



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: February 27, 2019
Contact: Andrew Newman
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RTS No.: 13044
VanRIMS No.: 08-2000-21
Meeting Date: March 12, 2019

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Potential Sale of City-owned Land Located at 1431-1441 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 exclusive negotiations with S1451 Properties Ltd., Inc. No. BC1165011 or the then-current owner of 1451 W Broadway (“Shato”) for the sale of two legal parcels owned by the City at 1431-1441 West Broadway, legally described as: PIDs 013-709-712 & 015-201-261, Lots 14 & 15, except part in Plan 4379, Block 331, District Lot 526, Plan 590 (the “Subject Lands”) as shown on the Site Plan in Appendix A, which proposed sale would facilitate the assembly of Shato-owned 1451 West Broadway with the Subject Lands, and which negotiations will be on the following terms and conditions:
1. such negotiations will be for a period of up to one year from the date of approval by Council on this Recommendation;
 2. such negotiations will be on the condition that the City will receive a price reflecting premium assembled market value for the Subject Lands;
 3. such proposed sale to be subject to the Subject Lands being consolidated with 1451 West Broadway (legally described as PID 009-180-036, Lot 13, Except the North 8 Feet now lane, Block 331, District Lot 526, Plan 590), owned by Shato (the “Shato Lands”);

4. such proposed sale to be subject to registration of any necessary Statutory Rights of Way or other legal agreements on the Subject Lands' title to allow the Province of British Columbia and the Broadway Rapid Transit Project (the "Project") to use the Subject Lands for necessary Project construction staging and related requirements;
 5. such proposed sale to be subject to confirmation by the Province of British Columbia that the Granville Station Head House for the Project, and all necessary land use agreements relating to the Granville Station Head House, have been secured at 1489 West Broadway, legally described as PIDs 015-201-121, 015-201-139, 015-201-147 & 015-201-155, Lots 6, 7, 8 & 9, Block 331, District Lot 526, Plan 590 and PID 015-201-163, Lot 10, Except Part in Explanatory Plan 10757, Block 331, District Lot 526, Plan 590 (collectively, the "PCI Lands"), owned by 1489 West Broadway Nominee Corp, Inc. No. 0780795 ("PCI");
 6. such proposed Contract of Purchase and Sale to be subject to Council approval;
- B. THAT no legal rights or obligations will arise or be created between Shato and the City unless and until a legally binding Contract of Purchase and Sale is successfully negotiated, executed and delivered by Shato and the City, and approved by Council;
- C. THAT there are no financial implications to this report and that any proposed sale of the Subject Lands will be reported back to Council and will be subject to approval by Council;
- D. THAT a Council decision to enter into a Contract of Purchase and Sale with Shato 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; and
- E. THAT the proceeds of any sale of the Subject Lands will go to the Property Endowment Fund ("PEF").

REPORT SUMMARY

Council approval is required for the Director of Real Estate Services to enter into exclusive negotiations with Shato for the sale of the Subject Lands, which will facilitate locating the Project's Granville Station Head House to the preferred corner of West Broadway and Granville Street (the PCI Lands) by creating an opportunity wherein:

- The PCI Lands are expanded through PCI's acquisition of the westerly City-owned lane (subject of a separate Council Report) and 1465 West Broadway (legally described as PIDs 015-201-171, 015-201-180, and 015-201-210, Lots 11, West ½ of Lot 12, and East ½ of Lot 12, all Block 31 District Lot 526 Plan 590 except Part in Plan 4379; collectively, "1465 West Broadway"), allowing for sufficient developable area to accommodate the Station Head House on the expanded PCI Lands. 1465 W Broadway is owned by T. & W. Enterprises

Ltd., Inc. No. BC0100898, who has or soon will enter into a joint development agreement with Shato;

- Shato's interest in facilitating the proposed transaction is strengthened by the City's offer to sell the Subject Lands for the replacement of the sale of 1465 West Broadway to PCI; and
- Sale of the Subject Lands for consolidation with the Shato Lands at 1451 West Broadway is essential to achieve an optimal redevelopment parcel – the realization of which could create public amenities when rezoned for development.

In addition to creating better development parcels that could facilitate the delivery of public benefits, the sale of the Subject Lands is critical in facilitating the Project/preferred station locations, and in recovering Property Endowment Fund expenditures for re-investment on opportunities west of Arbutus.

