

NO: R048

COUNCIL DATE: March 24, 2003



INTER-OFFICE MEMO

TO: **City Manager**FROM: **General Manager, Engineering**DATE: **March 18, 2003**FILE: **0540-050
0910-40**

CONFIDENTIAL

RE: **Proposed Sale of East Bridgeview City Lands
(115 Avenue and 131 Street - Map 01)**

SUMMARY

This memorandum provides supplementary confidential information pertaining to the proposed sale of three City-owned industrial properties in the Bridgeview area. This memorandum also provides supplementary information regarding Engineering's request to use a portion of the sales proceeds to pay for certain filling and servicing requirements to facilitate the future sale and development of the remaining East Bridgeview City owned lands.

The City has advertised the sale of four proposed industrial lots in the Phase II section of the East Bridgeview development. The City has received offers to purchase each of the four lots, and two of them (3.54 and 1.45 acre parcels) are deemed to be acceptable. The recent purchaser of 3.93 acres from the City's Phase I Bridgeview land sale (S. Bal Trucking Ltd.) has also submitted an acceptable offer to purchase an additional 2.0 acres to be consolidated with their adjoining 3.93 acre site. The bids being recommended for acceptance are closely equivalent to the appraised value, and they are as follows:

	Parcel	Bidder	Bid Price
1.	Lot 4 (3.54 acres)	Pioneer Pallet & Lumber Ltd.	\$628,173 (\$182,000 per acre)
2.	Lot 2 (Blk. A, 1.45 acres)	Dashmesh Roof Tiles Ltd.	\$315,000 (\$217,000 per acre)
3.	South Extension of Lot 2 (2.0 acres)	S. Bal Trucking Ltd.	\$470,400 (\$240,000 per acre)

Total Land Sales	<u>\$1,413,573</u>
-----------------------------	---------------------------

BACKGROUND

Phase I of this City-initiated project (Council Report R106, June 10, 2002) resulted in the sale of two lots containing an area of 6.04 acres, for a total sale price of \$1,204,000.

The lands currently being offered for sale, which are within Phase II of this City-initiated project, resulted from the consolidation of several separate City-owned parcels. The three properties being recommended for sale contain a total of 6.99 acres (3.54 acres, 1.45 acres, and 2.0 acres respectively).

DISCUSSION

A. Proposed Land Sales

In compliance with the Local Government Act, notice of intention to sell the City lands was advertised in a local newspaper on November 2 and November 30, 2002.

At the close of the offering for sale of the Phase II lots, a total of 29 offering packages had been picked up by interested parties. The City received four offers from four different local businesses, plus a fifth offer to expand the land holding as acquired in the Phase I offering (S. Bal).

Two additional potential purchasers made offers. One purchaser withdrew their offer because of difficulties in securing development funding. The second offer came from Dashmesh Roof Tiles Ltd., who made offers on two of the lots, but later withdrew their offer on Lot #1 because it was too small. Staff continue to receive regular expressions of interest in the purchase of the remaining two Phase II parcels of land.

A summary of the five offers received by the City is as follows:

Recommended Offers

1. **Lot 4 (3.54 acres)**

Offer

Pioneer Pallet & Lumber Ltd. (3.54 acres @ \$182,000 per acre)	\$644,280
Less 2.5% Commission (Commercial Real Estate Services)	<u>\$ 16,107</u>
Net to City	\$628,173

The offer from Pioneer Pallet is within 5% of the appraised value of \$190,000 per acre.

Pioneer Pallet intends to initially construct a 10,000 ft.² manufacturing building with a 20,000 ft.² addition to follow.

2. Lot 2 (1.45 acres)

Offer

Dashmesh Roof Tiles Ltd. (1.45 acres @ \$217,241.37 per acre)	\$315,000
--	------------------

No Sales Commission

The offer from Dashmesh Roof Tiles Ltd. is within 1.5% of the appraised value of \$220,000 per acre. Dashmesh Roof Tiles intends to construct a 20,000 ft.² manufacturing and office building for the production of concrete and fibreglass roof tiles.

3. South Extension Lot 2 Plan LMP54470 (2.0 acres)

Offer

S. Bal Trucking Ltd. (2.0 acres @ \$240,000 per acre)	\$480,000
Less 2% Commission (Colliers International)	<u>\$ 9,600</u>
Net to City	\$470,400

The offer from S. Bal Trucking at \$240,000 per acre exceeds the appraised value of \$220,000 per acre. S. Bal intends to construct a distribution warehouse on their combined site of 5.93 acres.

