



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: November 26, 2019
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RTS No.: 13487
VanRIMS No.: 08-2000-21
Meeting Date: November 26, 2019

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Approval of Sale of 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 approve the City's sale of 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 (collectively, the "City Property") as shown on the Site Plan in Appendix A to ST&W Broadway Development Limited Partnership, BC Reg. No. LP0747817 (the "Buyer"), as represented by its general partner, ST&W Broadway Development GP Ltd., who will direct that title to the City Property shall be registered in the name of S1451 Properties Ltd., Inc. No. BC1165011 (the "Buyer's Nominee") at the proposed purchase price of \$24,550,000 (the "Purchase Price"), and which sale will be on the following terms and conditions:
- i. On or before December 20, 2019, the Buyer or the Buyer's Nominee and the Province of British Columbia or its nominee will have settled the terms of the lease for construction purposes in favour of the Province of British Columbia or its nominee (the "Project Agreement"), on terms satisfactory to the Buyer and the Province;
 - ii. On or before the Closing Date, the Province of British Columbia will have provided confirmation to the City, satisfactory to the Directors of Legal and Real Estate Services, that all necessary land use agreements for the Broadway Subway Project (the "Project") have been secured on

- 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 (the “Buyer’s Property”) and 1465 West Broadway, legally described as PIDs 015-201-171, 015-201-180 & 015-201-210, Lots 11, West ½ of Lot 12 and East ½ of Lot 12, all Block 331, District Lot 526, Plan 590 except Part in Plan 4379 (collectively, “1465 W Broadway”);
- iii. On or before the Closing Date, the purchase and sale of 1465 W Broadway by T&W Enterprises Ltd. to 1489 West Broadway Nominee Corp. (“PCI”) has completed;
 - iv. On the Closing Date, the City Property being consolidated with the Buyer’s Property according to the requirements of the sale contract; and
 - v. On such other terms and conditions as are satisfactory to the City’s Directors of Real Estate and Legal Services.
- B. THAT Council’s decision to approve the sale of the City Property 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
- C. THAT the proceeds of sale from the City Property will be credited to the Property Endowment Fund (“PEF”).

REPORT SUMMARY

Council approval is required to complete the sale of the City Property, which will facilitate locating the Project’s Granville Station Head House to the preferred corner of West Broadway and Granville Street (civic address 1489 W Broadway, owned by PCI, and herein called 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, allowing for sufficient developable area to accommodate the Station Head House on the expanded PCI Lands;
- The Buyer’s interest in facilitating the proposed transaction is strengthened by offering replacement lands for their sale of 1465 West Broadway to PCI, in the form of the City Property; and
- Sale of the City Property for consolidation with the Buyer’s Property 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 proposed sale is critical in facilitating the Project/preferred station locations and redeploying Property Endowment Fund investment from the City Property to strategic properties west of Arbutus and across the city as opportunities arise.

On March 12, 2019, Council authorized the Director of Real Estate Services to enter into exclusive negotiations with S1451 Properties Ltd., Inc. No. BC1165011 or the then-current owner of the Buyer’s Property for the direct sale of the City Property for a period of up to one year from the date of Council’s authorization. Following successful

negotiations, the Director of Real Estate Services is seeking Council's approval of the sale on the terms and conditions contained herein.

Council's approval of the proposed sale remains subject to the City Property and Buyer's Property being consolidated, in addition to the other subject conditions noted in Recommendation A. In no way does Council's approval of the foregoing 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 (RTS 12955), the Standing Committee of Council on Policy and Strategic Priorities recommended that Council endorse SkyTrain extension from Arbutus Street to UBC; and

On March 12, 2019 (RTS 13044), Council authorized 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 for the direct sale of City-owned 1431-1441 W Broadway for a period of up to one year from the date of Council's authorization, and if such negotiations are successful, to enter into a purchase and sale agreement which will be subject to Council approval of the sale.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

On March 12, 2019, Council authorized the Director of Real Estate Services to enter into exclusive negotiations with S1451 Properties Ltd., Inc. No. BC1165011 or the then-current owner of the Buyer's Property for the direct sale of the City Property for a period of up to one year from the date of Council's authorization. Following successful negotiations, the Director of Real Estate Services is seeking Council's approval of the sale on the terms and conditions contained herein.

