

City of Nanaimo
REPORT TO COUNCIL

DATE OF MEETING: 2012-DEC-17

AUTHORED BY: BILL CORSAN, MANAGER OF REAL ESTATE

RE: ACQUISITION OF A PORTION OF CANADIAN PACIFIC RAILWAY COMPANY LANDS
LOCATED AT 7 PORT DRIVE

STAFF RECOMMENDATION:

That Council receive this report for information.

PURPOSE:

This report releases the information from the 2012-OCT-01 Special "In Camera" Council meeting. At that meeting, Council granted approval to acquire 10.8 ha (26.7 acres) of land and water from Canadian Pacific Railway Company (CP Rail) for a purchase price of \$3,400,000. The Regional District of Nanaimo (RDN) has advised that it will partner with the City on this acquisition to secure land for a transit exchange. A news release on this acquisition will be distributed at the Council Meeting.

SUMMARY:

The CP Rail Wellcox Yard is strategically located on the waterfront, south of the downtown core. The OCP identifies the property as Urban Node, envisioning that the property will transition from its traditional use as a railyard and industrial area towards more urban uses. CP Rail listed the property for sale in January 2011 and has been unsuccessful in finding a purchaser due to the complexities of the site which include environmental contamination and perpetual rights of way to SeaSpan International and Island Corridor Foundation. The requirements for works and services through subdivision, including the replacement of the existing wooden trestle, have also been prohibitive for prospective buyers.

Staff approached CP Rail to discuss the possibility of acquiring the northern 10.8 ha (26.7 acres) of the property which runs from the trestle in the south to the "bow tie" site to the north owned by the Port Authority (Attachment A). A purchase price of \$3,400,000 has been agreed upon by both parties.

The property meets a number of objectives in the 2012-2015 Strategic Plan, including the facilitation of a transit node, securing waterfront for a waterfront trail, and taking responsibility for the future redevelopment of this key area of the city. Approximately 3.2 ha (7.9 acres) of the proposed acquisition is unencumbered, while the remaining 7.6 ha (18.78 acres) is encumbered with perpetual rights of way which currently limit the development potential of the property. Over time, as rail and shipping activities decline, the City will have the ability to work with the users to reduce or eliminate the rights of way, freeing up prime waterfront land for redevelopment.

BACKGROUND:

Overview

In January 2011, CP Rail listed 7 Port Drive (CP Wellcox Rail Lands) through Colliers International for a price of \$7.9 million. Numerous parties have shown interest in the property, but all have declined to complete a deal due to the myriad of issues associated with the property including environmental issues, perpetual rights of way, and the costs associated with subdivision.

The parent parcel is 21.6 ha (53.3 acres) in size and is split-zoned 1-4 and P-4. The parcel is roughly rectangular in shape, running from the northern property line shared with the “bow tie” site south to the border of Snuneymuxw First Nation Reserve #1. The land is largely flat and built on filled foreshore that dates back to the founding of the city. The land is bordered to the east by the Nanaimo Port Authority (NPA) Assembly Wharf property and to the west by Front Street and Esplanade Street.

Staff approached CP Rail to determine if there was a possibility of selling the northern portion of the property to the City of Nanaimo. CP Rail has agreed to sell 10.8 ha (26.7 acres) to the City. CP Rail will retain the southern 10.8 ha (26.6 acre) parcel for future development.

The land north of the trestle bridge contains 7.06 ha (17.45 acres) of upland and 2.65 ha (6.55 acres) of water.

Currently 6.6 acres of the land is unencumbered and 1.3 acres of waterlot is unencumbered. The encumbrances limit the current development potential of the remainder of the land. SeaSpan International has a right of way which runs in perpetuity over 6.27 ha (15.5 acres) of the parcel. Island Corridor Foundation has a perpetual right of way covering a 1.3 ha (3.3 acres) of the site (Attachment B).

The unencumbered portion of the land has two leases in place with GADD Marine and Island Pallet Solutions. Both leases can be terminated within a short time frame.

