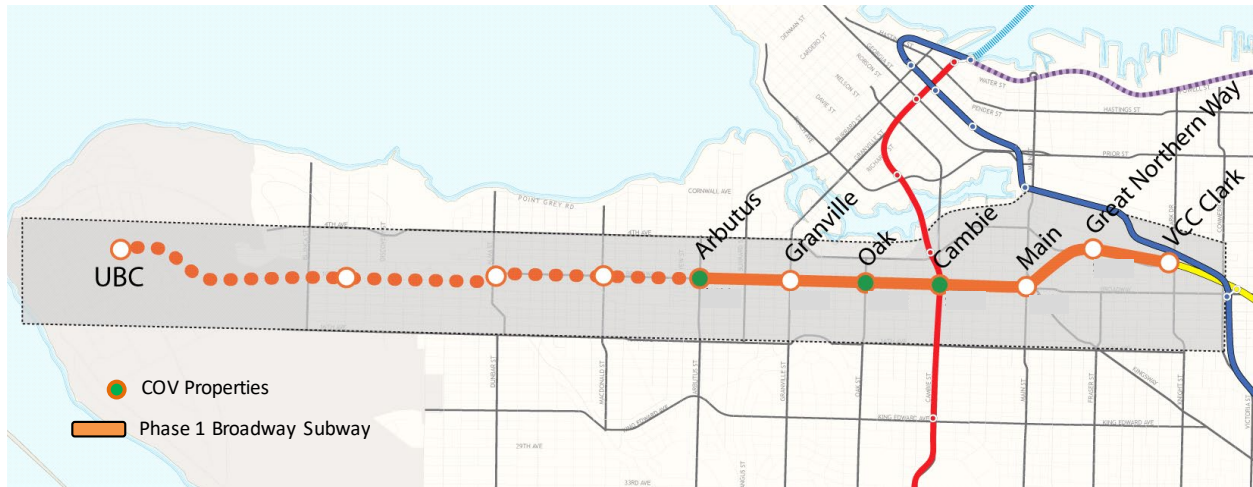
The General Manager of Real Estate and Facilities Management, in consultation with the General Manager of Engineering Services, recommends approval of the foregoing.

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 wishes 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 been acquiring sites between Great Northern Way and Arbutus Street which are:

- deemed necessary for station boxes;
- deemed necessary for staging and construction purposes;
- 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.

Significant progress has been made in the acquisition of Station locations. Upon acquisition of the Subject Site, only two intersections (Main Street and Granville Street) remain outstanding, with negotiations on-going at both. Figure 2 below, outlines the City's status on the Project acquisitions.

Figure 2 - Acquisition Status

STATION LOCATION	STATUS:	DETAILS:
Great Northern Way Campus	Offer to Purchase ACCEPTED, subject to Council Approval	Subject to this Council Report
Main & Broadway	Negotiations ongoing	Multiple Offers to Purchase made; multiple phone conversations and emails made to owners; generally unwilling 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	CoV-owned	<u>CoV-owned</u> 1 site acquired - sufficient for Station Location. However, a strategic opportunity to acquire neighbouring 50 foot site being pursued; negotiations for remainder ongoing (LOI's delivered, third-party realty investigations made)
Granville & Broadway	Negotiations ongoing	Multiple Offers to Purchase made on several station sites; progress being made on several opportunities
Arbutus & Broadway	CoV-owned	CoV-owned

