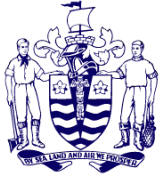


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Council (In Camera) - May 1, 2007

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CITY OF VANCOUVER

IN CAMERA

ADMINISTRATIVE REPORT

Report Date: May 1, 2007
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VanRIMS No.: 08-2000-21
Meeting Date: May 1, 2007

TO: Vancouver City Council

FROM: The Project Manager for the Southeast False Creek & Olympic Village Development, in consultation with the Director of Real Estate Services and the Director of Finance

SUBJECT: Property Acquisition for 125 West First Avenue (the real property lot legally described as PID 026-723-930, Lot 317, False Creek, New Westminster District, Plan BCP24394)

IN CAMERA RATIONALE

This report is recommended for consideration by Council in 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, subject to Recommendations B and C, Council authorize the City Manager to proceed with the acquisition of 125 West First Avenue, Vancouver, BC (the "Property", legally described as PID 026-723-930, Lot 317, False Creek, New Westminster District, Plan BCP24394) from Millennium Southeast False Creek Properties Ltd. ("Millennium") at a cost of \$5,100,000 (including all applicable taxes and fees); funding to be provided from the \$30,000,000 VANOC contribution which is allocated for Affordable Housing in SEFC Area 2A;
- B. THAT the Director of Legal Services be authorized to amend the lease agreement (the "Lease Agreement") with Millennium on terms and conditions satisfactory to the City Manager and the Director of Legal Services for the acquisition of the Property and lease thereof to Millennium under the Lease Agreement for the development of SEFC Area 2A;

- C. THAT no legal rights or obligations will be created or arise by Council's adoption of Recommendations A and B above unless and until such amendment to the Lease Agreement is executed and delivered by the Director of Legal Services; and

CITY MANAGER'S COMMENTS

The City Manager notes that the purchase of this property will facilitate the optimum development of the Affordable Housing Project next to the site by providing for consolidation and rezoning and by inclusion in the Olympic Village Project. The total return to the City of \$1,825,911 provides a rate of return greater than if the VANOC funds were not used including consideration of a reduction in property tax because of City ownership. In effect, this arrangement will provide approximately \$1 million additional funds to be available to offset the costs of the Affordable Housing.

Therefore, the City Manager RECOMMENDS approval of Recommendations A - C.

COUNCIL POLICY

The *Vancouver Charter* provides that Council may acquire real property as may be required for the purposes of the City. Council approval is required to acquire or dispose of civic properties.

PURPOSE

The main purpose of this report is to give the City Manager the authority to use a portion of the \$30,000,000 allocation by Council for Affordable Housing within SEFC Area 2A to purchase 125 West 1st Avenue from Millennium - thereby allowing its consolidation with the City's other property within SEFC Area 2A - and to amend the Lease Agreement to include this property in the development sites to be transferred to Millennium following the 2010 Games.

BACKGROUND

When the City consolidated its numerous properties in SEFC Area 2A at the time of the Request for Proposals ("RFP") for a developer to complete the development of SEFC Area 2A in time for the 2010 Olympic and Paralympic Winter Games, there were several irregular parcels, generally along First Avenue, that were owned by Maywood Properties ("Maywood"). A subsequent subdivision/land exchange negotiated by the City with Maywood created the Property (a rectangular lot on the northwest corner of First Avenue and Manitoba Street) owned by Maywood. In addition, as part of the exchange, the City agreed to an easement over the City owned Lot 316 for access to underground parking for the Property.

As the Property was not owned by the City, it was not included in the RFP and subsequent rezoning of the City's properties within SEFC Area 2A under lease to Millennium. However, considering the importance of this Property at the entrance to the SEFC Area 2A's community precinct, and the benefits of its consolidation with Lot 316, Millennium has secured an option to purchase the Property from Maywood. This option closes on May 5, 2007.

DISCUSSION

Lot 316, currently owned by the City, and Lot 317, currently subject to an agreement to purchase by Millennium, together make up Parcel 5 in Sub Area 2A. In anticipation of the Millennium purchase of Lot 317, development planning has proceeded as if the lots were consolidated. Commercial space, shared parking, market and non market housing and public open space have been designed to the benefit of both the City and the developer in a way that effectively ignores any distinction between these lots.

If Millennium were to purchase the Property, it would be able to submit both a rezoning and a development permit all of Parcel 5. Although Millennium, with Maywood's permission, has currently done this, this permission may be denied if Millennium does not complete on the purchase the Property. While having the Property in the hands of Millennium is of benefit to the overall development of Parcel 5, having it in separate ownership from the balance of Parcel 5 is problematic. This is because consolidation of the two lots will be a condition of rezoning which Millennium and the City cannot fulfill unless title to the Property is taken by the City (or title to Lot 316 is passed to Millennium). As a result, the rezoning could not be enacted and the development and building permits could not be issued. This would result in this Property not being included in the construction currently scheduled for SEFC Area 2A (which includes the buildings for the Olympic Village).

A solution to this problem would be for the City to purchase Lot 317 from Millennium. The Property could then be consolidated under the City's ownership with Lot 316, simplifying the rezoning issues and allowing construction to take place in a timely manner.