The majority of the parcel was created through filling of the harbour using coal slag. The historical industrial use of the property may also raise some concerns about its environmental condition. CP Rail has completed numerous environmental audits which need to be reviewed as part of due diligence.

DISCUSSION:

Rationale for Acquisition

The following rationale is provided for the acquisition of the parcel:

- Access – at present access across the wooden trestle to the lands east of the railway tracks and the NPA Assembly Wharf lands is through a right of way agreement that does not grant public access. By the City owning the land, a public road can be dedicated which will ensure that the NPA has proper legal access. The City can work with the NPA to partner on the rebuilding of the existing bridge and internal road network.
- Transit Exchange – the RDN and the City have identified this area as the preferred location for the multi-modal transit exchange. The RDN has advised that it will have up to \$2,000,000 in funding available to acquire the unencumbered lands adjacent to

Front Street for the transit exchange. Given the desire for a fast ferries proposal, and a need to relocate the inter-city bus service, this site has great potential to become a transportation hub.

- Master Plan – once the lands are under City ownership, a master planning process can be undertaken to identify the community's vision, which may include waterfront walkway, park space, multi-family and commercial development. The master plan will also provide certainty over servicing provision, road standards and phasing of development which will enable CP to redevelop its lands south of the trestle.
- Long-term Hold – the site must be viewed as a long-term strategic hold given the major encumbrances. Staff will work with the existing holders of the rights of way to determine if the rights of way can be reduced. Once the lands are unencumbered, the City could consider options to sell or develop a portion of the site. The City is in the best position to address the long-term encumbrances.

Funding

Funding for this acquisition is from the Property Acquisition Reserve Fund (\$2,600,000) and the Property Sales Reserve Fund (\$800,000). The RDN has allocated up to \$2,000,000 for the land associated with the transit exchange. This money will be placed back into the Sales Reserve Fund.

Purchase & Sale Agreement and Conditions Precedent

A Purchase and Sale Agreement has been signed by both parties. The key elements of the deal include the following:

Lands:	Approximately 10.8 ha (26.7 acres) of the Wellcox Railyard
Purchase Price	\$3,400,000
Deposit	\$170,000
Closing Date	2013-MAR-31
Condition of Lands	"As Is"

CP Conditions Precedent

- Senior Management Approval

City of Nanaimo Conditions Precedent

- City of Nanaimo to review the following documents to its satisfaction: all leases, licences, rights of way, environmental and geotechnical reports, site assessments, audits, studies, investigations, permits, approvals and records in possession of CP with respect to the lands;
- City of Nanaimo to obtain an environmental assessment of the land;
- City of Nanaimo to review, to its sole satisfaction, the State of Title Certificate of the lands and the existing encumbrances; and
- City Council approval.

Other Key Items for Consideration

- City of Nanaimo to take responsibility and liability for the existing wooden trestle;
- City of Nanaimo to undertake a master planning exercise in 2013 for the Wellcox Railyard; and
- City of Nanaimo Staff to support rezoning applications to Council that are consistent with the master plan.

Strategic Plan Considerations

The acquisition of this parcel of land meets a number of the key priorities identified in the 2012-2015 Strategic Plan, including;

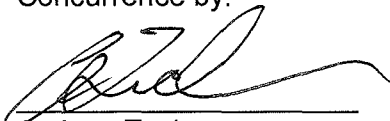
Strategy	
Waterfront Enhancement	<p>Outcomes Desired</p> <ul style="list-style-type: none"> • Enhanced public access and use. • A continuous, uninterrupted and accessible waterfront trail/ connection from Departure Bay Beach to Nanaimo River Estuary. • A working waterfront that supports business, marine industries, transportation, connectivity, entertainment and tourism.
Transportation and Mobility	<p>Potential Strategies and/or Initiatives</p> <ul style="list-style-type: none"> • Work with RDN, NEDC, Chamber of Commerce, Nanaimo Port Authority, BC Ferries, BC Transit, Airport Authority, Island Corridor Foundation, advocates for and supports improvement of external connections: inter-city bus, ferries, fast foot ferry to downtown Vancouver, float planes, enhanced air connections. • Work with RDN on downtown transit exchange options that support overall outcomes, enhance waterfront connections, link to inter-city public transit options and support downtown development.
Taking Responsibility	<p>Potential Strategies and/or Initiatives</p> <ul style="list-style-type: none"> • Continuing to facilitate change and overall development consistent with vision and plans; taking action steps to be a catalyst or investment in the City's future.

