



IN CAMERA

REPORT

Report Date: June 9, 2020
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VanRIMS No.: 08-2000-21
Meeting Date: July 7, 2020

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management

SUBJECT: Request to Utilize a Licensed Realtor for the Sale of a City-Owned Property Located at 316 East 8th Avenue

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

THAT Council authorize the Director of Real Estate Services to engage a licensed realtor to market for sale using marketing practices and real estate commission rates in accordance with real estate industry standards, the City-owned real property located at 316 East 8th Avenue, legally described as PID 015-537-684, the West ½ of Lot 3, Block 54, District Lot 200A, Plan 197, as shown in Appendix A of the Report dated June 9, 2020, entitled "Request to Utilize a Licensed Realtor for the Sale of a City-Owned Property located at 316 East 8th Avenue" (the "Property").

REPORT SUMMARY

Real Estate Services (RES) has been directed to dispose of properties deemed surplus to civic use, in order to raise funds for the Property Endowment Fund (PEF). As the Property was deemed surplus, a public tender and bid process was initiated in September 2017. However, this process did not generate a proposed sale price acceptable to the Director of Real Estate Services. Subsequent efforts to find a user for the building both inside and outside of City Departments were to no effect, therefore Staff recommends that Council approve the engagement of a real estate agent to list and market the Property for sale.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 190(b) of the *Vancouver Charter* authorizes Council to dispose of City-owned real property deemed to be surplus to the City's needs.

Council policy requires that single family residential zoned properties be marketed via a bid process. Where the property has other zoning, including multi-family residential zoning, staff can employ standard commercial marketing practices, including the engagement of a realtor, with Council's prior approval.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management approves the foregoing recommendation.

REPORT

Background/Context

The Property is a narrow lot improved with a single family residence and is located near the Broadway and Main area in the Mount Pleasant area of Vancouver. The property to the east is a privately owned multi-storey strata apartment complex, and the property to the west is a BC Hydro owned rectifier station that is leased to Translink for their trolley bus system. The house backs on to a lane which is shared by the commercial businesses to the south on East Broadway. The Property is zoned RM-4 Multiple Family Dwelling District.

The City of Vancouver acquired the Property in 1967 for the price of \$10,543.25 as part of a strategy at the time to assist with policy concerns on the part of the Planning Department to deal with "locked-in" lots i.e. lots that were under threat of being isolated by surrounding redevelopment. Attempts to include the Property in a proposed rental apartment development to the east were unsuccessful. When it became apparent that the Property would not become part of the assembly, the City rented the house out and it has remained a rental property since acquisition, and is held in the PEF.

In the 2017 PEF Capital Plan approved by Council, the Property, in addition to several other small non-strategic sites, were deemed surplus to civic use and identified for disposal with the proceeds of sale to be used to acquire strategic income producing assets for the PEF.

A public tender and bid process was initiated in September 2017 and the Property was advertised for sale in newspapers as well as the City of Vancouver Real Estate and Supply Chain web pages in September / October 2017 via a bid process. However, this process did not generate a proposed sale price acceptable to the Director of Real Estate Services (the bid process resulted in the receipt of 3 offers: an offer from a local arts organization was for \$0.00, a second offer from the previous tenant was for \$1.00, and the final offer for \$20,000.00 was from an individual living in the adjacent apartment building to the east).

As a result, the engagement of a licensed realtor was recommended to market the Property through industry-standard practices (e.g. MLS, which reach a broader audience than through public tender processes for this type of residential property) and, as prior approval of Council is

required in order to engage a realtor, Staff initiated a report to Council seeking the required approvals.

Prior to completing the Council report, Real Estate Services staff were asked to pause in the report preparation process whilst a local arts group - Western Front (located across the street at 303 E. 8th), with support from Cultural Services – explored options to utilize the Property for cultural purposes. After several meetings, and over the course of a 10 month period, the Western Front was not able to offer acceptable terms that would allow the PEF to be reimbursed for the fair market value of the Property.

Following the end of discussions with the Western Front, Real Estate Services provided details about the availability of the Property to Vancouver Coastal Health (January 2019), and Fraser Health (March 2019). After showing initial interest, Vancouver Coastal Health determined the Property financially non-viable given the significant renovation costs required.

