



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: February 24, 2015  
Contact: Jerry Evans  
Contact No.: 604.873.7430  
RTS No.: 10892  
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 Chief Housing Officer and General Manager of Community Services

SUBJECT: Acquisition of 501-533 Powell Street

### 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 proceed with the acquisition of the seven (7) lots comprising 501-533 Powell Street, legally described as: PID 015-603-971, Lot 30, Block 42, District Lot 196, Plan 196; PID 015-603-997, Lot 31, Block 42, District Lot 196, Plan 196; PID 015-604-021, Lot 32, Block 42, District Lot 196, Plan 196; PID 015-603-962, Lot 29, Block 42, District Lot 196, Plan 196; PID 007-640-501, Lot 28, Block 42, District Lot 196, Plan 196, PID 015-603-911, Lot 26, Except the South 7 Feet Now Road, Block 42, District Lot 196, Plan 196 and PID: 015-603-954, Lot 27, Block 42, District Lot 196, Plan 196 (the "Subject Properties"), as shown on Appendix A, for interim use by the relocated Downtown East Side Street Market (the "DTES Street Market") and future development of social housing project (with the Subject Properties held in the "PEF Housing Properties" Portfolio), the purchase agreement for which will include an indemnity from the City to the registered owners of the Subject Properties and their successors and assigns, and the heirs, executors, administrators, successors and assigns of the foregoing (collectively, the "Sellers") against all costs, losses, damages and expenses arising from the environmental contamination located on the Subject

Properties or that has migrated off-site, on terms and conditions acceptable to the Director of Legal Services and the Director of Real Estate Services, for a purchase price of \$2,100,000 plus applicable taxes; source of funds is \$525,000 (25%) from the 2015 Property Endowment Fund Capital Budget and the remaining \$1,575,000 (75%) from the 2015 Capital Budget for Housing;

- B. THAT Council approve \$170,000 for hazardous materials abatement and deconstruction of the existing improvements on the Subject Properties; source of funds is \$42,500 (25%) from the 2015 Property Endowment Fund Capital Budget and the remaining \$127,500 (75%) from the 2015 Capital Budget for Housing; and
- C. THAT Council approve \$100,000 for immediate first phase environmental remediation of the Subject Properties (to be carried out in 2015); source of funds is \$25,000 (25%) from the 2015 Property Endowment Fund Capital Budget and the remaining \$75,000 (75%) from the 2015 Capital Budget for Housing.

### **REPORT SUMMARY**

The purpose of this report is to request Council authorization to acquire the Subject Properties for future redevelopment of a social housing project, that will be used, on an interim basis, for the DTES Street Market and other programming for low income residents, for a purchase price of \$2,100,000, with a further \$170,000 in deconstruction and abatement costs and \$1,100,000 in environmental remediation costs (\$100,000 of which is requested for 2015), and to request Council approval to indemnify the Sellers for any claims, costs, losses, damages or expenses arising from any environmental contamination located on the Subject Properties or that has migrated off-site.

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

On July 28, 2011, Council approved the Vancouver Housing & Homelessness Strategy (2012 - 2021) as a framework to respond to Council's priorities for addressing street homelessness and increasing the variety of affordable housing options within the city.

On March 15, 2014, Council approved the Downtown Eastside Plan which includes specific policy for the provision of affordable housing choices for persons at all income levels living in and wanting to live in the DTES, in addition to policies for support of the local DTES economy, including securing a permanent location for the DTES Street Market.

On October 22, 2014 Council approved the goals and targets of the Healthy City Strategy. Based on social determinants of health, the strategy aims to improve the health and well-being of all residents including adequate income, safety, and sense of belonging.

Council approval is required to acquire or dispose of real property and to grant an indemnity in favour of a private property owner.

## CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management and the General Manager of Community Services recommend approval of the foregoing.

## REPORT

### Background/Context

Council priority is to address homelessness as well as increase affordable housing choices for residents. The City of Vancouver's Housing and Homelessness Strategy 2012 - 2021 (the "Homelessness Strategy") outlines the City's overall direction for housing and homelessness, identifying the different forms of housing necessary to meet the needs of all our residents, as noted below in the Housing Continuum (see figure below).

*Figure One: The Housing Continuum*



The Homelessness Strategy is a supporting policy of the DTES LAP, which specifies the goal of "providing affordable housing choices for all incomes living in and wanting to live in the DTES because it provides the greatest housing affordability in the city".

Real Estate Services has been actively searching for sites suitable for both housing and for an alternate site for the DTES Street Market for the next year; few such opportunities exist. Section 10.4 of the Downtown Eastside Plan (the "DTES LAP") includes policies to "support a permanent location for the DTES Street Market for safer survival of vending, and opportunities for sale of locally-produced arts and crafts". The plan also supports community economic development opportunities for low income residents and opportunities to improve health and safety for all residents in the neighbourhood.