Respectfully submitted,

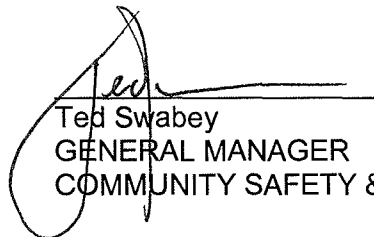


Bill Corsan
 MANAGER
 REAL ESTATE

Concurrence by:



Andrew Tucker
 DIRECTOR
 PLANNING



Ted Swabey
 GENERAL MANAGER
 COMMUNITY SAFETY & DEVELOPMENT

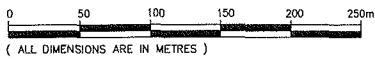
CITY MANAGER COMMENT:

I concur with the Staff recommendation.

ATTACHMENT A

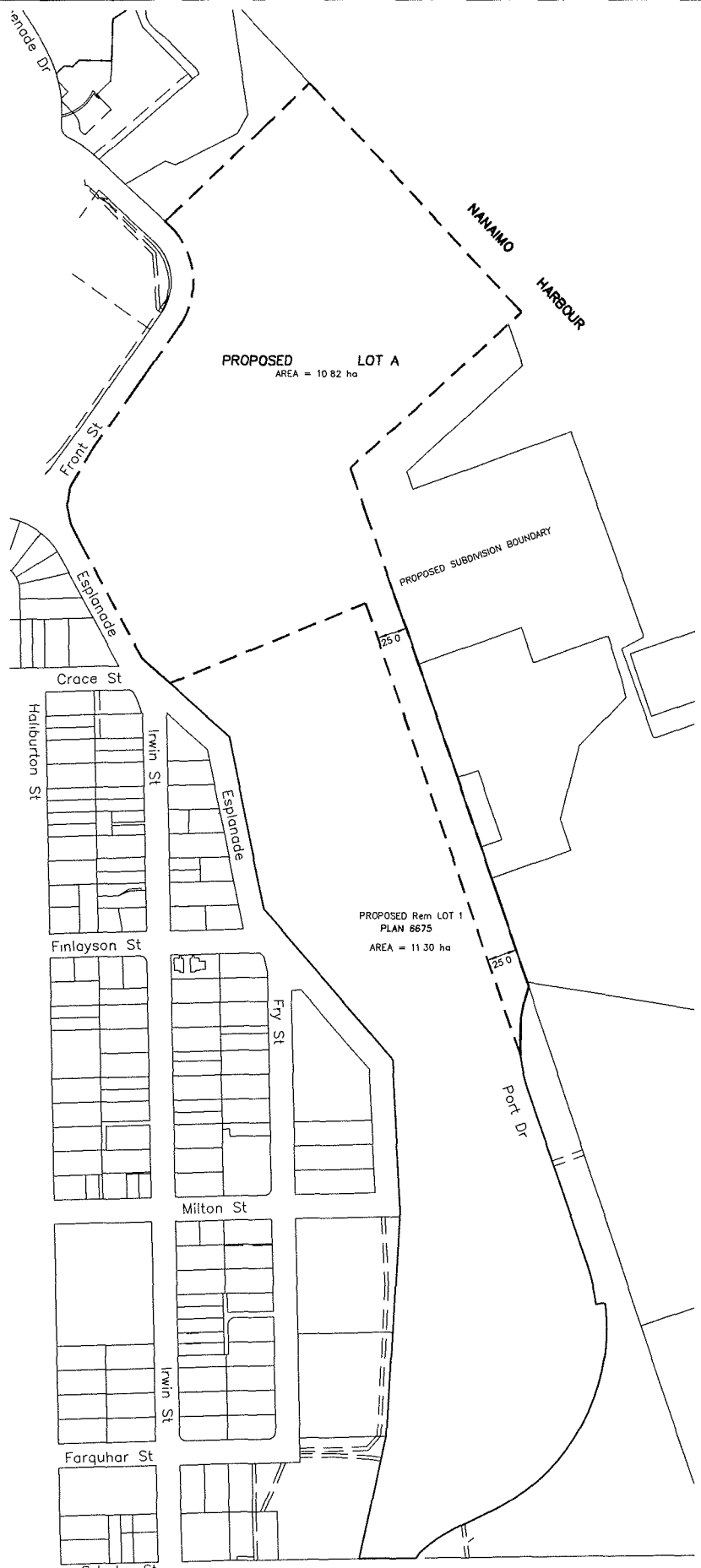
SKETCH PLAN NUMBER 2 OF LOT 1
OF SECTION 1 AND THE BED OF THE
PUBLIC HARBOUR OF NANAIMO,
NANAIMO DISTRICT, PLAN 6675,
EXCEPT THOSE PARTS IN PLANS
19380 AND 30712