While no interest in the Property was expressed from City departments before tendering it for bid in 2017, Real Estate Services canvassed the City's Homelessness Services and Affordable Housing department and Vancouver Affordable Housing Agency (VAHA) again in 2019, however, the Property was not considered suitable for affordable housing use given the capital expenditures required. There are no assembly opportunities as the Property is flanked by a BC Hydro substation and a strata apartment building.

Strategic Analysis

The property has remained vacant since October 2017 and the City has incurred holding costs of approximately \$70K. The Property is in poor condition requiring significant renovation costs to bring into tenantable condition (\$300K to \$400K) including roof and wall cladding replacement. The Property has also suffered from break-in's. Holding costs are anticipated to rise in the future.

As the Property has been identified as a non-strategic asset within the PEF, and other civic uses have not been identified despite considerable efforts, it is recommended that the disposition process continue with the engagement of a licensed realtor to market the property for sale using marketing practices and real estate commission rates in accordance with real estate industry standards.

The Director of Real Estate Services believes that the most effective way to market this challenging Property to the widest audience and deliver the highest financial return to the City of Vancouver is through the Multiple Listing Service available through the use of a licensed realtor.

Implications/Related Issues/Risk

Financial

The Property was purchased in 1967 for \$10,543.25 and is a PEF Property. The proceeds of any future sale are to be deposited into the PEF.

