



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: February 6, 2015  
Contact: Jerry Evans  
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VanRIMS No.: 08-2000-21  
Meeting Date: March 3, 2015

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 1431 West Broadway and 1441 - 1445 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 on behalf of the City to proceed with the acquisition of 1431 West Broadway and 1441 - 1445 West Broadway, legally described as PID: 013-709-712, Lot 14, Except Part in Plan 4379, Block 331, District Lot 526, Plan 590 and PID: 015-201-261, Lot 15, Except Part in Plan 4379, Block 331, District Lot 526, Plan 590, (the "Subject Property") as outlined in bold on Schedule A attached hereto, for a price of \$13,500,000 plus applicable taxes, with the source of funding to be the 2015 Capital Budget for the Property Endowment Fund (PEF).

### REPORT SUMMARY

Real Estate Services has been directed 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 Services, 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 purpose of this report is to request Council authorization to acquire the Subject Property for transit purposes.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

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

The 2015 PEF Capital Budget, which is the subject of a separate report to Council for March 3, 2015, identifies funding for the purchase of 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***

Rapid Transit to UBC is a key City of Vancouver transportation priority. Within the approved 2014 Mayors' Council Transportation and Transit Plan, a tunnelled Skytrain extension from VCC-Clark Station to Arbutus Street (the "Project") has been identified as a first phase. Work to advance the Project's specific design and develop the business case for funding from senior levels of government is now underway.

In 2012, TransLink completed the UBC Line Rapid Transit Study. This study identified future station locations (see Figure 1 below). City staff has assessed these locations and identified suitable sites for acquisition. Staff experience with rapid transit projects highlights the importance that property holdings play in advancing major infrastructure projects, locating stations and providing construction staging areas. In support of the project, City staff has been actively securing sites at key intersections along the corridor.

**Figure 1 - Broadway Rapid Transit Line, Proposed Station Locations**  
(Source: TransLink's UBC Line Rapid Transit Study 2012)



To facilitate this project, guide alignment decisions and secure critical station locations, the City has proceeded to acquire sites from VCC Clark to Arbutus Street. The following is a list of criteria for site selection:

- appropriately located for station entries and circulation;
- important for staging and/or construction purposes;
- considered necessary for alignment right of ways; and
- of a strategic nature, both in terms of income/redevelopment and potential future land swaps and negotiations.

Substantial work has been completed to date on sourcing property at key intersections; upon acquisition of the Subject Property, only one intersection (Main Street at Broadway) will remain outstanding, with negotiations on-going at present. Figure 2 below outlines the City's status on the Project acquisitions.

**Figure 2 - Acquisition Status**

STATION LOCATION:	STATUS:
Great Northern Way Campus	Under Contract (Closing on or before July 31, 2015)
Main & Broadway	Negotiations ongoing
Cambie & Broadway	CoV-owned
Oak & Broadway	Acquired by CoV January 2014
Granville & Broadway	Offer to Purchase ACCEPTED; <b>Subject to Council Approval</b>
Arbutus & Broadway	Acquired by CoV April 2013

**Strategic Analysis**

The Subject Property at 1431 West Broadway and 1441 - 1445 West Broadway was identified for acquisition due to its functionality as a station location and its strategic nature as a holding property with rental income and strong redevelopment potential.

**Subject Property Specifics:**

- Dimensions: a rectangular site with 100 feet of frontage on West Broadway and 117 feet of depth (roughly 11,700 square feet in site area).
- Zoning: C-3A Commercial with permitted FSR of 3.00. Land use policy recommends only commercial/office uses.
- Current Use: multiple retail-tenancies, including
  - De Serres - Art Supplies store;
  - IRemit - International Funds Remittance;
  - Salade Royale - Food & Beverage;
  - Spoiled Nail Bar - Service;
  - Westside Kickboxing - Studio; and
  - Cindy Yang Dance Studio - Studio.
- Tenancy End-Dates: with lease expiries and existing demolition clauses, the Subject Property could be redeveloped as early as May 1, 2017 without triggering any penalties.

- Improvements:
  - 1431 West Broadway - two (2) storey building (one (1) at West Broadway grade, one (1) below grade), comprising approximately 11,200 square feet; building constructed in 1953 and improved in 1991; occupied by De Serres Art Supplies only; building in good condition.
  - 1441 - 1445 West Broadway - two (2) storey building (one (1) at West Broadway grade, one (1) below grade), comprising approximately 5,000 square feet; building constructed in 1937 and improved in 1989; occupied by remaining five (5) retail tenancies; building is older but generally in good condition; includes eight (8) surface parking stalls at rear of the Subject Property.

