

BACKGROUND

The lands are located in the centre of downtown Halifax, two blocks from the harbour-front. Existing development in the area is a mix of office, hotel, retail and residential. The site is 29,898 square feet (*0.69 acres*) with frontage on three streets, Granville Street, Hollis Street and Sackville Street.

The existing building was developed as a six storey parking garage, known as Texpark, with a service station in the early 1960's, under a long term lease from the former City of Halifax. Prior to that time, a number of smaller commercial buildings occupied the site. Adjacent parcels to the south were acquired and buildings removed as the Municipality assembled the entire block over the past decade. The lease for the parking garage has now expired, and the structure is surplus to the Municipality's needs.

The following is a summary of the steps approved by Council on February 3, 2004, with respect to the Tender issued in March 2004:

Step 1 - Disposal

- ▶ **The property will be offered for sale by Tender (*highest bid*)**

Reservations:

The Municipality reserves the right to accept or reject any or all submissions or to accept a submission deemed to be in the best interest of the Municipality.

In the event of tie bids, the Municipality reserves the right to request tied proponents to resubmit final offers.

HRM may waive formalities or technicalities in submissions as the interest of HRM may require.

- ▶ **The Tender will include clear development guidelines.**

The specific design goals for this property are derived from local planning policies as contained within the Municipal Planning Strategy. While not a condition at the award stage of this Tender, these are the principles upon which the successful bidder must ensure their development proposal is based on at the Development Agreement stage.

Bidders will be required to provide general information with respect to their proposed use as part of the Tender submission document.

- ▶ **The Municipality is offering the property for sale on an “as is vacant” basis.**

The demolition of the building will be HRM’s responsibility.

It is expected that the site will require environmental risk management of its soils at the expense of the Purchaser, and Council should be advised that this is commonplace with the CBD and, therefore, it is a reasonable baseline development cost for most developers. It is for this very reason staff recommended transferring the burden of any impacted soils to the Purchaser through the tender process.

Step 2 - Development Agreement (Post Sale)

- ▶ The site is designated CBD and zoned General Business and is outside designated view planes.
- ▶ Existing MPS policy provides clear direction for design and land use.
- ▶ Emphasis on ground floor commercial (*active street*).
- ▶ Architecture to complement 19th century facades in the area, wind and shadow analysis required and underground parking is to be maximized.
- ▶ Application and development construction start and completion dates are a condition of Agreement of Purchase and Sale.

Step 3 - Time Line

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|--|----------------------|
| ▶ Tender Issued | March 17, 2004 |
| ▶ Closing Date for Bid Submissions | April 30, 2004 |
| ▶ Award by Council | May 2004 |
| ▶ Demolition Contract Award by HRM | 45 days from Award |
| ▶ Purchaser Due Diligence | 90 days from Award |
| ▶ Purchaser <i>Pre-Application</i> for Development Agreement | 90 days from Award |
| ▶ Closing of Agreement of Purchase and Sale | 120 days from Award |
| ▶ Final Application for Development Agreement | 90 days from Closing |

DISCUSSION

The following five (5) bids were received on April 30, 2004:

Unconditional Bids (As per Tender terms and conditions)	Purchase Price
United Gulf Developments Limited	\$5,360,000
Southwest Properties Limited	\$4,025,000
Giffels Management Limited	\$3,500,000

Conditional Bids	Purchase Price
Templeton Lawen Group	\$5,800,000
Universal Property Management Limited	\$3,700,000

A detailed bid summary along with requested supplementary information is provided as Attachment "A" and "B" respectively to this report. Council should be advised that the supplementary information is not a component or basis of award. These conceptual elements will be dealt with at the Development Agreement stage.