If Council approves this strategy, the purchase of the Property from Millennium will be completed on terms and conditions acceptable to the City Manager and the Director of Legal Services, including, without limitation:

- The Property will be purchased by the City from Millennium for \$5,100,000 (including all fees and taxes). This is the purchase price at which Millennium has agreed to purchase the Property from Maywood plus closing costs.
- The Property will be consolidated with Lot 316.
- The Lease Agreement will be amended to include this additional property, effectively making it subject to the terms and conditions of the Lease Agreement.
- The final "Purchase Price" for the Developer's Parcels under the Lease Agreement will be increased to reflect the purchase cost plus a financing cost of \$1,825,911.
- Millennium will pay all of the Development Cost Levies, Public Art Levies and Community Amenity Contributions that would apply to the Property if it were developed under the ownership of Millennium. This includes the SEFC Overlay DCL and the CAC designated for Affordable Housing in the SEFC Official Development Plan area.
- Millennium will be responsible for all of its rezoning costs for the Property and its design, permitting and construction costs for the additional market density it gains due to the inclusion of the Property under the Lease Agreement, and Millennium will assume all tax liability related to this initial Property purchase transaction and the final transfer of the additional density gained through the Property as part of the sale of the Developer's Parcels (on or before September 30, 2010, but after April 7, 2010). In addition, Millennium shall be wholly responsible for all soil remediation costs for dealing with any contaminated soils or groundwater within the Property.

In short, the City will facilitate the development of the Parcel 5 by financing the purchase of Lot 317 in return for the carrying costs on this investment and the additional benefits that this transaction provides to the City, including:

- The rezoning for the Property and Lot 316 can be expedited and, if approved, lead to development and building permits which conform to the construction schedule for the other buildings within SEFC Area 2A, and completion of same for use as part of the Olympic Village.
- The consolidation of the Property and Lot 316 results in a unified parking plan, thereby removing the need for a difficult easement on Lot 316 for the benefit of access to the underground parking within the Property.
- Consolidation also permits a better configuration of buildings, including the Affordable Housing family units. The revised design (with the inclusion of the Property) delivers the family units with the bedroom counts desired by the City Housing staff and BC Housing. These numbers are achieved by adding approximately 17,000 sq. ft. to the area of this Affordable Housing building. This objective would have been difficult, if not impossible, without the inclusion of the Property. A number of the Affordable Housing units now surround an open space on First Avenue, instead of having an outlook onto the adjacent building.

The consolidation and reconfiguration of buildings results in a parking plan and a loading strategy that are much more efficient. The new market building within the Developer's Parcels on the corner of First Avenue and Manitoba Street forms an improved entry to SEFC Area 2A, and the retail on Manitoba Street works much better as a continuous frontage.

FINANCIAL IMPLICATIONS It is recommended that the City finance the purchase cost of \$5.1 million from the \$30.0 million provided by VANOC for completion of the Olympic Village. These funds were allocated to deliver the 250 units of Affordable Housing to be developed in SEFC Area 2A (November 2, 2006). As the Property will transfer to Millennium ownership following the Exclusive Use Period, these funds will be returned to the Affordable Housing Allocation with interest. Use of these funds may require the City to provide some interim financing for the construction of the Affordable Housing; however, it will also enhance the return available on these funds in the interim period.

CONCLUSION

Due to the significant benefits generated by the purchase of the Property and its consolidation with Lot 316, it is recommended that Council authorize the City Manager to use a portion of the \$30,000,000 allocated by Council for the Affordable Housing within SEFC Area 2A to secure this purchase, subject to the aforementioned terms.

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7. **Property Acquisition for 125 West First Avenue (the real property lot legally described as PID 026-723-930, Lot 317, False Creek, New Westminster District, Plan BCP24394)**

Ian Smith, Manager of Development, Southeast False Creek and Olympic Village, with Jody Andrews, Project Manager, Southeast False Creek and Olympic Village, and Ken Bayne, Director of Financial Planning & Treasury, provided an overview of the Administrative Report *Property Acquisition for 125 West First Avenue (the real property lot legally described as PID 026-723-930, Lot 317, False Creek, New Westminster District, Plan BCP24394)*, dated May 1, 2007.

MOVED by Councillor Anton

- A. THAT, subject to B and C below, Council authorize the City Manager to proceed with the acquisition of 125 West First Avenue, Vancouver, BC (the "Property", legally described as PID 026-723-930, Lot 317, False Creek, New Westminster District, Plan BCP24394) from Millennium Southeast False Creek Properties Ltd. ("Millennium") at a cost of \$5,100,000 (including all applicable taxes and fees); funding to be provided from the \$30,000,000 VANOC contribution which is allocated for Affordable Housing in SEFC Area 2A;
- B. THAT the Director of Legal Services be authorized to amend the lease agreement (the "Lease Agreement") with Millennium on terms and conditions satisfactory to the City Manager and the Director of Legal Services for the acquisition of the Property and lease thereof to Millennium under the Lease Agreement for the development of SEFC Area 2A;
- C. THAT no legal rights or obligations will be created or arise by Council's adoption of A and B above unless and until such amendment to the Lease Agreement is executed and delivered by the Director of Legal Services.

CARRIED UNANIMOUSLY