### Subject Property Details:

- Located at the Northeast corner of Jackson Avenue and Powell Street
- 175' of frontage by 122' depth
- Site Area: 21,175 square feet
- Under new DEOD Bylaw:
  - Allows up to FSR 4.50 assuming 100% of units are social housing
  - Equates to 95,288 square feet of buildable area
  - Supports at-grade industrial/commercial space
  - Supports considerable parking space variances, particularly when dealing with 100% social housing
- Subject Properties are level, with 75% of the properties vacant

- 25% of Subject Properties are occupied by building improvements in poor condition; no occupants; intention is to deconstruct.

### ***Strategic Analysis***

Real Estate Services has placed the Subject Properties under contract for purchase (subject to Council Approval) as it is suitable for both the creation of affordable housing in the DTES and the interim relocation of the DTES Sunday Street Market and other programming (per the Homelessness Strategy and DTES LAP). The supporting rationale for the Subject Properties are as follows:

- the Subject Properties are one of the last remaining contiguous parcels of vacant land available in the DTES which is of sufficient site size to support redevelopment for social housing.
- the Subject Properties' proposed redevelopment is further supported by the DTES LAP and Downtown East Side Oppenheimer District Bylaw (DEOD Bylaw) through parking relaxations and commercial/light-industrial at-grade functions which will assist in limiting remediation costs for environmental contamination (avoidance of underground parking excavation).
- the Subject Properties are immediately East of Jackson Avenue, which has been identified by the DTES LAP as an appropriate street for temporary closures to support enhanced public activities such as street markets, and community events linked to various festivals held in nearby Oppenheimer Park.
- the Subject Properties is amenable to programming such as vending, urban farming, gardening and space for low income artists and other recreation programs in the interim (pending some immediate remediation work) whilst the development options for the site are explored. These interim uses are part of a broader strategy to engage low income residents in meaningful activity and address street disorder along East Hastings Street.

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

#### ***Financial***

The final acquisition price of \$2,100,000 reflects a significant discount from the Subject Properties' fair market value as a clean site, on account of the estimated environmental remediation costs.

Real Estate Services commissioned a third-party appraisal of the Subject Properties, which valued the site assuming clean environmental conditions. Completed in November 2014, the Subject Properties were appraised at \$3,390,000, assuming no on-site contamination.

The Director of Real Estate Services considers the acquisition price of \$2,100,000 to be fair market value, on account of an estimated \$1,100,000 in environmental remediation costs required to remediate the site and related off-site contamination. The remediation cost estimate is based on the assumption that site redevelopment will be a slab-on-grade (i.e. no underground) construction.

Regarding deconstruction of the building at the Subject Properties, Environmental Planning commissioned a Pre-Demolition Hazardous Materials Assessment which estimated \$20,000 in hazardous materials abatement costs, required prior to deconstruction. The cost to deconstruct the building is estimated at a further \$150,000.

The source of funds for the acquisition of the Subject Properties (\$2,100,000), deconstruction of on-site improvements (\$170,000) and phase one environmental remediation (\$100,000) is \$592,500 (25%) from the 2015 Property Endowment Fund Capital Budget and the remaining \$1,777,500 (75%) from the 2015 Capital Budget for Housing.

Further environmental remediation costs estimated at \$1,000,000 will be brought forward for Council approval through future Capital Budget processes.

### ***Environmental***

Environmental site assessments have identified contamination related to a former on-site metals foundry, former oil refinery operations, former underground fuel storage tanks, and imported fill. Contamination is on the Subject Properties and has migrated off-site into the City laneway and neighbouring property to the East. Additional assessment will be required to delineate the contamination and fulfill the requirements to obtain a Development Permit for the Subject Properties; however, this is not required for interim use as a market prior to site redevelopment. Contamination can be addressed before and/or concurrent to site redevelopment, and will be achieved through a combination of contamination removal and risk assessment. Occupancy of the Subject Property prior to remediation will not pose a risk to human health or the environment. Depending on the risk assessment conclusions, installation of a risk management system (e.g. soil vapour extraction system) may be required on the Subject Properties. The environmental remediation cost estimate is based on the assumption that the redevelopment will be slab-on-grade construction with little or no soil excavation required.

### ***CONCLUSION***

The Directors of Real Estate Services and Social Policy and Projects recommend Council's approval of Recommendations A, B and C, as the Subject Properties are ideally positioned to address Council's priorities of: (i) increasing opportunities for the provision of affordable housing options within the City; and (ii) supporting a relocated DTES Street Market.

The wording of the Indemnity sought by the Sellers for the on and off-site contamination is acceptable to the Director of Legal Services and the Director of Real Estate Services.

\* \* \* \* \*

**Subject Property**







