

DATE OF MEETING January 15, 2024

AUTHORED BY WARREN MANN, PROPERTY AGENT, REAL ESTATE

SUBJECT PROPERTY DISPOSITION – 350 AND 398 FRANKLYN STREET

OVERVIEW

Purpose of Report

To provide Council with background information on a proposed multi-family development on City-owned land at 350 and 398 Franklyn Street and to seek Council's approval to dispose of the land to Camargue Properties Inc.

Recommendation

That Council:

1. approve the disposition of 350 and 398 Franklyn Street to Camargue Properties Inc. for \$1,600,000; and
2. direct the Mayor and Corporate Officer to execute the necessary documents to effect the transaction.

BACKGROUND

The City owns 350 and 398 Franklyn Street (the "Property", Attachment A), which are two contiguous City-owned parcels located near the Service and Resource Centre and City Hall in the downtown core. The Property has an area of 0.17ha (0.43 acres) and has been traditionally used for parking by City Staff.

In the summer of 2023, the City issued an Expression of Interest ("EOI") in which proponents were asked to provide background information on their proposed project as well as the price they were willing to pay for the Property. The EOI submission deadline was 2023-SEP-05 and the proposals were provided to Council.

Staff reviewed the EOI submissions and based on the above, Camargue Properties Inc. ("Camargue") met most of the criteria. Camargue is an active developer in Nanaimo, they have a good knowledge of the market, good relationships with subcontractors, and a history of seeing projects through to completion, which were aspects considered when Council made their decision.

At the 2023-OCT-16 "In Camera" Council meeting, Council directed Staff to:

1. *prepare a Purchase and Sale agreement with Camargue Properties Inc. for the disposition of City-owned land at 350 and 398 Franklyn Street; and*
2. *direct Staff to return to Council upon completion of negotiations"*

After negotiations with Camargue, and preparation of a Purchase and Sale Agreement (the "PSA"), Staff provided an update to Council.

At the 2023-DEC-04 “In Camera” Council meeting, Council passed the following motions:

- “1. provide approval in principle to proceed with the disposition of City-owned land at 350 and 398 Franklyn Street to Camargue Properties Inc. for \$1,600,000;
2. direct Staff to publish a Notice of Disposition pursuant to the Community Charter;
3. direct Staff to publish a news release for the proposed disposition; and
4. direct Staff to return to an upcoming open Council meeting to present Camargue Properties Inc.’s proposed development and to seek approval for the disposition of 350 and 398 Franklyn Street.”

The PSA has been signed by Camargue. A Notice of Disposition was published in the local newspaper and online for two consecutive weeks. Council is in a position to formally ‘approve’ the disposition of the Property. If Council approval is provided, a news release will be issued. |

DISCUSSION

Camargue’s architect, ACE Architecture, has completed preliminary concept drawings (Attachment B) for a four to five-storey rental building incorporating the following into the development:

- ground orientated residential units facing both Wesley Street and Franklyn Street
- ground floor retail on Wesley Street
- Step Code 4, zero GHG emissions building
- parking spaces with EV charging, and electric scooter/bicycle charging
- solar roof (dependant upon confirmation of feasibility)
- a significant percentage of non-market, adaptable and accessible units (dependant upon CMHC program criteria and negotiations with the City)
- at least 10% affordable units but could be increased to as much as 20% depending on acceptance into a federal financing program

Terms negotiated and included in the PSA include:

- By 2024-JAN-31, Council approving the disposition of the Property.
- By 2024-FEB-29, Camargue being satisfied with environmental/geotechnical studies.
- By 2024-AUG-30, the City and Camargue agreeing upon a Housing Agreement.
- By 2024-AUG-30, Camargue obtaining a development permit.
- By 2024-NOV-29, Camargue arranging satisfactory financing.

The PSA also includes an option to purchase agreement, which allows the City to repurchase the Property should substantial development on the site, defined as \$1,500,000, not occur within two years following the transfer of title to Camargue. In addition, there is a condition that a covenant be registered on title prior to completion of the sale that controls the number of non-market units that Camargue, or any subsequent owner, is required to incorporate into the development of the Property.

Staff are requesting Council provide approval of the disposition of the Property to Camargue Properties Inc. for the purchase price of \$1,600,000. Subject to Council approval being received, and all conditions of the purchase and sale agreement being met, it is anticipated that ownership of the Property will transfer by 2024-DEC-19. |

OPTIONS

1. That Council
 1. approve the disposition of 350 and 398 Franklyn Street to Camargue Properties Inc. for \$1,600,000; and
 2. direct the Mayor and Corporate Officer to execute the necessary documents to effect the transaction.
 - Advantages: Camargue met the majority of the criteria within the EOI. Proceeding with the purchase and sale process will facilitate the development of the Property within two years, which will encourage investment in the neighbourhood. Providing approval to dispose of the Property would be consistent with Council's past decisions.
 - Disadvantages: Selling the Property will prevent Council from designating the land for another municipal purpose. The existing parking lot on the Property will be removed from the City's downtown inventory.
 - Financial Implications: If Council directs Staff to move forward with the property disposition, the City will receive \$1,600,000 from the sale. The proceeds of the sale will be returned to the Property Sales Fund to spur further acquisitions. Camargue will request inclusion in the Downtown Revitalization Tax Exemption Program.
2. That Council deny the disposition of 350 and 398 Franklyn Street to Camargue Properties Inc.
 - Advantages: Denying the disposition would allow Council to use the property for another municipal purpose should Council want to do so. The existing parking lot on the Property will not be removed from the City's downtown inventory.
 - Disadvantages: Denying the disposition would be inconsistent with Council's past decisions.
 - Financial Implications: The City would not receive \$1,600,000. The Property will remain undeveloped and owned by the City.

SUMMARY POINTS

- 350 and 398 Franklyn Street (the "Property") are City-owned properties located near City Hall in the downtown core.
- The Property is a key redevelopment site and is suitable for a four to five-storey building. The redevelopment of the property will help to spur further investment on Wesley Street and Robson Street.
- The City advertised for an Expression of Interest, requesting proposals to develop City-owned property at 350 and 398 Franklyn Street. The closing date for proposals was 2023-SEP-05.
- Proposals were received and were reviewed by Staff and Camargue Properties Inc. ("Camargue") met the majority of the criteria.
- At the 2023-OCT-16 "In Camera" Council meeting, Council directed Staff to complete negotiations and prepare a Purchase and Sale Agreement ("PSA") with Camargue.

- With the completion of negotiations and a prepared PSA, Staff provided an update to Council at the 2023-DEC-04 “In Camera” Council meeting.
- The PSA has been signed by Camargue and a Notice of Disposition has been published in the local newspaper and online for two consecutive weeks.
- Negotiations are complete and Staff are requesting Council to provide approval to dispose of the Property to Camargue Properties Inc. for \$1,600,000. Subject to approval being received, it is anticipated the Property will transfer by 2024-DEC-19.

ATTACHMENTS:

ATTACHMENT A: Location Plan

ATTACHMENT B: Architectural Drawings of Proposed Development

Submitted by:

Bill Corsan
Director, Corporate and Business
Development

Concurrence by:

Laura Mercer
General Manager, Corporate Services