



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: February 25, 2020
Contact: Jerry Evans
Contact No.: 604-873-7430
RTS No.: 13552
VanRIMS No.: 08-2000-21
Meeting Date: February 25, 2020

TO: Vancouver City Council
FROM: General Manager of Real Estate and Facilities Management
SUBJECT: Property Endowment Fund Strategic Acquisition – 1193 Kingsway

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 and (k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public;

RECOMMENDATION

- A. THAT Council authorize the Director of Real Estate Services to proceed with the acquisition of 1193 Kingsway, as legally described in Appendix A (the "Subject Property") in the amount of **s.17(1)** plus applicable taxes, subject to such other terms and conditions satisfactory to the Directors of Real Estate Services and Legal Services; and
- FURTHER THAT Council authorize the Director of Real Estate Services to enter into such agreements as are necessary to complete the acquisition; and
- B. THAT the source of funding for the acquisition be the 2020 Property Endowment Fund Capital budget - Property Purchases.

REPORT SUMMARY

The purpose of this report is to request Council approval to acquire the Subject Property at a purchase price of s.17(1). The Subject Property is an income producing property intended to be held within the Property Endowment Fund (the “PEF”) for longer term income generation.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

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

REPORT

Background/Context

The Subject Property is zoned C-2 and is a fully leased, concrete, freestanding 2 storey commercial office building located on the corner of Kingsway and Inverness, 2 blocks west of Knight Street. The building is occupied with 2 full floor tenants: the main floor is tenanted by Big Brothers of Greater Vancouver, and the upper floor is tenanted by South Community Birth Program/South Hill Family Centre. The total rental area is 15,295 square feet and the building generates net annual income of approximately s.17(1). The tenancies are stable and have lease terms that expire in early 2021 and mid 2025 respectively, with options to renew at market rents to be negotiated.

Strategic Analysis

The Subject Property is an income producing property intended to be held within the PEF for longer term income generation. Whilst providing a future redevelopment opportunity based upon the site’s current C-2 zoning (current redevelopment could include a 4 storey residential market or up to 6 storeys of rental housing, both with commercial space at grade level). The site size is sufficiently large to allow for future redevelopment without further site assembly.

The two tenants that occupy the building are both supplying much needed social services to Vancouverites. The Big Brothers of Greater Vancouver supply child and youth development assistance through essential volunteer-led mentoring programs. The South Community Birth Program/South Hill Family Centre provides family medicine services as well as birthing assistance and education services to expectant mothers.

The Director of Real Estate Services is of the opinion that the negotiated acquisition price of s.17(1) represents good value to the City.

Implications/Related Issues/Risk (if applicable)

Financial

The cost for acquisition is s.17(1). Real Estate Services has reviewed recent comparable sales in the vicinity and also commissioned and received a third party appraisal on the Subject Property which all support the acquisition cost. The source of funding for the acquisition is the 2020 Property Endowment Fund Capital budget-Property Purchases.

A third party Building Condition Assessment (BCA) has been completed and reviewed by Facilities staff. Staff are satisfied that the condition of the building is fair to good and any planned repairs and maintenance costs can be funded by the PEF. Capital repair and maintenance costs will be brought forward during the annual Capital Budget process.

Environmental

Environmental Services completed environmental due diligence on the Subject Property. Historically, the Subject Property operated as multiple gas stations and an auto repair operation prior to it being redeveloped into an office building. Based on the due diligence completed, the risk of significant volumes of soil, groundwater, or vapour contamination on the Subject Property is considered to be low. No further contaminated sites work is required at this time since the Subject Property is intended to be held within the PEF for longer term income generation.

If the Subject Property is redeveloped in the future then contaminated site investigation and regulatory approvals would be required since the Subject Property had historically operated as gas stations and auto repair. Costs related to this future work, should it be required, would be incorporated into the overall development costs. Hazardous building materials such as asbestos-containing materials and lead paint are likely present within the building. These materials will require in place management and abatement when building components are replaced and/or repaired as per City standard practices.

CONCLUSION

The purchase of the Subject Property is a strategic acquisition for the PEF which provides the PEF with longer term holding income and allows for a future redevelopment opportunity with or without further property assembly. The Director of Real Estate Services is of the opinion that the acquisition price represents fair market value for the Subject Property and recommends approval of the foregoing.

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