

DATE OF MEETING October 19, 2020

AUTHORED BY NANCY SKEELS, PROPERTY AGENT, REAL ESTATE

SUBJECT PROPERTY DISPOSITION – 2230 BOXWOOD ROAD AND LAND EXCHANGE - 2221 AND 2241 BOWEN ROAD – MID-TOWN GATEWAY PROJECT

OVERVIEW

Purpose of Report

To obtain Council approval to dispose of portions of two City-owned properties at 2230 Boxwood Road and 2241 Bowen Road.

Recommendation

That Council:

1. authorize the disposition of a portion of City-owned lands located at 2241 Bowen Road to Christ Community Church in exchange for a portion of the Church's property at 2221 Bowen Road;
2. authorize the disposition of a portion of City-owned lands located at 2230 Boxwood Road and the portion of property the City will receive from the Church's property at 2221 Bowen Road to Island West Coast Developments; and
3. direct the Mayor and Corporate Officer to execute the necessary documents to affect the transactions.

BACKGROUND

Mid-town Gateway Project (formerly known as the Boxwood Connector)

On 2010-NOV-01, the City acquired 2230 Boxwood Road and 2241 Bowen Road (the "Property"), Attachment A, for \$2.2 million, plus consultant and closing costs, for a total purchase price of \$2.5 million, to facilitate the Mid-town Gateway Project (the "City Project"), Attachment B. The Property is 3.44ha (8.49 acres) in size. 2230 Boxwood Road has R8 (Medium Density Residential) zoning and 2241 Bowen Road has COR3 (Community Corridor) zoning.

The Property was acquired to ease traffic congestion and improve safety at the intersection of Bowen Road and Northfield Road. Over the development of the City Project, several additional opportunities have become possible that have turned this into a signature brownfield redevelopment project.

The Property underwent extensive geotechnical and environmental improvements in 2019 to address contamination through historical coal mining and construction waste activities. The wetland impacted by these legacy activities has been restored and now acts as a storm water detention facility. The 2019 improvements also included the placement of 24,000 cubic meters of preload material overtop of the future roadways to help compact the soils underneath. After

the soils have stopped settling, the pre-load material will be removed from the Property and final ground improvement can be finished.

Construction of the next phase of the project is scheduled to start in 2022. In this phase, the Property will be developed into a signature gateway corridor that will embrace active transportation and complete-street principles, and will provide connections to the Parkway Trail, Beban Park, and the 'Off Bowen Bikeway' along Boxwood Road. Boxwood Road will also be extended to Rosstown Road, which will allow for the closure of the existing intersection of Rosstown Road at Bowen Road to vehicles, but will maintain access for pedestrians and cyclists. This will offer a much safer route for motorists through the Property, while providing more access options for pedestrians and cyclists.

Development Opportunity of Parcel and Surrounding Area

Upon completion of the City Project, there is roughly 1.05ha (2.59 acres) of surplus City-owned land that can be repurposed for redevelopment (the "Redevelopment Parcel"). Island West Coast Developments ("IWCD") have acquired the majority of the properties to the south of the Redevelopment Parcel between 2254 and 2220 Northfield Road.

In order to facilitate the investment in the Redevelopment Parcel and the properties along Northfield Road, City Staff and IWCD met to discuss the opportunity for IWCD to acquire the Redevelopment Parcel, subject to the terms of the negotiations set out in a Letter of Intent (the "LOI"). On 2020-MAY-25 Council directed Staff to:

- "1. direct the Mayor and Corporate Officer to execute the Letter of Intent with Island West Coast Development; and*
- 2. direct Staff to return to a future Council meeting, upon completion of negotiations, to present the Purchase and Sale Agreement for the disposition of a portion of City-owned property at 2230 Boxwood Road for Council's approval."*

The LOI included that the City and IWCD work together to adjust neighbouring property lines to create a suitable development parcel. The key property adjustment is with land owned by Christ Community Church (the "Church") located at 2221 Bowen Road (the "Church Property").

The City has proposed an exchange of a portion of the Property, shaded in green, for an area of the Church's Property, shaded pink, shown on Attachment C. This will provide the Church with an improved access to their property off the future roadway, rather than turning directly off Bowen Road. The area that the Church will exchange to the City will be consolidated with the Redevelopment Parcel and then sold to IWCD.

As a result of the land consolidation and rezoning of the Redevelopment Parcel, IWCD will be in the position to build a proposed \$75 million mixed-use development, including a grocery store, retail and office space, and a 175-unit multi-family residential development with surface and underground parking (the "IWCD Proposal"). The redevelopment of the properties along this corridor and the Parcel will revitalize this area and provide a more inviting gateway into central Nanaimo.

It is likely this redevelopment will spur further redevelopment in the Northfield/Bowen Corridor, which is in line with the vision set out in the Official Community Plan, and would establish a new neighbourhood node, the Northfield Gateway.