THE INTENDED PLOT SIZE OF THIS PLAN IS 432 mm IN WIDTH
BY 560 mm IN HEIGHT (C-SIZE) WHEN PLOTTED AT SCALE OF
1:2500



LEGEND

--- DENOTES PROPOSED NEW LOT



THIS PLAN LIES WITHIN THE REGIONAL DISTRICT OF NANAIMO

McELHANEY ASSOCIATES
LAND SURVEYING LTD
SUITE 1, 1351 ESTEVAN ROAD
NANAIMO, B.C. V9S 3Y3
TEL. 250-716-3336
FAX. 250-716-3339

OUR FILE NO. 2232-71635-1
OUR DRAWING NO. 71635-1-02 DWG

ATTACHMENT B



10.8 ha (26.7 acres) to be acquired by City of Nanaimo from Canadian Pacific



City purchases property to encourage redevelopment of the downtown waterfront

(NANAIMO, December 18, 2012) – In a forward looking move that will enable future development along Nanaimo’s downtown waterfront, the City of Nanaimo, in partnership with the Regional District of Nanaimo (RDN), has entered into a purchase and sale agreement to buy roughly half of Canadian Pacific’s (CP) Wellcox Rail Yard property at 7 Port Drive.

The purchase of this property supports a number of goals outlined in the City’s Strategic Plan, including:

- Securing land that can facilitate the creation of a future transit node
- Securing waterfront property to expand the City’s walking trail network (the City’s 2013 Budget has allocated funding to conduct a master plan for the waterfront lands, including the CP Wellcox Rail Yard)
- Taking responsibility of development in a key area of the City

“Council is continually looking for ways to improve the livability, accessibility and beauty of our downtown core”, said Nanaimo City Mayor, John Ruttan. “This agreement gives the City a long-term hold on an important piece of property that was previously beyond our control. The interests of Nanaimo residents who wish to see this property developed effectively and aligned with the community’s downtown vision are now secured.”

A joint interest between the City and the RDN involves reserving a portion of the new land for a future multi-nodal transit exchange to effectively serve the downtown, nearby islands and region as a whole. With an agreed purchase price of \$3.4 million to CP, the City would sell a section of the land to RDN for the purpose of building the desired bus terminal.

****(Insert Quote from RDN)***

****(Insert Quote from CP)***

The property is comprised of 10.8 ha (26.7 acres) of land and water and is currently used by SeaSpan (intermodal shipping) and Island Corridor Foundation (freight and passenger rail), both of whom hold land tenure and perpetual rights of way. The City will consequently be arranging discussions with both organizations to determine encumbrances on title to ensure the property can be developed in the future. Additionally, as part of the City’s due diligence, an environmental review is being conducted to determine the level of risk associated with buying an active industrial site. Assuming the City is content with the findings of the review, the property will transfer to the City on March 31, 2013.