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”), Council approved a strategy to reduce Project risks and costs while recognizing the City’s significant contribution to the Project. This strategy included:

1. Acquiring properties through the 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-lands made available 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 City Property (a C-3A zoned property with existing single-storey retail tenants, measuring 100 x 117’) supports the Project through its use as a construction staging area and by allowing the Project to avoid higher acquisition/possible expropriation costs. However, an opportunity became 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, herein referred to as the PCI Lands.

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 been working collaboratively with the Project and the City in order to proceed immediately with permits to redevelop the PCI Lands under existing zoning (no rezoning required), and to accommodate placement of the Station Head House within an expanded redevelopment requiring PCI’s purchase and assemblage of the City-owned lane (subject to a separate report to Council RTS 13476, December 10, 2019) and 1465 W Broadway, with the PCI Lands.

Engineering confirmed the City can proceed with the lane-sale and Real Estate Services recently concluded sale negotiations for the lane, subject to Council approval prior to December 10, 2019. The current legal owner of 1465 W Broadway (T&W Enterprises Ltd., who is one of the limited partners in the Buyer’s ST&W Broadway Development

Limited Partnership) confirmed their willingness to sell 1465 W Broadway, on the condition they find a replacement site for the 75' of frontage they will lose, which had been intended for redevelopment with the Buyer's Property through ST&W Broadway Development Limited Partnership.

As the City Property neighbours the Buyer's Property and is required primarily for construction purposes (and not for the Station Head House entrance itself), the City Property can provide a replacement site solution for the Buyer while still serving its initial purpose as a Project construction staging area, by way of a lease between the Province and Buyer being registered on title concurrently with closing of the City Property sale (called the "Project Agreement" in Recommendation A(i)). This arrangement will provide the necessary incentives to both PCI and the Buyer 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 final approval of the direct-sale to the Buyer.



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 proceeding with redevelopment under existing zoning. 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 bus routes; and
 - More influence over station integration (station service parking, station orientation, etc.)

City Benefits:

- Proposed sale of the City Property 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; and
- Redeployment of PEF investment from the City Property to other strategic properties west of Arbutus St and across the city as opportunities arise.

Direct Sale Policy:

City policy is that City-owned lands are 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; and
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 City Property is consistent with Council Policy, given that:

- The Buyer's Nominee is the owner of the adjacent Buyer's Property, which immediately adjoins the City Property;
- 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; and
- Sale of the City Property for consolidation with the Buyer's Property 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.

The Director of Real Estate Services considers the proposed direct-sale of the City Property as the best opportunity to secure the highest market value and financial return for the PEF, while simultaneously facilitating delivery of the Project, freeing up funds for future strategic acquisitions west of Arbutus and across the city as opportunities arise, and providing for optimal market redevelopment sites, which will in turn deliver public amenities upon rezoning.

Implications/Related Issues/Risk (if applicable)

Financial

The City's Direct Sale policy requires that when City lands are essential to an assembly or expansion project, an attempt must be made to obtain a price above market value that reflects the value to the purchaser.

Staff commissioned a third-party appraisal which confirmed a value for the City Property ranging from \$22,800,000 to \$24,550,000. Accordingly, the Director of Real Estate Services is of the opinion that the proposed Sale Price of \$24,550,000 is reflective of premium assembled market value and supported under the City's Direct Sale policy, and recommends Council's approval of the proposed sale of the City Property.

All proceeds from the sale of the City Property are to be credited to the PEF.

Legal

The sales contract for the City Property was entered into by the City and the Buyer as of October 17, 2019. Completion of the transaction contemplated by the sales contract is conditional upon, among other things, Council approving the terms and conditions of the sales contract. Staff recommends that Council

approve the foregoing recommendations to permit the condition precedent in the sales contract to be satisfied. City staff and the Buyer will work toward the satisfaction of the remaining conditions precedent under the sales contract in the coming months.

CONCLUSION

The direct sale of the City Property to the Buyer allows the City to realize a price reflective of premium assembled market value, recognizing that future development of the City Property (subject to approvals) could generate significant public benefits. Additionally, the 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 the Buyer, 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 confirms the Purchase Price represents premium assembled market value and recommends Council authorize the proposed direct sale of the City Property to the Buyer.

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