Offers Not Being Recommended

4. Lot 1 (1.31 acres)

Offer

Dashmesh Roof Tiles Ltd. (1.31 acres @ \$229,771 per acre)	\$301,000
--	------------------

No Sales Commission

Dashmesh withdrew their offer on this site as the shape and size did not meet their needs.

5. Lot 3 (2.81 acres)

Offer

640037 BC Ltd. (2.81 acres @ \$175,000 per acre)	\$491,750
Less 2.5% commission (Commercial Real Estate Services)	<u>\$ 12,294</u>
Net to City	\$479,456

As the offer was less than the appraised value (\$190,000 per acre) and called for the City to carry financing of 50% of the site purchase price for one year, staff do not recommend this offer.

B. Funding Requirements for Servicing and Site Preparation

Recommendation 2 of the Corporate Report requests Council's authority to utilize a portion of the sales proceeds for certain servicing and site preparation costs to facilitate the current and future sales and development of the City's East Bridgeview Industrial Project. A summary of the estimated cost of these works is as follows:

1.	<p><u>Recommendation 2(a)</u> Phase I - Works, services, and fill costs (to repay Utilities Pre-Servicing Fund) * (See note below)</p> <p>(a) Hydro, telephone and cable ducting</p> <p>(b) Additional fill costs on City lands north of 115 Avenue</p> <p>(c) 132 Street road works, south of 115 Avenue</p> <p style="text-align: right;">Total</p>	<p>\$63,000</p> <p>\$ 7,000</p> <p><u>\$65,000</u></p> <p>\$135,000</p>
2.	<p><u>Recommendation 2(b)</u> Phase II, III & IV - Clearing, filling, & grading</p> <p>These funds are to be used to clear, fill, and grade the unfilled portions of Phase II, III and IV City lands when suitable, low or no cost, fill material becomes available.</p>	<p>\$250,000</p>
3.	<p><u>Recommendation 2 (c) –</u> Phase III & IV - Extension of 131 Street road works and services, south of 115 Avenue</p> <p>These works are scheduled to commence either in the summer of 2003 or 2004 and are required to provide access and services to the Phase III and IV lands.</p>	<p><u>\$585,000</u></p>
	Total Funds Required	<u>\$970,000</u>

* These works were completed in 2002 to facilitate the Phase I land sales. Funding was obtained from the Utilities Pre-Servicing fund.

C. Future East Bridgeview Land Sales

The two Phase II lots that remain unsold will be marketed again through a formal offering in late March 2003. Because of the ongoing interest in the area, Realty Division staff expect that these remaining lots from Phase II will be sold during 2003.

D. Cost Benefit Analysis

Staff anticipate that, after servicing costs, the City's net profit from the development of the East Bridgeview lands will be about \$115,000 per acre for Phase I, \$130,000 per acre for Phase II, a break-even for Phase III, and \$40,000 per acre from ±11.55 acres within Phase IV.

Upon completion of clearing, filling, site preparation, servicing, and subdivision, Phase I, II, and III will contain ±23.81 acres of serviced industrial lands. Total servicing costs for Phase I (6.04 acres), Phase II (11.11 acres), and Phase III (6.66 acres) are estimated to be ±\$2,300,000. It is projected that the ±23.81 acres of City-owned

industrial land will generate \$4,670,000 in land sales revenue. Therefore, the net overall return on a per acre basis will be \pm \$100,000.

The break-even return on the Phase III lands is primarily attributable to the high costs of extending 131 Street south of 115 Avenue and to connect to the GVRD high pressure trunk sewer. Although the return from Phase III is on a break-even basis, the extension of 131 Street and sewer connection is required to bring the Phase IV City lands on stream.

It is expected that the Phase IV lands containing \pm 11.55 acres of City and private land will generate \$2,080,000 in land sale revenue. The cost estimate to construct road and service extensions to 112B Avenue, west from 131 Street, along with land clearing & filling, and private land acquisition costs, would be in the order of \$1,630,000. Therefore, the net overall return on a per acre basis is about \$40,000 per acre from Phase IV land development. The sale of Phase IV lands is expected to not occur before 2005.

