

# Blatchford Hangar 11 Sale and Historical Preservation

## Sale of Land Below Market Value

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### Recommendation

1. That an agreement for the sale of the land, as outlined in Attachment 1 of the June 28, 2021, Financial and Corporate Services report FCS00411, between the City of Edmonton and Architure Inc., at less than market value, and on the terms and conditions, as outlined in Attachment 2 of the June 28, 2021, Financial and Corporate Services report FCS00411, be approved, and that the agreement be in form and content acceptable to the City Manager.
2. That Attachment 3 of the June 28, 2021, Financial and Corporate Services report FCS00411, remain private pursuant to section 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

### Previous Council/Committee Action

At the February 8, 2021, City Council meeting, the following motion was passed:

1. That Administration negotiate a draft agreement for the sale of land, as outlined in Option 2 of the February 1, 2021, Financial and Corporate Services report CR\_6367, and return to Committee for approval of the sale agreement or report on the result, as appropriate.

### Executive Summary

This report is seeking approval for the sale of City-owned land and Hangar 11 to Architure Inc. at less than market value. The sale of the City-owned land and Hangar 11 would be conditional on Architure Inc. entering into a rehabilitation incentive and maintenance agreement and obtaining passage of a Bylaw to designate Hangar 11 as a Municipal Historic Resource in accordance with the *Historical Resources Act* to protect its historical significance. As per sections 70, 231(9) and 606 of the *Municipal Government Act*, proposed City land transfers for less than market value must be advertised and subsequently approved by the appropriate Council Committee after the petition period has expired.

## Report

In March 2020, Architure Inc. presented Administration with a letter of intent outlining their unsolicited proposal to acquire the Hangar 11 building on a three acre site. The proposal includes the upgrade and revival of Hangar 11, including designating the building as a Municipal Historic Resource as a condition of the sale. Administration entered into a Right of Entry Agreement with the developer to carry out structural testing, complete due diligence and to determine the potential cost for the developer to stabilize the building.

Hangar 11 sits on the single titled parcel for the overall Blatchford development. At present, there is no titled parcel of land specifically for the building that could be sold. As part of any transaction, the time to approve a subdivision and related conditions (e.g., site servicing) and transferring the land to a new owner may pose risks to the building should its condition continue to decline. The estimated time to complete subdivision and site servicing is 12 to 24 months. To mitigate against the risk of further deterioration during that time, the City will proceed with emergent weather-proofing work in 2021 to avoid any potential critical impacts to the hangar and sustain its current condition. The cost of the weather-proofing will be absorbed in the existing approved Blatchford Redevelopment budget. The proposed sale is conditional on the City and Architure Inc. (the Buyer) agreeing on the scope of the mitigative emergent work to be completed by the City.

As a condition of the proposed sale, the Buyer is required to designate the building as a Municipal Historic Resource and rehabilitate the building in accordance with City Policy C450B: *Policy to Encourage the Designation and Rehabilitation of Municipal Historic Resources in Edmonton* and the *Standards and Guidelines for the Conservation of Historic Places in Canada*, and undertake historic rehabilitation work to the building to the satisfaction of the City.

The market value of the site was estimated based on its highest and best use which is as a redevelopment parcel. The proposed purchase price is considered to be less than market value due to the uncertainty of building rehabilitation costs and costs for historic designation and preservation.

This transaction aligns with The City Plan's Big City Move: *A Rebuildable City*, as it supports heritage preservation.

## Public Engagement

As per sections 70, 231(9) and 606 of the *Municipal Government Act*, the City advertised the proposed less-than-market-value sale of the subject property to the Buyer for two consecutive weeks: April 14, 2021 and April 21, 2021 in the Edmonton

Journal. As no petitions were received during the petition period, Executive Committee can consider approval of a less-than-market-value transfer of the Sale Land.

**Legal Implications**

Legal implications are set out in private Attachment 3.

**Budget/Financial Implications**

The sale of Hangar 11 will result in an opportunity cost to the City, as it is estimated that sale revenue of the land as a redevelopment parcel would be greater than the inclusion and retention of the hangar building.

Administration anticipates an estimated capital cost avoidance between \$18 million and \$27 million which encompasses the investment required to support temporary, non-continuous occupancy in the building through basic stabilization.

Furthermore, a more extensive scope of rehabilitation to bring the building to a basic leasable standard and address historic conservation requirements is estimated between \$55 million and \$83 million, which would also be avoided by the disposition of the land and building.

This sale will result in a net gain in the Blatchford Redevelopment operations in the year the title is transferred. The actual gain on sale is recorded at the time of the transfer.

**Next Steps**

Administration recommends that the Sale Land be transferred to Architure Inc. according to the terms and conditions set out in Attachment 2. If Executive Committee approves the recommendation, Administration will enter into a sale agreement, which has already been executed by the Buyer. Administration will continue discussions with the Buyer regarding the scope of basic mitigative emergent work, and enter into a procurement agreement for completion of the work in 2021. Administration will also continue rezoning and subdividing the parcel to prepare it for transfer as well as work with the Buyer to designate the building as a Municipal Historic Resource.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome: The City of Edmonton has a resilient financial position</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>

## Blatchford Hangar 11 Sale and Historical Preservation - Sale of Land Below Market Value

Unbudgeted facility capital investments are reviewed to establish asset financial viability	Avoided capital investment risk from identified properties repurposed or disposed (\$)	-Basic building stabilization is between \$18 and \$27 million; bringing the building to a leasable standard including historic conservation is between \$55 and \$83 million -\$2 million/year ongoing renewal	TBD
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### Corporate Outcome: Edmontonians are connected to the city in which they live, work and play

Unique character and history of neighbourhoods is preserved	Total number of structures on the Inventory of Historic Resources	950 (December 2019)	N/A
	Annual number of buildings added to the Inventory of Historic Resources through City-funded neighbourhood inventories	122 (2016) 0 (2017) 39 (2018) 0 (2019)	Reverse trend of demolitions exceeding additions to the Inventory of Historic Resources
	Annual number buildings on the Inventory of Historic Resources that were demolished	12 (2016) 9 (2017) 21 (2018)	

### Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
<b>Risk if Recommendation is Approved</b>						
Public Perception	Negative public perception of City's efforts to protect historic resources	3 - possible	2 - moderate	6 - low	Designation of Hangar 11 as an Historical Municipal Resource is a condition precedent of the proposed sale agreement	Information available to the public on how the heritage components will be preserved
Economic	The sale value of the Hangar declines if it falls into further disrepair	4 - likely	2 - moderate	8 - medium	The City will complete basic leak protection work on key sections of the building to prevent further damage	Expedited sale agreement to mitigate additional disrepair
<b>Risk if Recommendation is Not Approved</b>						
Financial	The City incurs up to \$83 million in unbudgeted capital	3 - possible	3 - major	9 - medium	Examination of possible future uses that would retain the historic	Fundraising occurs to mitigate expenses

	investment to maintain Hangar 11				resource at a significantly lesser expense	
Loss of Historic Resources	Delays result in demolition of an existing historic resource	4 - likely	3 - major	12 - medium	Expedite a market offering requiring bids to obtain historic designation	Expedite the sale to successful bidder to prevent unplanned demolition

**Attachments**

1. Site Plan
2. Sale Agreement - Terms and Conditions
3. Legal Implications (Private)

**Others Reviewing this Report**

- C. Owen, Deputy City Manager, Communications and Engagement
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Planning and Economy
- K. Fallis-Howell, Acting City Solicitor