This report does not seek Council authority to sell the Subject Lands; any such decision for the sale of the Subject Lands will be reported back to Council as appropriate in the future, and will be subject to the Subject Lands and Shato Lands being consolidated, and subject to further Council approval. In no way does Council's decision at this point in time fetter its discretion with respect to land use policy and zoning of this land or other parcels in the block.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 190(1)(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 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 tendering in certain circumstances.

On March 3, 2015 (RTS 10869), Council approved the acquisition of 1431-1441 West Broadway for transit purposes.

On January 30, 2019, the Standing Committee of Council on Policy and Strategic Priorities recommended that Council endorse Skytrain extension from Arbutus Street to UBC;

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 enter into exclusive negotiations with Shato and, if such negotiations are successful, to enter into a purchase and sale agreement which will be subject to Council approval of the sale.

The General Manager of Real Estate and Facilities Management recommends approval of the foregoing.

REPORT

Background/Context

To facilitate the Broadway Rapid Transit Project (the “Project”), the City developed a strategy to reduce Project risks and costs, and to increase the contribution provided by the City to the Project. This strategy included:

1. Acquiring properties funded by the Property Endowment Fund (“PEF”) to secure station head houses and construction locations, prevent private-sector consolidation/development ahead of the Project, avoid expropriation costs and to facilitate land swaps in support of the Project;
2. Making existing City-lands available to the Project for construction sites and station areas; and
3. Securing Statutory Rights of Way (SRWs) through site rezoning conditions, to reduce Project costs, and secure areas such as guideway alignments, laydowns, staging areas, etc.

s.17(1)

s.17(1)

In total, properties acquired for the Project, existing City-owned lands dedicated for Project-use, and SRWs secured by the City for Project-use were valued at \$99.8 million – a critical contribution of the City’s which facilitated the Project’s approval and inclusion in the regional investment plan.

Specifically, the Subject Lands (a C-3A zoned property with existing single-storey retail tenants, measuring 100 x 117’) support the Project through their use as a construction staging area and by allowing the Project to avoid higher acquisition/possible expropriation costs. However, an opportunity has become available to support the Project even further – by driving the Granville Station Head House placement to the preferred location at the NE corner of Granville & West Broadway.

Strategic Analysis

Due to acquisition costs and development timing risk related to the Project acquiring the PCI Lands at 1489 West Broadway, the original reference case for the Granville Station Head House saw it located at 1465 West Broadway, a mid-block site approximately 145 feet inset from the corner.

However, PCI have approached the Project and City to advise that the PCI Lands at the corner of Granville and West Broadway, will be proceeding immediately with applying for permits to redevelop under existing zoning (no rezoning required), and that the redevelopment could accommodate placement of the Station Head House, if their site can be expanded by PCI acquiring the City-owned lane and 1465 West Broadway. Engineering staff advise that the lane could be closed up and sold, subject to Council approval. T&W Enterprises Ltd., and their joint development partner Shato, are willing to consider selling 1465 West Broadway to PCI, on the condition that they find a replacement site for the 75’ of frontage they will lose. City staff are informed that Shato and T&W Enterprises Ltd. are in discussions to finalize a partnership, joint venture or other form of agreement to collectively develop the Shato Lands and the City Lands if the sale of the City Lands proceed as discussed in this report.

As the Subject Lands neighbour the Shato Lands, and are required primarily for construction purposes (with possible ancillary SRW requirements for below-grade station infrastructure) and will not be required for the Station Head House entrance itself, they can provide a replacement site solution for Shato. If sold to Shato, any necessary SRW's and other legal agreements will be registered on title to secure use of the Subject Lands for their initial intended purpose of Project construction staging.

This direct sale of the Subject Lands will provide the necessary incentives to both PCI and Shato to facilitate a preferred Station Head House location at the NE corner of Granville & Broadway.

Figure 1 shows the existing ownership context at this location, with Figure 2 showing the proposed ownership configuration - subject to Council's approval of the foregoing, subsequent negotiations being concluded successfully with Shato, final Council approval of the direct-sale to Shato and closure and sale of the lane area to PCI.