Templeton Lawen Group's submitted purchase price of \$5.8M does not comply with the standard terms and conditions of the Tender. The submitted bid contains many conditions, the primary conditions are as follows:

- ▶ During the Due Diligence period, if the Proponent is unsatisfied with any aspect of the proposal it can serve notice, without reason, to HRM and the agreement is null and void;
- ▶ HRM must grant reasonable extensions to all condition dates and HRM must cooperate at all times and assist the proponent to facilitate and expedite all stages of the project and development;
- ▶ the Purchaser successfully concluding a final Development Agreement with HRM, failing which, the Agreement shall become null and void and the original deposit plus any other monies paid by the Purchaser to that point in time to HRM shall be returned to the Purchaser; and
- ▶ HRM agreeing to accept, at its expense, at one of HRM's designated landfill sites, all contaminated or excess soil resulting from the excavation of the site.

Through these conditions the proponent is seeking a “guaranteed project” on their terms and has placed the majority of project risk on the Municipality. The property has been offered for sale *as is vacant* without purchaser conditions, except standard due diligence. The terms requested by Templeton Lawen are a significant departure from the tender specification and represent an unacceptable and undefined environmental and financial risk for the Municipality.

United Gulf Developments Limited’s purchase price of \$5.36M is in full compliance with Tender, or terms of sale, and it is on that basis that staff is recommending the award to United Gulf Developments Limited.

The award is based on compliance and adherence to the specified terms and conditions of sale outlined in the Tender document (*Price, Terms and Risk*). It is staff’s opinion that the risks associated with Templeton Lawen’s conditional bid far exceeds the premium on price.

The time and place for the detailed design review and approval, of what ultimately is built on site, is the Development Agreement process. Council’s approval of the award would trigger the following key dates for United Gulf Developments:

- | | |
|--|--|
| ▶ Purchaser Due Diligence | 90 days from Award (<i>August 9</i>) |
| ▶ Purchaser <i>Pre-Application</i> for Development Agreement | 90 days from Award (<i>August 9</i>) |
| ▶ Closing of Agreement of Purchase and Sale | 120 days from Award (<i>September 3</i>) |
| ▶ Final Application for Development Agreement | 90 days from Closing (<i>December 2</i>) |

Development Agreement Process:

The property has a “Commercial” designation on the Generalized Future Land Use Map and is zoned C-2 (*General Business*) and within Schedule “F.” Any building greater than forty feet in height would require a Development Agreement. The application for a Development Agreement would be considered primarily under the Central Business District Policy (CBD) set of the Halifax Municipal Planning Strategy. The process would involve holding a Public Information meeting and then preparing a staff report to the District 12 Planning Advisory Committee and the Heritage Advisory Committee for review and recommendation. Their recommendations would be sent to Peninsula Community Council who has the jurisdiction to hold the required public hearing.

BUDGET IMPLICATIONS

The net proceeds from the sale shall be credited to the Sale of Land Reserve Account Q101. Applicable deductions to the Purchase Price include, but are not limited to, appraisal, survey, environmental and deficiencies, legal, marketing and administrative costs.

Environmental and or deficiency allowances resulting from the purchaser's due diligence inspection, if required, shall be to a maximum of five percent of the purchase price.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

None recommended at this time.

ATTACHMENTS

Attachment "A" - Bid Summary
Attachment "B" - Supplementary Information

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Peter Stickings, Manager, Real Estate, Real Property and Asset Management 490-7129
Jim Dolan, Manager, Planning Applications Planning and Development Services 490-6782

Original Signed

Report Approved by: Peter Ross, Manager Procurement, Financial Services 490-6499

Original signed

Mike Labrecque, Director, Real Property and Asset Management 490-4851

Original Signed

Paul Dunphy, Director, Planning and Development Services 490-4933

ATTACHMENT A

	Giffels Management Limited	Southwest Properties Limited or Assignee	Stephen D. Ling, in trust, on behalf of United Gulf Developments Limited	Templeton Lawen Group	Universal Property Management Limited
	Award Information				
Purchase Price	\$3,500,000	\$4,025,000	\$5,360,000	\$5,800,000	\$3,700,000
5% Deposit Certified Cheque	\$175,000	\$201,250	\$268,000	\$290,000	\$185,000
Closing Date	120 days from Award	120 days from Award	120 days from Award	120 days from Award, Subject to the Purchaser successfully concluding a final development agreement with HRM . This condition would survive the closing.	Subject to and following Development Agreement Approval
Amendments requested by Purchaser	No	Yes	No	Yes	Yes

