



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: April 21, 2016
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VanRIMS No.: 08-2000-21
Meeting Date: May 17, 2016

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Sale of City-owned land located at 620 Cardero 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 approve the proposed sale of 620 Cardero Street, legally described as Parcel Identifier 018-454-143, Lot 3 Except: Part Dedicated Road on Plan LMP31912 of the Public Harbour of Burrard Inlet Plan LMP12354 (the "Lands"), as identified in Appendix A, to Bosa Properties (1575 West Georgia) Inc. (the "Purchaser"), which is an affiliate company of Bosa Properties Inc. and Arpeg Holdings Ltd. Inc. to include the following terms and conditions:
- i. The City to sell the Lands to the Purchaser for a price of **s.17(1)**; and
 - ii. The sale is subject to the Purchaser consolidating the Lands with their adjoining property at 1575 West Georgia Street;

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

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

REPORT SUMMARY

Council, at its meeting on June 23, 2015, authorized the Director of Real Estate Services to enter into negotiations for the direct sale of the Lands to the only adjoining property owner to facilitate a land assembly and to provide the best value to the City. Staff has negotiated a contract of sale with the adjoining owner for a price of **s.17(1)** subject to Council approval.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 190(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 (2/3) 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 tender in certain circumstances, most notably, where City-owned lands are essential to an assembly or expansion project, whereby an attempt is made to obtain a price above market value, based upon value to the Purchaser noting that worthwhile developments provide benefits to the City.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management notes that this report seeks Council approval for the Director of Real Estate Services to execute a contract of sale at a value above market value as established by a third party appraiser. The General Manager of Real Estate and Facilities Management recommends approval of the foregoing.

REPORT

Background/Context

The Lands, located on the South East corner of Cardero Street and West Hastings Street in the Coal Harbour area, are currently held in the City's Capital Fund and comprises of approximately 3,776 square feet of site area. The Lands, currently zoned CD-1 (312) Bylaw No.7200, is in Sub-Area 1 of an area known as the Marine Neighbourhood, and the form of development is regulated by the Coal Harbour Official Development Plan.

All the density within Sub-Area 1 has been allocated to other sites, leaving the Lands with no residual density rights. It is also subject to a number of other restrictions that limit the development potential of the Lands, including a statutory right of way registered on the Lands for future transit purposes (a potential street car right of way) and a statutory right of way in favour of BC Hydro. Currently, the majority of the Lands is asphalted and used for surface parking, the remainder being used for a BC Hydro substation.

Arpeg Holdings Ltd. owns the two (2) lots, 1575-1577 West Georgia Street (together, the "Arpeg Lots"), which are located immediately South of this property. The Arpeg Lots have an area of approximately 14,508 square feet and are currently developed with a four (4)-storey office building. The Arpeg Lots are zoned CD-1 (336) Bylaw No.7431, which allows for a maximum floor space ratio (FSR) of 4.0 (the Arpeg Lots were deemed to be 1,335 square metres (approximately 14,585 square feet) at the time of rezoning, and a maximum height of 42.0 metres or thirteen (13) storeys.

On March 8th, 2016, Council approved in principle an application from Arpeg Holdings Ltd. to rezone and redevelop the Arpeg Lots along with the Subject Lands. The application proposes a twenty-six (26)-storey mixed-use residential building with a small amount of ground floor retail space, office space on the lower four (4) floors and a twenty (20)-storey market residential tower above. A FSR of 10.5 and a height of 265 feet are proposed.

Arpeg Holdings Ltd. has had intermittent discussions with the City since 2002 about acquiring the Lands. The City's Planning and Engineering Departments support the consolidation of the Lands with the Arpeg Lots because it will help provide for a better pedestrian experience at the ground level of the new building, and provide far better and safer parking access to the new building.

Strategic Analysis

Council, at its meeting on June 23rd, 2015, authorized the Director of Real Estate Services to enter into negotiations for the direct sale of the Lands to the proposed Purchaser for consolidation with the Arpeg Lots located at 1575 - 1577 West Georgia Street for redevelopment. City policy is that City property is sold through a public tender process, however, the policy provides for the direct sale of City lands without a public tendering process in certain circumstances, most notably:

- the sale of a small City-owned site to an adjoining owner, subject to consolidation, as close to fair market value as possible, bearing in mind the advantages to the City of the sale;
- where certain social purposes can be achieved such as non-market housing; or
- where City-owned lands are essential to an assembly or expansion project, whereby an attempt is made to obtain a price above market value based upon value to the Purchaser noting that worthwhile developments provide benefits to the City.

The Director of Real Estate Services is of the opinion that the proposed direct sale of the Lands is consistent with the Council policy. A direct sale of the Lands will enable the Lands to be consolidated into the larger assembly required to facilitate the optimum development of the block as proposed by the Purchaser and will provide for a better pedestrian experience at the ground level of the new building, and provide better and safer parking access to the new building preferred by the City Engineer.

Implications/Related Issues/Risk (if applicable)

Financial

Upon closing of the sale of the Lands, the City will receive s.17(1), with proceeds going to the Land Purchase Reserve within the Capital Fund.

In determining the value of the Lands, the City engaged an independent appraiser who examined the development potential of the Lands as a standalone site under the existing zoning, which effectively restricts its use to surface parking. They also estimated the value based on the speculative development potential of the Lands if it were to be developed as a standalone property to create three (3) townhouses, taking into account any rezoning would have to incur a CAC. They compared this to the potential for the consolidation of the Lands with the Arpeg Lots to add increased value to the Purchaser. It was concluded that the speculative value as a standalone site was higher than the value that could be achieved through consolidation. This is because whilst the addition of the Lands improves the access to the Arpeg Lots and allows for a slight increase in commercial space, it does not increase the amount of saleable residential space in the building which is the most profitable aspect of the development.

This is an unusual situation since normally an adjoining site will provide increased value to the owner/developer of a neighbouring property. However, in this particular case the independent appraiser determined that this was not the situation and the analysis indicated that the estimated market value is approximately double the value that will be created by the assembly from a purely financial perspective. Therefore, the Director of Real Estate Services is prepared to recommend that Lands be sold for a sale price of s.17(1) which represents the estimated market value as determined by the independent appraiser.

CONCLUSION

Approval of the negotiated sale of the Lands maximizes the value that the City can obtain for the Lands and will provide worthwhile benefits to the City. The Director of Real Estate Services recommends approval of the Recommendations contained in this report.

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SUBJECT LANDS