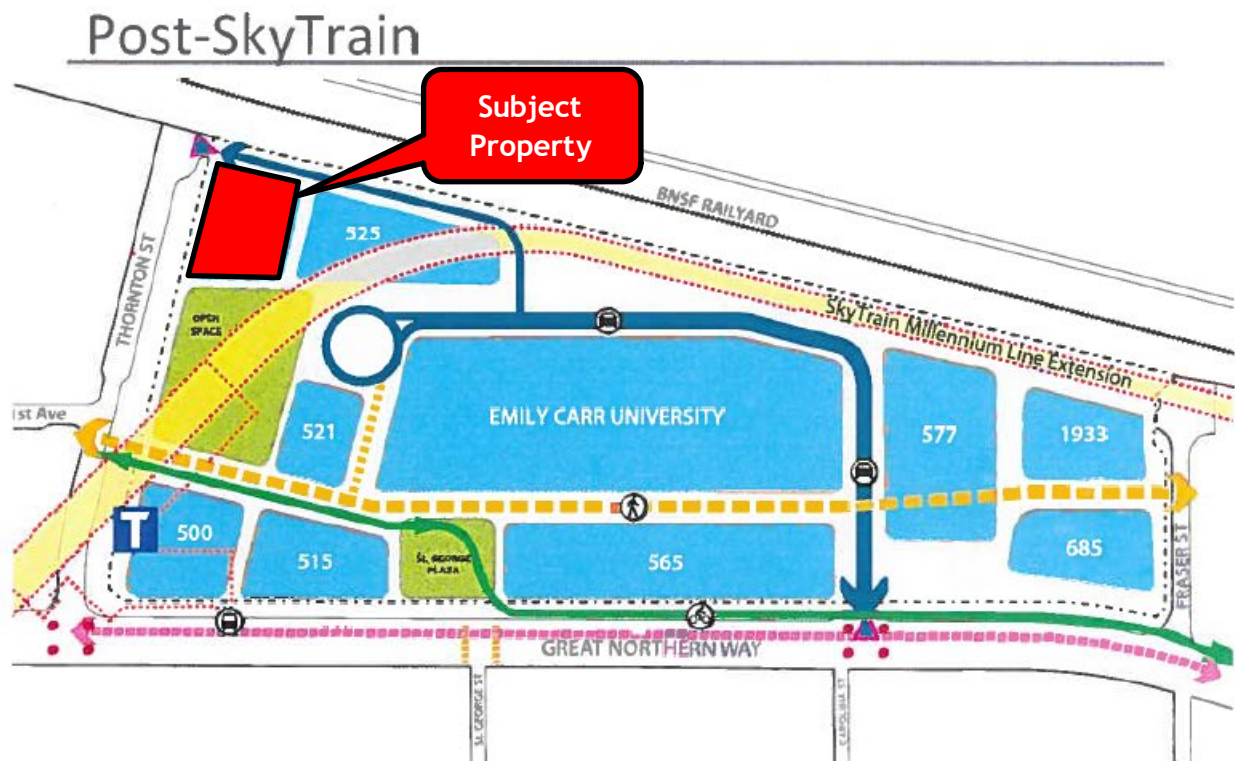
Strategic Analysis

The Subject Property, Lot 5, 525 Great Northern Way located as indicated on Schedule B was identified for immediate acquisition due to:

- requirement for land to accommodate tunnel boring and related construction staging for the Project;
- limited site opportunities to facilitate construction staging;
- TransLink-commissioned studies by SNC-Lavalin outlining considerable cost saving benefits if staging located at Subject Property; and
- conflicting development time-lines of Seller versus timing of Project:
 - Seller requires funds from disposition of Subject Property to fund existing obligations, including construction of Emily Carr campus;
 - risk that Subject Property could have been redeveloped prior to Project construction, compromising staging location; and
 - decision made to acquire Subject Property to secure future staging; Seller compensated at today's fair-market value, allowing Seller to honour obligations to Emily Carr campus.

As noted in Figure 3 below, while the Subject Property is required for construction staging and must therefore remain vacant prior to completion of the Project (except for interim surface parking uses, to be described in the Financial Section below), upon completion of the Project the Subject Property will be available for redevelopment or disposition. Figure 3 also indicates the approximate transit station location ("T") in relation to the Subject Property, which will be secured through prior-to conditions attached to forthcoming development permits on the Seller's remaining land parcels.

Figure 3 - Subject Property, Post-SkyTrain



Subject Property Specifics:

- Dimensions: 0.196 ha (21,097 sq. ft. (0.484 acres))
- Zoning: CD-1 (402)
- Permitted Uses: high-tech and light industrial, office, service, institutional uses limited to school/university/college, retail. Live-work and hotel uses permitted under zoning, however Subject Property restricted due to fulfilment of such uses on adjacent land parcels (see Financial section below).
- Floor Space Ratio (FSR): expected at 5.50 FSR
- Subject Property is vacant and level
- Subject Property is un-serviced, however servicing obligations run with Seller and registered on title of adjacent land parcels (see Financial Section below).

Implications/Related Issues/Risk (if applicable)

Financial

Real Estate Services has appraised the Subject Property and has also received independent third-party valuations, assuming an un-serviced parcel which permits office and retail use only.