ATTACHMENT A

	Giffels Management Limited	Southwest Properties Limited or Assignee	Stephen D. Ling in trust on behalf UGDL	Templeton Lawen Group	Universal Property Management Limited
Acceptable Amendments	n/a	<ul style="list-style-type: none"> - Consent to assignment to legal entity to be controlled by Southwest. In addition Southwest may enter into a business arrangement with a hotel company. - HRM shall act reasonably in exercising its discretion with respect to the buy back - Upon conclusion of construction the HRM shall release the buy back - The buy back shall constitute a second charge against the property, recognizing the lender's first charge on the property - HRM will migrate, at its expense, the title of the property to the new land registry system 	n/a	<ul style="list-style-type: none"> - Upon conclusion of construction the HRM shall release the buy back - The buy back shall constitute a second charge against the property, recognizing the lender's first charge on the property 	n/a

ATTACHMENT A

	Giffels Management Limited	Southwest Properties Limited or Assignee	Stephen D. Ling in trust on behalf of UGDL	Templeton Lawen Group	Universal Property Management Limited
Unacceptable Amendments	n/a	n/a	n/a	<p>-During the Due Diligence Period if the Proponent is unsatisfied with any aspect of the proposal then it can serve notice without reason to HRM and the agreement is null and void.</p> <p>- HRM must grant reasonable extension to all condition dates and HRM must cooperate at all times and assist the proponent to facilitate and expedite all stages of the project and development.</p> <p>- Subject to the Purchaser successfully concluding a final development agreement with HRM, failing which, the Agreement shall become null and void and the original deposit plus any other monies paid by the Purchaser, to that point in time, to HRM shall be returned to the Purchaser.</p> <p>- Agreement of Purchase and Sale is conditional upon HRM agreeing to <u>accept, at its expense</u>, at one of HRM's designated landfill sites, all contaminated or excess soil resulting from the excavation of the site</p>	<p>- Purchaser shall have 90 days due diligence, within 14 days of satisfying same, the Purchaser shall increase the deposit by \$815K</p> <p>- Purchaser shall have 6 months from expiry of due diligence period to satisfy itself with respect to the terms and conditions of the DA</p> <p>- Purchaser shall have 90 days form approval of the DA to arrange suitable financing</p> <p>- Closing shall take place 30 days from approval of financing</p>

ATTACHMENT B

	Giffels Management Limited	Southwest Properties Limited or Assignee	Stephen D. Ling in trust on behalf of UGDL	Templeton Lawen Group	Universal Property Management Limited
	Supplementary Information				
Use	Retail/Off/Res	Com/Res/Hotel	Com/Res/Hotel	Com/Res/Hotel	Hotel/Res
Est. total Building Area	377,346 sqft	355,000 sqft	492,800 sqft	513,240 sqft	389,705 sqft
Floor Plate (typical)	16,300 sqft	12,500 sqft	12,800 sqft	Base 27,500 sqft Twr 1 7,600 sqft Twr 2 9680 sqft	14,500 sqft
Conceptual Mix	- Ground/1st fl. Commercial - 224 Residential	- Ground/1st fl Commercial - 150 Hotel (1 st 10 flrs) - Balance Res (9 flrs)	Commercial Base, (hotel) Office Res tower	- 240 Hotel - 176 Res. - Ground/1st fl Commercial	- 95 unit Res - 108 Hotel - Ground/1st fl Commercial
Est. No. Stories	17	22	26	24 and 28	21
Est. Bld Cost	\$33M/\$87 psf	\$46M/\$129 psf	\$59M/\$120 psf	\$60M/\$117 psf	\$33.2M/\$85 psf
Land Cost as % of Project Cost	10.6	8.75	8.9	9.67	11
Architectural Consultant	NORR Limited	Duffus Romans	United Gulf Developments	Michael Napier	Kassner/Goodspeed