While the Subject Property provides sufficient site area to accommodate a Rapid Transit Station entry and circulation with additional on-site redevelopment potential, Real Estate Services (RES) continues to pursue acquisition opportunities with neighbouring properties of the Subject Property, in order to expand and strengthen the functionality of the future station and provide adequate space for construction staging. Should these additional acquisitions be successful, they will be brought to Council under a separate report.

### ***Implications/Related Issues/Risk (if applicable)***

#### ***Financial***

A very limited number of site opportunities are available and few fit Engineering's station requirements, while also providing redevelopment opportunities.

Throughout 2014, RES valued properties along the Broadway Corridor - including the Subject Property - and commissioned third-party appraisals of sites at key intersections. In the last twelve (12) months, properties located along West Broadway have seen significant price escalation due to both transit speculation and strong investor demand for retail income-producing properties along the Broadway Corridor. Appendix A, attached, includes additional background on land values in the Broadway Corridor including recent comparable sales.

The acquisition price of \$13,500,000 (\$385/square feet buildable) is considered to be at the high-end of the market, reflective of conditions for well-positioned and strategic sites. However, the Subject Property is correctly located for Engineering's transit-station requirements and is one of an ever decreasing pool of transit site options. The source of funding for the purchase is the 2015 Capital Budget for the Property Endowment Fund (PEF).

The Subject Property currently generates a Net Operating Income of \$275,000 per annum. Upon expiry/renegotiation of the various leases, it is expected the Net Operating Income could be improved to \$320,000(+) with net rent to be credited to the PEF.

A Building Condition Assessment was carried out at the Subject Property, which identified \$95,000 in capital expenditures over the first five (5) years. After the fifth year, an average funding of up to \$25,000 per year will be required for the following five (5) years (\$125,000), for an estimated total cost of up to \$220,000 over the next ten (10) years. This capital expenditure may be reduced if we decide to redevelop the site sooner. The source of funds for the capital expenditures will be the Net Operating Income generated from the Subject Property.

The 2015 PEF Capital Budget, which is being brought forward to Council for approval on March 3, 2015, includes \$41.2 million of funding for the purchase of potential transit sites east of Arbutus. This is one of the sites to be funded from within the \$41.2 million.

### ***Environmental***

A Phase I Environmental Site Assessment of the Subject Property, completed for the City in January 2015, identified areas of potential environmental concern associated with former photography/film production, fill associated with a former stream, and potential underground heating oil storage tanks. The areas of potential environmental concern represent a low risk of contamination and if present would be contained within the Subject Property limits. There is currently no regulatory requirement for investigation; therefore, a Phase II Environmental Site Assessment was not conducted. Any underground storage tanks or unexpected contamination identified during site redevelopment will be addressed at that time.