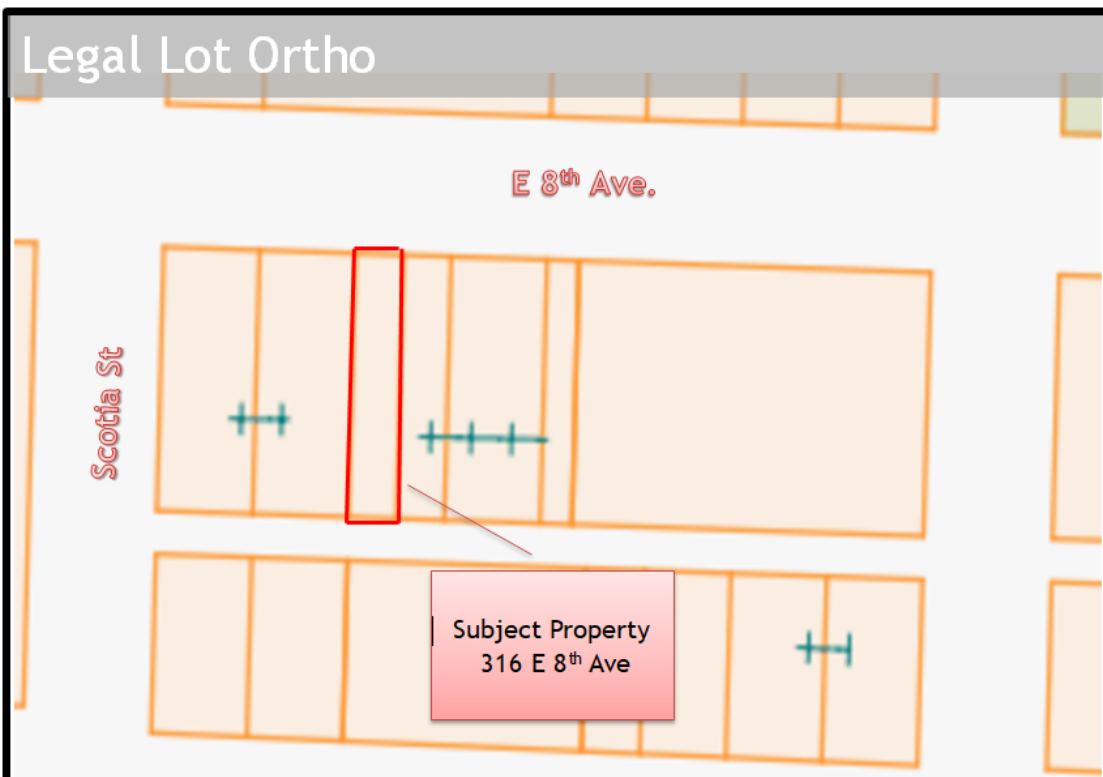
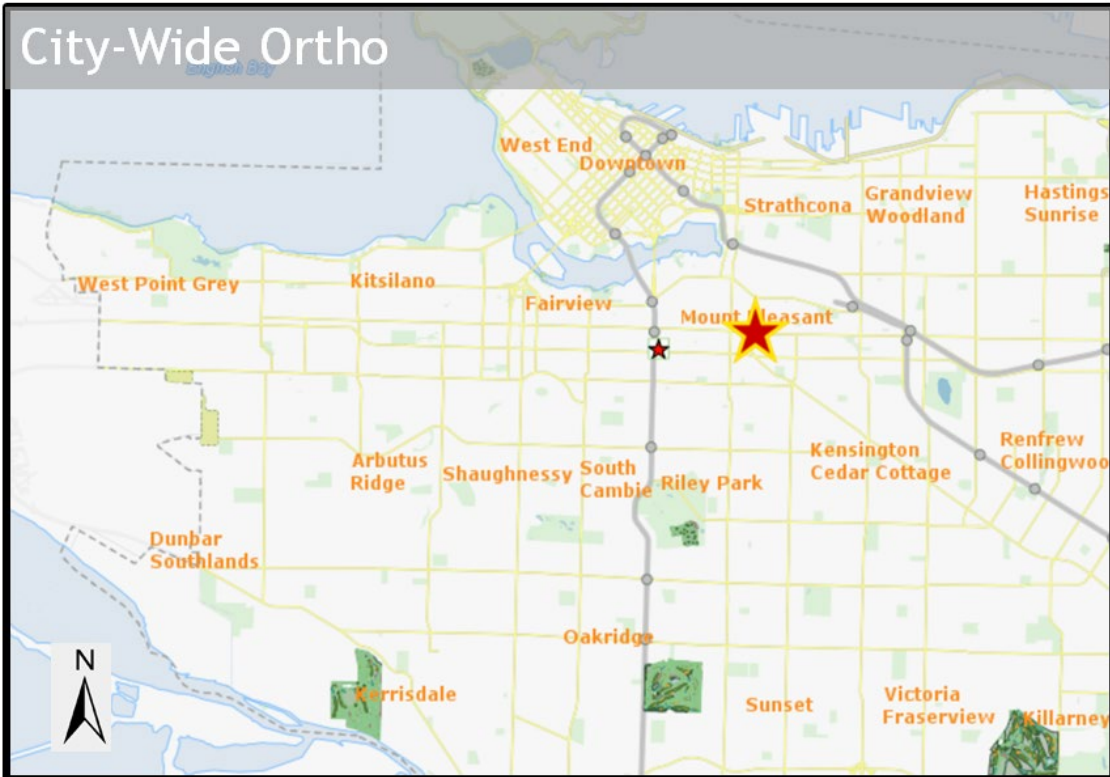
The Property's 2020 assessed value is \$1,321,800. An independent appraisal completed in June 2020 valued the Property at \$1,175,000.

The Property is vacant and in poor condition requiring significant renovation costs to bring it into tenantable condition (\$300K to \$400K). The PEF has incurred approximately \$70K in holding costs for this Property since October 2017. The building and structure will require future repairs and ongoing annual operating costs, which further reduces the payback period to justify the investment by the PEF in this property. Annual holding costs are likely to increase over time. The Property has been vacant for three years and is suffering from break-ins that will likely increase holding costs.

CONCLUSION

The Director of Real Estate Services believes that the most effective way to market this challenging Property to the widest audience and deliver the highest financial return to the City of Vancouver is through the Multiple Listing Service available through the use of a licensed realtor. The Director of Real Estate Services recommends that Council authorize staff to retain a licensed realtor to market the Property for sale. If, in the opinion of the Director Real Estate Services, a satisfactory purchase price can be agreed to, Staff will return to Council to seek approval for the disposition of the property.

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Area-Wide Ortho



Street View

