

**PROPOSED METHOD OF DISPOSITION – (DOWNTOWN COMMERCIAL CORE) – WARD  
07 (CLLR. DRUH FARRELL) FILE NO: 121 8 AV SW (ME)**

**SUMMARY/ISSUE**

Authorization for Public Marketing of the Property, to be administered by the Office of Land Servicing & Housing, and authorization to negotiate a sale of the Property to the successful purchaser(s).

**PREVIOUS COUNCIL DIRECTION/POLICY**

At the 2011 July 25 Regular Meeting, Council approved LAS2011-46, City Owned Historical Building Management Plan.

This report identified the Property as one for potential future disposition, subject to consultation with Calgary Parking Authority (CPA). This report also recommended that any funds received for the disposition of City owned Historical Resources be directed towards lifecycle costs of the City owned historic building portfolio.

**ADMINISTRATION RECOMMENDATIONS:**

That the Land and Asset Strategy Committee recommend that Council:

1. Authorize the method of disposition recommendation as outlined in Attachment 2;
2. Authorize that the net proceeds received from the disposition are to be allocated to the CPA Capital Reserve Fund;
3. Authorize the Office of Land Servicing & Housing to engage a suitably qualified external Sales Agent to negotiate the proposed sale, if required;
4. Request that Attachments 4, 5 and 6 be removed from this report prior to being forwarded to Council and that Attachments 4, 5 and 6 remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(b), 24(1)(c), 24(1)(g) and 25(1)(b) of the *Freedom of Information*

and *Protection of Privacy Act* and that Council consider Attachments 4, 5 and 6 in camera if requested by Council; and

5. Request that the Recommendations, Report and Attachments 1, 2, and 3 remain confidential under Sections 23(1)(b), 24(1)(a), 24(1)(b), 24(1)(c), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Act* until the report is published in the Council agenda.

**RECOMMENDATION OF THE LAND AND  
ASSET STRATEGY COMMITTEE, DATED  
2014 APRIL 24:**

That Council:

1. Approved Administration Recommendations 1, 2 and 3; and
2. Request that Attachments 4, 5 and 6 remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(b), 24(1)(c), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Act*.

**INVESTIGATION**

The subject property is a two storey (with basement) retail store on the south side of Stephen Avenue Mall (8<sup>th</sup> Avenue) in downtown Calgary. Stephen Avenue Mall is a mixture of retail, restaurants, offices and pubs/bars and is heavily frequented by those working downtown and by the general public.

The City acquired the property in 1970, where it was used as the Calgary Parking Authority's head office until August 1996. The Property was turned over to Corporate Properties & Buildings (CPB) in October 1996 and was leased on two separate occasions to tenants who operated restaurants. Both tenants were

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unsuccessful and the building became vacant.

As of February 1, 2006, the building has been fully leased to a single tenant for retail purposes. The term of the lease is 15 years with rental rate escalations every five years, and is triple net (i.e. the tenant pays all expenses except for structural repairs). There are some structural repairs anticipated in the short term (less than 5 years). There is no option to renew the lease at the end of the current term which expires in 2021. There is no clause allowing either party to break the lease. As such, any transaction would have to include the lease to the current tenant as a condition of sale. The current lease is deemed to be at market value.

In 2003, the Property was circulated and declared surplus to The City's needs, however it was determined that The City should retain ownership of this heritage structure at that time. In 2011, the Property was circulated again and identified in LAS2011-46 as suitable for potential disposition subject to consultation with CPA. CPA has since initiated the request to dispose of this surplus asset and have no objections to the sale.

Pursuant to a memorandum of understanding starting in 1998, CPA and The City of Calgary Administration worked out an arrangement which identified properties deemed to be 'owned' by CPA. It was agreed between CPA and Administration, that in the event the CPA properties were sold, the funds received from the sales would be directed to CPA. The Property was identified as a CPA owned asset at that time.

## **IMPLICATIONS**

### **General**

The Calgary Parking Authority's strategic focus within its 2012-2014 business plan is to support Council's Fiscal Plan for Calgary (C2001-65). One aspect of achieving this goal is to review corporate land and property holdings with the intent of optimizing owned versus leased land and to reduce surplus where appropriate. This sale would support this goal.

### **Social**

The Property is located in an area of high demand for commercial uses and has the benefit of direct access to the main pedestrian thoroughfare.

### **Environmental**

As per The City of Calgary's Sales, Acquisitions, and Leases Environmental (S.A.L.E.) Policy, an environmental review is required to be conducted prior to sale. Results of the review will be disclosed to the purchaser.

### **Economic (External)**

The Property provides a mixed use commercial option close to amenities, employment and transportation. The sale of the Property also provides an increase to the annual tax base, and will support future capital projects and help ensure CPA is operating efficiently.

## **BUSINESS PLAN/BUDGET IMPLICATIONS**

The sale will be recorded in the Office of Land Servicing & Housing's Operating Program 488 and net proceeds from the sale will be transferred to Corporate Properties & Buildings Revolving Fund Reserve and reallocated to the CPA Capital Reserve Fund.

## **RISKS**

With every year the Property remains in The City's ownership, there is a risk that the economic lifecycle of the building is

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deteriorating. It is estimated that the Property has approximately 25 years remaining of economic life. Aging building systems and infrastructure will necessitate increased maintenance costs resulting in lower net revenues.

The layout / orientation of the space is such that it limits CPA's ability to make effective use of the space for internal purposes; hence there is a risk that if the Property is not sold in the short term with the benefit of the secure lease term, it may be difficult to lease at a future date and have a negative effect on value.

**VALUATION**

The reserve price of the Property was based on an internal valuation which has been endorsed by Administration's Valuation Review Committee. The comparable sales analyzed are included in Attachment 4.

**ATTACHMENTS**

1. Site Map
2. Recommendations
3. Summary of Additional Property Information
4. **Removed as per Committee request**
5. **Removed as per Committee request**
6. **Removed as per Committee request**