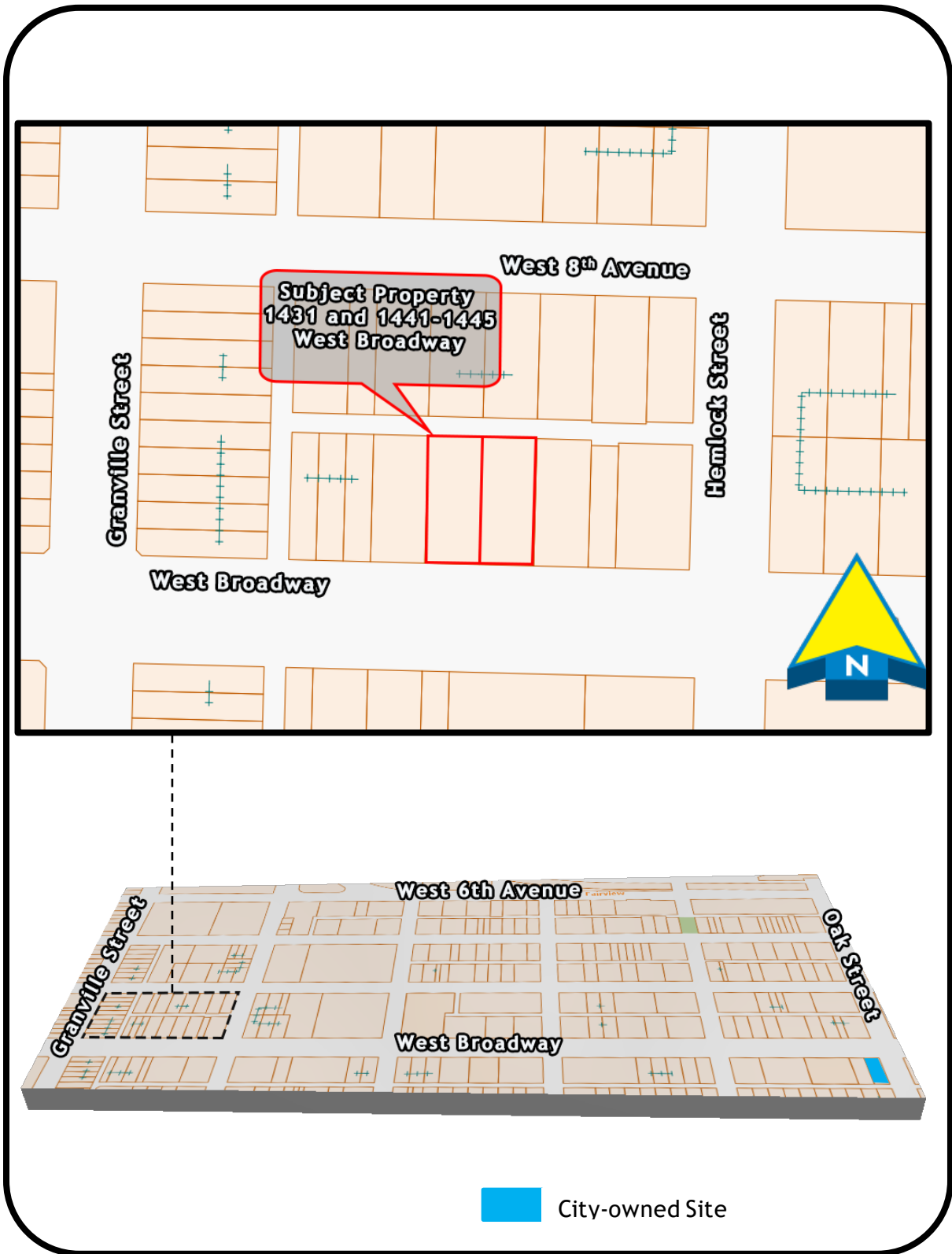
Limited hazardous building materials screenings were completed by the City's Hazardous Materials Team for both Subject Property buildings. Findings were consistent with type and age of the buildings. Hazardous materials removal/abatement will be required prior to deconstruction for a moderate amount of asbestos-containing materials and lead-based coatings.

### ***CONCLUSION***

The purchase of the Subject Property is a strategic acquisition to facilitate the Broadway Subway Rapid Transit Project. The Director of Real Estate Services considers the acquisition price of \$13,500,000 to be fair compensation for the Subject Property, noting that the Subject Property is very well located along the Broadway transit corridor and is considered a strategic transit acquisition with potential for further property assembly and redevelopment opportunities.