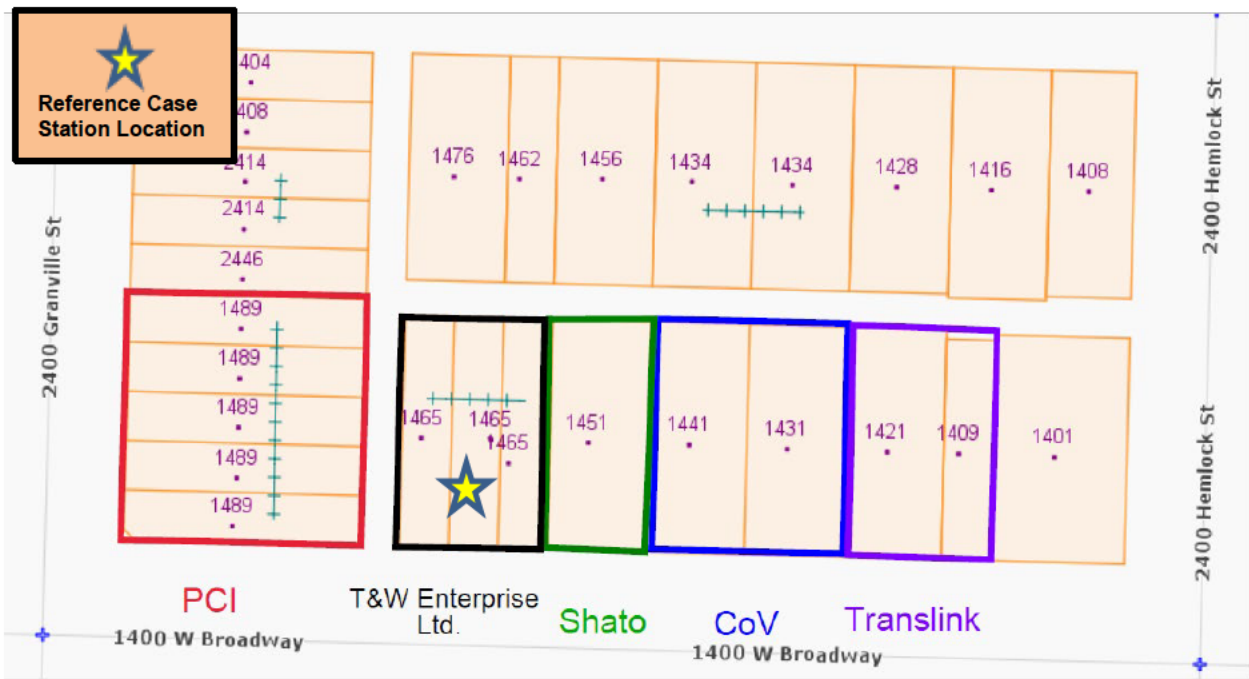


Figure 1 – Pre Direct-sale Ownership Context

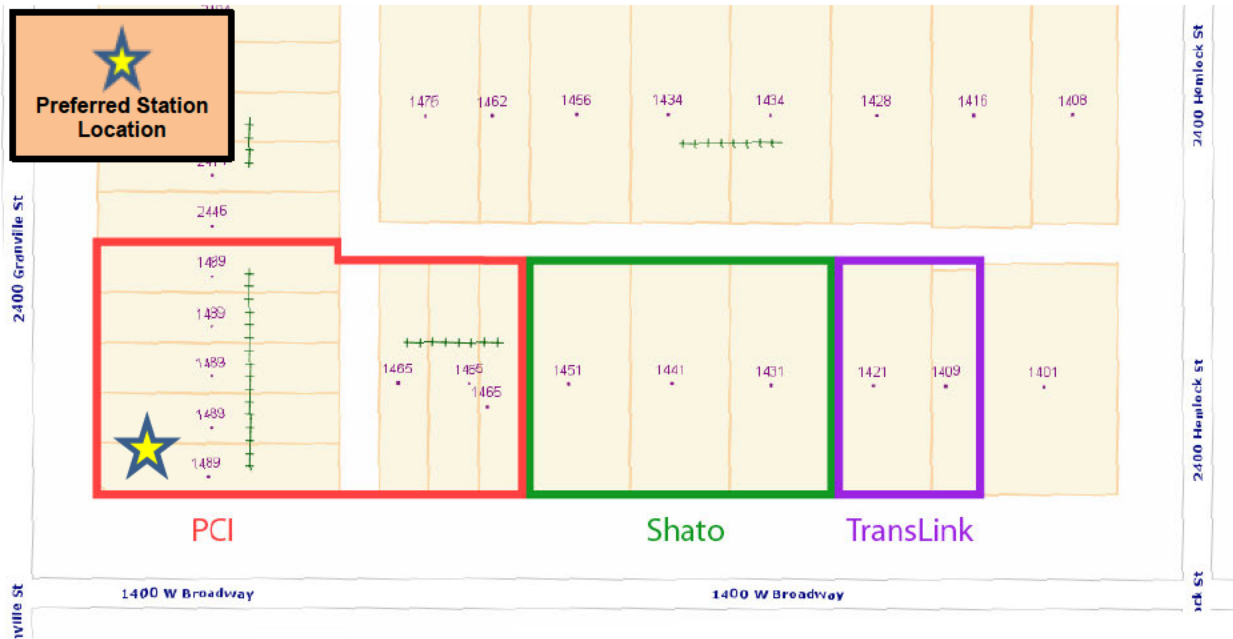


Figure 2 – Post Direct-sale Ownership Context

This proposed opportunity helps mitigate the Project’s concerns around acquisition costs (by reducing purchase costs to only the Air Space Parcel or SRW required within the PCI Lands to secure the Station Head House) and development timing risk, due to PCI’s plan to proceed without rezoning. This opportunity has a number of other benefits for both the Project and City.

Project Benefits:

- Reduction in Project property acquisition costs;
- Preferred Station Head House location, allowing for:
 - Better visibility of transit station;
 - Better connectivity with adjacent routes
 - More influence over station integration (station service parking, station orientation, etc.)

City Benefits:

- Proposed sale of the Subject Lands provides for the assemblage of development parcels of sufficient size to optimize the form of development. Redevelopment anticipated to occur at a future date in accordance with a Council approved area plan for the Broadway Corridor and associated public benefits strategy including affordable housing.;
- Re-coups cost of PEF investment for redeployment on future Project construction or station sites west of the current Project terminus at Arbutus Street

Direct Sale Policy:

City policy is that City property is sold through a public tender process, however the policy provides for the direct sale of City-owned lands without a public tendering process in certain circumstances, most notably:

1. 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;
2. 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 Subject Lands is consistent with Council Policy, given that:

- Shato is the owner of the adjacent Shato Lands, which immediately adjoins the Subject Lands;
- The proposed direct sale is essential to an assembly or expansion to facilitate relocation of the Project's Granville Station Head House to the preferred corner of West Broadway and Granville Street;
- Sale of the Subject Lands for consolidation with the Shato Lands is essential to an assembly or expansion to achieve an optimal redevelopment parcel – the realization of which could create public amenities when rezoned for development at a future date.

Land Values & the Broadway Land Use Plan:

- The Broadway corridor has seen significant land value appreciation over the last four (4) years, owing to a strong commercial market and anticipated changes to Broadway land use (with an expectation of increased strata residential and density);