CONCLUSION

The City has initiated industrial development within East Bridgeview. Should Council approve of the sale of these three Phase II lots, the purchasers intend to commence construction of light industrial improvements upon the land during the summer of 2003.

The offers are closely equivalent to the appraised values and it is therefore recommended that Council approve the sale of these proposed East Bridgeview industrial lots.

Paul Ham, P.Eng.

General Manager, Engineering

WP/mpr

j:\property\admin\corprts\memos\2003\03110853-wp.doc
BRB 5/14/03 9:23 AM

c.c. - General Manager, Finance

Appendices

I. Appraisal Summary

APPENDIX I

APPRAISAL SUMMARY

An accredited staff appraiser prepared the estimate of market value. The most pertinent sales used in the analysis are summarized as follow:

Sale No.	Address	Sale Date Sale Price	Zone	Area: Acres (sq.ft.)	Price per Acre (per sq.ft.)	Comments
1	Lot 2 @ 115 Avenue & 132 Street	Dec/02 \$718,000	IL	3.93 ac (171,191)	\$182,697 (\$4.19)	Sale of City land to S. Bal Trucking. Serviced the same as the subject property. Proposed warehouse.
2	Lot 1 @ 115 Avenue & 132 Street	May/03 Closing \$486,000	IL	2.11 ac (91,911)	\$230,331 (\$5.29)	Sale of City land to Cougar Metal Industries Inc. Serviced the same as the subject property. Proposed manufacturing building.
3	11618 - 130 Street 13011/59 - 116 Avenue	May/02 \$301,800	IL	1.04 ac (45,302)	\$290,192 (\$6.66)	Vacant serviced corner site located close to the subject and on the 116 th Avenue truck route. Includes three parcels. Gravel filled and used for truck parking. Foreclosure sale.
4	10645 Scott Rd	Sept/02 \$1,501,000	IS	4.44 ac (193,406)	\$338,063 (\$7.76)	Former auto salvage yard with superior location on Scott Rd. Court-ordered sale. Sewer ROW runs through the site. Small office has nominal value. Purchased by another auto salvage operation.
5	10535 Scott Rd	Mar/01 \$1,250,000	IS	4.66 ac (202,990)	\$268,240 (\$6.15)	Used auto parts property with superior location on Scott Rd. Court-ordered sale. Deducting shop buildings assessed @ \$70,000 results in a residual land value of \$253,219 per acre.
6	13733 - 116	Apr/00 \$1,000,000	IL	4.67 ac (203,425)	\$214,132 (\$4.91)	Triangular-shaped lot

	Avenue					located one mile from the subject in East Bridgeview. 0.81 acres lies under restrictive covenant. Partially paved and used for truck parking.
7	10079 Grace Rd	Dec/00 \$2,400,000	IL	11.48 ac (500,069)	\$209,059 (\$4.80)	Gross parcel size is 13.33 acres but net size is used for area as GVRD sewer ROW and watercourse reduces useable land size. Proposed truck terminal.
8	12094 Old Yale Rd	May/01 \$2,146,000	IL IS	10.43 ac (454,330)	\$205,752 (\$4.72)	Three properties sold under court order to Advance Lumber. Located one block off Scott Rd.

Analysis:

The comparable sales range in unit value from \$182,697 to \$338,063 per acre. The appraiser has adjusted for location and site characteristic, superior location and soil conditions of South Westminster compared to Bridgeview, and the generous supply of vacant industrial land within both South Westminster and Bridgeview. The latter has had a dampening effect upon industrial land values for the subject area. As a result, the appraiser, after consideration of the sizes of each of the three recommended sale properties, has concluded that the market value for the three properties is as follows:

$$3.54 \text{ acres} \times \$190,000 \text{ per acre} = \$672,000$$

$$1.45 \text{ acres} \times \$220,000 \text{ per acre} = \$319,000$$

$$2.0 \text{ acres} \times \$220,000 \text{ per acre} = \$440,000$$



CONFIDENTIAL INFORMATION
SUPPLEMENTARY TO REGULAR COUNCIL REPORT

**PROPOSED SALE OF CITY LANDS AT
115 AVENUE AND 131 STREET
EAST BRIDGEVIEW**

**FILE: 0540-050
0910-40**