Based on land use, comparable sales and servicing obligations secured with the Subject Property, the General Manager of Real Estate and Facilities Management considers the acquisition price of \$5,800,000 to be fair compensation for the Subject Property. For clarity, the acquisition price for the Subject Property takes into account (i.e., includes) an amount attributed to servicing of the Subject Property.

The source of funding for the purchase is the 2014 Capital Budget for the Property Endowment Fund (PEF). A total of \$26.4M was included in the 2014 PEF Capital Budget for transit site land acquisitions and the full amount is available.

Securing of Servicing & Open Space Agreement (“SOSA”) Obligations:

As noted above, the acquisition price of the Subject Property includes an amount attributed to servicing (which may include without limitation) required SOSA obligations for items such as road infrastructure, sewer/water infrastructure, and power, which cannot be installed until completion of the Project. Accordingly, the purchase of the Subject Property includes securing the performance of and payment for the required SOSA obligations. The SOSA obligations relating to servicing have been estimated by Engineering Services to cost \$2.3M in 2014 dollars (this is a preliminary estimate of servicing costs). The SOSA obligations will be incorporated into an amendment to or replacement of the existing SOSA which will be registered against title to one of the larger properties to be created on the subdivision of Lot Q that is immediately adjacent to the Subject Property (“Immediately Adjoining Lands”), such that the SOSA obligations remain the responsibility and sole cost of the Seller or any future land-owner of the Immediately Adjoining Lands. As with the Subject Property, the Immediately Adjoining Lands will require servicing infrastructure prior to redevelopment and occupancy thereof; therefore, the occupancy of any future development that is constructed on the Immediately Adjoining Lands will trigger the servicing obligations for the Subject Property. Additional protection for honouring the SOSA obligations in the event of changing scenarios (i.e. delays or cancellation of the Project) has been secured through the following contract clauses:

“...servicing requirements for the [Subject Property] are to be provided by the owner, from time to time, of the Immediately Adjoining Lands, by the earlier of:

- (a) *prior to occupancy of any future development that is constructed on the Immediately Adjoining Lands or any portion thereof following the construction of the Broadway Rapid Transit Project;*
- (b) *within two (2) years of completion of the Broadway Rapid Transit Project by TransLink provided that if TransLink fails to complete such servicing requirements within the aforementioned time, the Seller shall promptly commence and complete the installation and construction of such servicing requirements within a reasonable period of time after notice from the Buyer;*
- (c) *within two (2) years of TransLink's confirmation and announcement that the Broadway Rapid Transit Project will not proceed or the route alignment of the Broadway Rapid Transit Project has been adjusted such that it no longer impacts the Land or the Immediately Adjoining Lands; and*
- (d) *within thirty-five (35) years of the Closing Date, unless the Buyer and the Seller have prior thereto otherwise agreed."*

It is intended that the foregoing contract clauses will form part of the aforementioned amendment to or replacement of the SOSA.

Lease of Subject Property

The purchase contract for the Subject Property includes a mutual condition between the Seller and Buyer for entering into a lease-back (the "Lease") of the Subject Property for purposes of surface parking and/or art gallery uses, for the period of time from closing of the purchase contract until commencement of construction of the Project. The Seller will be solely responsible for performing and paying for the installation, construction, maintenance, and removal of any improvements on the Subject Property.

The rent for the Lease will be negotiated at market rates for comparable uses in the vicinity, with final terms and conditions to be confirmed prior to closing of the purchase contract, and to the satisfaction of the General Manager of Real Estate and Facilities Management and the Director of Legal Services and the Seller's board of directors and trustees.

Environmental

The Subject Property and surrounding lands received a Certificate of Compliance from the BC Ministry of Environment in 2000 for commercial land use. Subsequent environmental assessments were completed in 2013 and a small volume of contaminated soil in exceedance of residential standards was identified on the surface of the Subject Property. Temporary control/encapsulation of the contamination will be adequately achieved when the Subject Property is prepared (i.e. paved) for purposes of surface parking or construction staging. Remediation would be conducted concurrently with future site redevelopment and the associated cost would be nominal.

CONCLUSION

The purchase of the Subject Property is a strategic acquisition to facilitate the Broadway Rapid Transit project. Given staging considerations for the Project, construction cost savings and the avoidance of timing conflicts between the Project and the Seller's future development plans by securing the Subject Property, the General Manager of Real Estates and Facilities Management recommends approval of recommendation A and B.

* * * * *

Subject Property