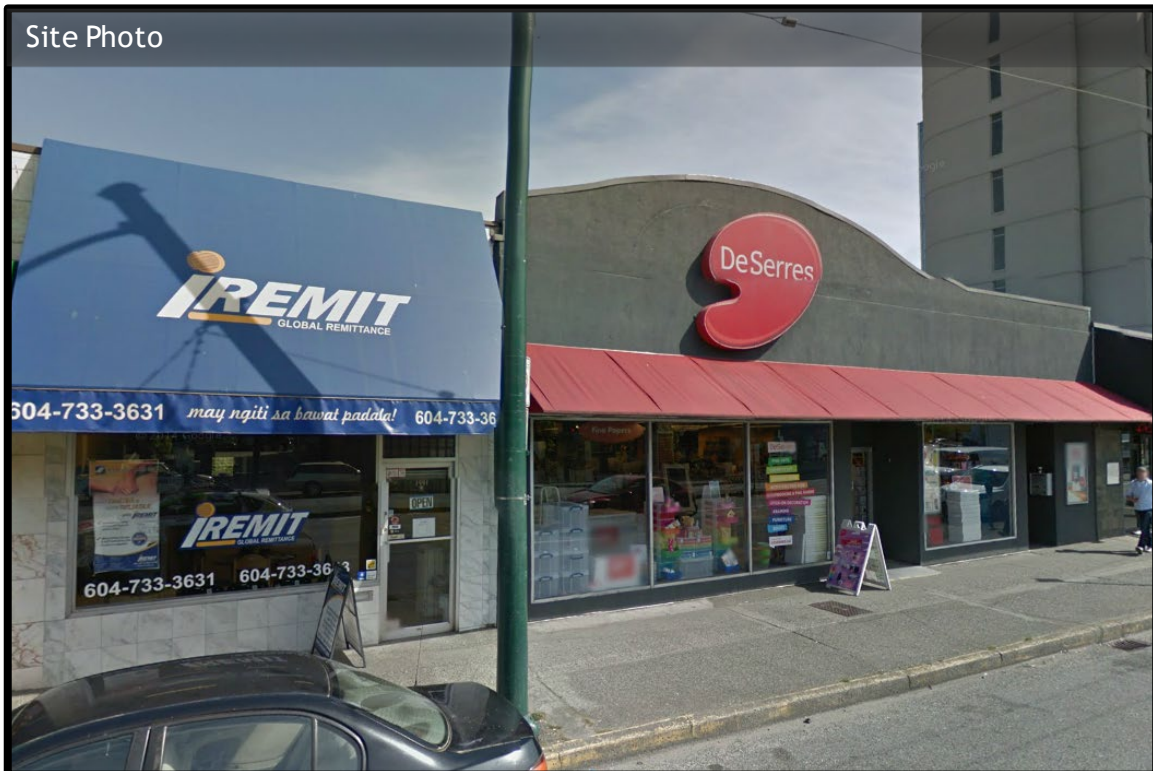
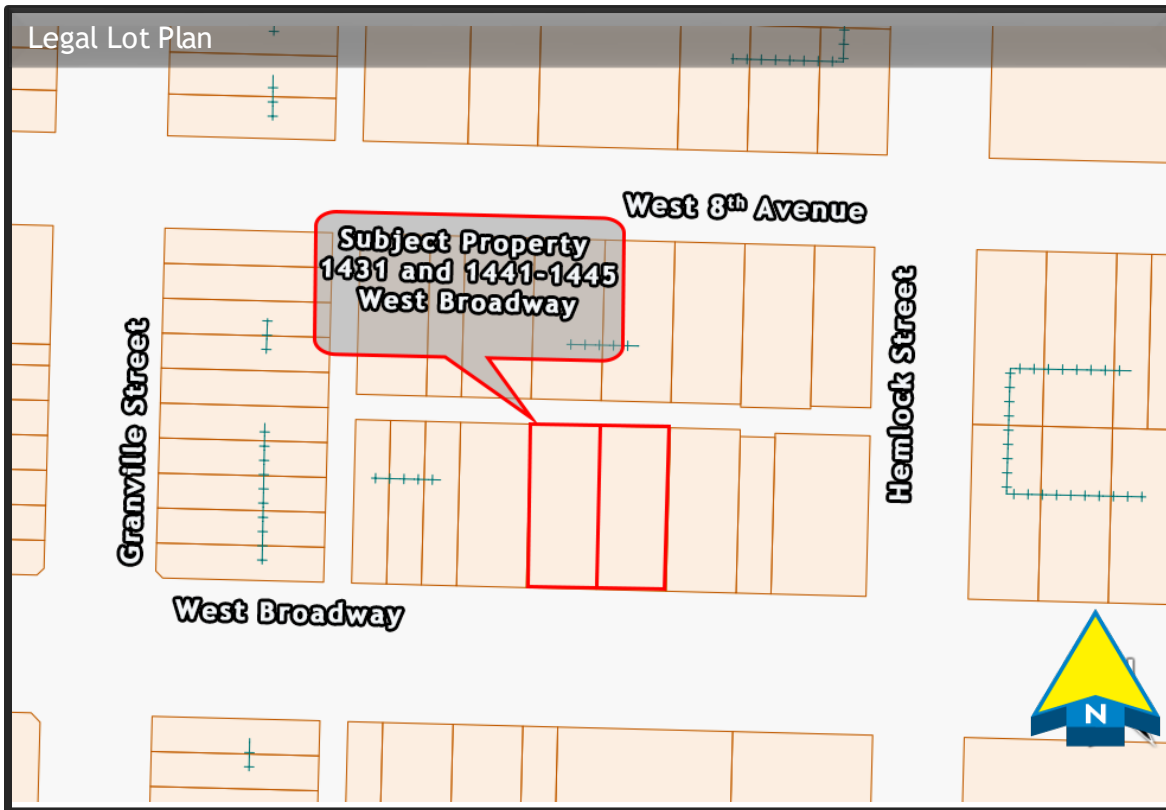
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**Subject Property**









### **Broadway Corridor Land Values:**

#### Third-Party Appraisal:

In April 2014, the City commissioned a third-party appraisal of multiple properties along the Broadway Corridor which could be impacted by the Project. The appraisal was completed by CWPC Property Consultants. Although the Subject Property was not specifically addressed in the appraisals, comparable adjacent properties were valued at **\$350/square foot buildable**. Since that time, several high-value transactions have taken place on the Broadway Corridor.

#### Recent Comparable Sales:

1. 1909 West Broadway (@ Cypress St.)
  - TransLink purchased Dec. 2014
  - Price: \$6,250,000 or **\$370/square feet buildable**
  
2. 1867 West Broadway - CGA Building (near Burrard St.)
  - Price: under contract for \$16,125,000 or **\$400/square feet buildable**