DISCUSSION

Terms for Purchase and Sale Agreement with IWCD:

Purchase Price:

- An updated fair market value assessment of the Redevelopment Parcel will be prepared, based upon the highest and best use, not more than 60 days prior to the Closing Date, for the purpose of determining the Purchase Price. An appraisal has been prepared by Cunningham and Rivard who has estimated the fair market value of the Redevelopment Parcel as of 2019-OCT-25 at \$3,385,000. This appraisal did not include the area the City will acquire from the Church. The area to be acquired from the Church using the price per square foot market valuation from this appraisal estimates the market value of the Church's Property at \$348,000 (less any value to remediate the site contamination) for consolidation with the Redevelopment Parcel.
- The Purchase Price will be adjusted by \$1,251,300 in consideration of the additional site remediation that will be required to allow future rezoning and development of the Redevelopment Parcel. This deduction reflects the value to remove and dispose of unsuitable / contaminated soils that are still within the proposed development footprint.
- Based on the current appraised value, including the area from the Church, the disposition of the Redevelopment Parcel would net the City \$2,481,700 (less any value to remediate the site contamination on the Church's property) from the sale, less costs.

Preload Agreement

- The City and IWCD will work together to develop a joint agreement around the removal of the preload situated on the Redevelopment Parcel prior to completion of the Purchase and Sale Agreement.

Commitments from the City:

- The City will be responsible for and will bear the following costs:
 - Arranging the survey plan and application for the subdivision of the Redevelopment Parcel and the Church Land Exchange.
 - Costs for the notice or other requirements required under the *Community Charter*.
 - The City's legal and closing costs related to the property disposition, including the preparation of the Purchase and Sale Agreement.

Commitments from IWCD

- IWCD will be responsible for and will bear the following costs:
 - Their legal and closing costs arising from the purchase.
 - Any application fees and other costs arising from a rezoning. Amenity contributions with respect to the rezoning may be reduced or waived in the event the City is satisfied rezoning does not result in an increase in the value in exceedance of the Purchase Price.
 - Any fees or costs incurred in applying for and obtaining a Certificate of Compliance.
 - Any fees or costs arising from the installation of any applicable works and services that the City will require as part of the Project.

Conditions:

- The City's Approving Officer must have approved the subdivision plan by 2021-OCT-01.
- The City shall become the Owner of the Church's Property by 2021-SEP-01.

Closing Date:

- Complete the Redevelopment Parcel transfer on or before 2021-DEC-17.

IWCD has agreed to the terms noted above and has provided a signed purchase and sale agreement to the City.

Terms for Land Exchange Agreement with the Church

On 2020-AUG-31 Council directed Staff to:

- "1. prepare a Land Exchange Agreement with Christ Community Church for the disposition of a portion of City-owned property at 2241 Bowen Road in exchange for a portion of 2221 Bowen Road; and*
- 2. return to a future Council meeting, upon completion of negotiations, to present the Land Exchange Agreement for Council's approval."*

Staff have met with the Church and they have agreed to enter into and signed a Land Exchange Agreement with the City. Accordingly, as the same amount of land is being exchanged, no compensation issues exist with the proposal. The land exchange will result in the area the City acquires being able to be sold to IWCD for an estimated market value of \$348,000 (less any value to remediate the site contamination on the Church's Property) for consolidation with the Redevelopment Parcel.

Engineering & Public Works have reviewed the application applicable to all City standards and the portion of the Property is deemed surplus to City requirements.

Next Steps:

Should Council approve the Purchase and Sale and the Land Exchange Agreement, Staff will work with IWCD and the Church to complete the boundary adjustment subdivision to complete the land exchange and property disposition. IWCD will start work on the development permit and rezoning applications for the Redevelopment Parcel. A Staff report for the applications will be brought to Council at a future date for Council's consideration.

OPTIONS

1. That Council:
 1. authorize the disposition of a portion of City-owned lands located at 2241 Bowen Road to Christ Community Church in exchange for a portion of the Church's property at 2221 Bowen Road;
 2. authorize the disposition of a portion of City-owned lands located at 2230 Boxwood Road and the portion of property the City will receive from the Church's property at 2221 Bowen Road to Island West Coast Developments; and
 3. direct the Mayor and Corporate Officer to execute the necessary documents to affect the transactions.