- Broadway Plan Land Use Objectives (~completion Q4 2020):
 - Expand affordable housing (market and non-market)
 - Expand job space (office)
 - Inclusionary zoning policy to capture land lift of public benefits
- General slowing of Broadway Corridor land transactions, due to broader market conditions and impacts from Development Cost Expectations/related planning measures to halt rezonings, pending finalization of the Broadway Land use Plan.

Based on these factors, the Director of Real Estate Services considers the proposed direct-sale of the Subject Lands as the best opportunity to secure the highest market value for the PEF, while simultaneously facilitating delivery of the Project, freeing up funds for future purchases west of Arbutus, and providing for optimal market redevelopment sites, which will in turn deliver public amenities upon rezoning.

If the Director of Real Estate Services is unable to reach agreement on terms of a Contract of Purchase and Sale within the one (1) year negotiating period, then the Subject Lands will remain in CoV ownership, and the improvements demolished to be used as a construction area for use by the Project until project completion in approximately 2025.

Implications/Related Issues/Risk***Financial***

There are no financial implications to this report. Any future decision to sell the Subject Lands will be reported back to Council, with proceeds going to the PEF.

CONCLUSION

The successful conclusion of direct negotiations with Shato to sell the Subject Lands should allow the City to realize a price reflective of premium assembled market value, recognizing that future development of the Subject Lands (subject to approvals) could generate significant public benefits. Additionally, the proposed direct-sale will facilitate the Project's preferred location for the Station Head House at West Broadway and Granville, while recouping PEF costs for redeployment on sites west of Arbutus which may be required for a future extension of the Project.

When considering this sole source sale contract with Shato, Council is not in any way limited or fettered, nor are the City and its officials, including the Approving Officer or Director of Planning, in exercising their regulatory discretion with respect to any related rezoning or permitting.

The Director of Real Estate Services recommends approval of the Recommendations contained in this report, noting that if a Contract of Purchase and Sale is agreed upon, it will be subject to reporting back to Council for approval of same.

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Sale Premises