- Advantages: IWCD is a willing partner and wants to collaborate with the City to see the Redevelopment Parcel and the properties along Northfield Road ultimately be developed into a comprehensive mixed-use development. Staff have published a Notice of Disposition as required by Sections 26 and 94 of the *Community Charter*. Providing approval to dispose of the Redevelopment Property would be consistent with Council's past decisions.
- Disadvantages: Council may choose to hold this property for other Council priorities as they arise during the term. Staff time can be allocated to other Council priorities.
- Financial Implications: The Redevelopment Parcel has an appraised value of \$3,385,000 plus \$348,000 for the appraisal estimate of the area acquired from the Church. It is estimated the cost to remediate the site contamination will cost \$1,251,300. Based on the current appraised value, the disposition of the property could potentially net the City \$2,481,700 (less any value to remediate the site contamination on the Church's property) from the sale, less costs. Net proceeds from the sale will be deposited to the Property Sales Reserve Fund. An updated appraisal of the market value of the Redevelopment Parcel will be prepared 60 days before the completion date. The costs to complete the land exchange with the Church and the disposition of the Redevelopment Parcel are estimated at: surveying \$20,000, legal \$20,000, environmental \$15,600, notices required under the *Community Charter* \$550, appraisal fees \$3,000, and subdivision application \$1,000. Total cost estimate: \$60,150. The City's costs will be paid out of the Property Reserve Fund.

2. That Council:

1. deny approval to disposition of a portion of City-owned lands located at 2230 Boxwood Road to Island West Coast Developments for \$2,481,700; and
2. deny approval to the disposition of a portion of City-owned lands located at 2241 Bowen Road to Christ Community Church.

- Advantages: Council may choose to hold these properties for other Council priorities as they arise during the term. Staff time can be allocated to other Council priorities.
- Disadvantages: It may become difficult for IWCD to build a comprehensive and impactful development with their properties along Northfield Road without the acquisition of the Redevelopment Parcel and the Redevelopment Parcel may not be developed for many years. It will remain a brownfield and may be difficult to sell in the future.
- Financial Implications: The City will not incur the costs to dispose of the Redevelopment Parcel or complete the land exchange with the Church. The City could potentially not benefit \$2,481,700 from the sale of the Redevelopment Parcel.

SUMMARY POINTS

- The City acquired 3.44ha (8.49 acres) of land at 2230 Boxwood Road and 2241 Bowen Road (the “Property”) in 2010 in advance of a scheduled road and utility project designed to alleviate traffic congestion and improve safety at the intersection of Northfield Road and Bowen Road.
- Over time, the Project has evolved from a ‘simple’ road project into a signature brownfield redevelopment project. This includes the restoration of a wetland habitat and environmental remediation in 2019. In 2022, the City Project is scheduled to include the originally proposed Bowen Road/Northfield Road intersection improvement and the newly proposed “Off Bowen Bikeway” and a Parkway Trail/Beban Park Connection.
- Upon completion of the City Project, there is roughly 1.05ha (2.59 acres) of surplus City-owned land that can be repurposed for redevelopment (the “Redevelopment Parcel”).
- On 2020-MAY-25, Council directed Staff to execute a Letter of Intent (the “LOI”) with Island West Coast Development (IWCD) for the Purchase the Redevelopment Parcel.
- IWCD has acquired the majority of the land south of the Redevelopment Parcel and is interested in acquiring the City land to facilitate a \$75M mixed-use development with a grocery store, 175 units of residential development, and underground parking.
- The LOI included that the City and IWCD work together to adjust neighbouring property lines to create a suitable development parcel. The key property adjustment is with property at 2241 Bowen Road.
- IWCD has provided a signed purchase and sale agreement to the City for the acquisition of the Redevelopment Parcel.
- On 2020-AUG-31, Council directed Staff to prepare a Land Exchange Agreement with Christ Community Church for the disposition of a portion of City-owned property at 2241 Bowen Road in exchange for a portion of 2221 Bowen Road.
- Staff have met with the Church and they signed a Land Exchange Agreement with the City. Accordingly, as the same amount of land is being exchanged, no compensation issues exist with the proposal.
- Based on the current appraised value, including the area from the Church, the disposition of the Redevelopment Parcel would net the City \$2,481,700 (less any value to remediate the site contamination on the Church’s property) from the sale, less costs. An updated appraisal of the market value of the Redevelopment Parcel will be prepared 60 days before the completion date of 2021-DEC-17.
- Should Council approve the Purchase and Sale and the Land Exchange Agreement Staff will work with IWCD and the Church to complete the boundary adjustment subdivision to complete the land exchange and property disposition. IWCD will start work on the development permit and rezoning applications for the Redevelopment Parcel. A Staff report for the applications will be brought to Council at a future date for Council’s consideration.

ATTACHMENTS: |

ATTACHMENT A: Location Plan

ATTACHMENT B: Mid-Town Gateway – City Project

ATTACHMENT C: Property Disposition and Land Exchange Plan

Submitted by:

Bill Corsan
Director, Community Development

Poul Rosen
Director, Engineering |

Concurrence by:

Dale Lindsay
General Manager, Development Services

Bill Sims
General Manager, Engineering & Public Works

Laura Mercer
Director, Finance |