

## Property Acquisition – 145 1st Avenue North and 141 Pacific Avenue

### ISSUE

A strategically located property situated on the corner of 1<sup>st</sup> Avenue North and 23<sup>rd</sup> Street East, approximately two blocks west of City Hall, has become available for purchase. The property is developed with a 28,800-square foot office building that in the short to medium term offers the opportunity to consolidate various City of Saskatoon (City) offices that currently reside within external leased space. This property is well-situated along the section of 1<sup>st</sup> Avenue North between 22<sup>nd</sup> Street and 25<sup>th</sup> Street that has all three Bus Rapid Transit (BRT) lines going past the site, thereby offering excellent exposure and access.

The site at 141 Pacific Avenue is currently an improved parking lot that is well used and in demand. The site is also strategically located in the Downtown for future development.

Ownership of these lands will give the City an opportunity to take a leadership role in the use and redevelopment of land in important areas of the Downtown core.

### RECOMMENDATION

1. That the Administration be authorized to purchase 145 – 1<sup>st</sup> Avenue North, (Lot 2; Block 163; Plan 73S26357, Extension 0; ISC Surface Parcel No. 120164206) and 141 Pacific Avenue (Lots 17 – 24; Block 2; Plan F4570) from Pillar Properties Corp. at a combined purchase price of \$7,150,000; and
2. That the City Solicitor be requested to prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

### BACKGROUND

The City currently leases approximately 23,207 square feet (sf) of external office space in four privately owned buildings at an approximate annual cost of \$319,497, excluding occupancy costs. At present, there is no space available within City Hall or Civic Square East (CSE) to locate these groups, therefore, leasing external office space is required.

In March 2019, a three-day workshop was convened with community stakeholders, local and visiting experts, and civic representatives to develop creative and innovative ideas that could help stimulate growth and transformation of the Downtown. The workshop was facilitated by Larry Beasley of Beasley & Associates Planning, Inc. which is a Vancouver-based planning consultancy firm with a primary focus on sustainable, liveable and appealing urbanism.

A number of "best and most supported" ideas were identified at the workshop, as well as key actions recommended under various themes, including:

- Prepare the Downtown for Growth and Change;
- Cut Development Risk;
- Actively Stimulate Preferred Downtown Growth; and
- Best City-Building Principles.

Several recommendations in the [Inquiry Toward A Downtown Stimulus Strategy for Saskatoon](#) report suggests the City initiate actions to kick start and manage Downtown change.

### **DISCUSSION/ANALYSIS**

The property at 145 – 1<sup>st</sup> Avenue North is situated on the southwest corner of 1<sup>st</sup> Avenue North and 23<sup>rd</sup> Street, which is considered to be a strategic location for the following reasons:

- It is situated two blocks west of City Hall, providing quick and convenient access to City staff. The potential relocation of staff from other currently leased properties will provide opportunities for savings.
- 1<sup>st</sup> Avenue between 22<sup>nd</sup> Street and 25<sup>th</sup> Street will be served by all three BRT lines, which is the only place in the city where this occurs so accessibility to and from the site is ideal.
- Ownership and utilization of the site will further animate this area of the Downtown in the short and medium term.
- The acquisition aligns with recommendations received at the March 2019 workshop on Downtown stimulus strategies that encouraged the City's in-house development department, Saskatoon Land, to refocus efforts as a catalyst for promoting Downtown and infill growth opportunities.
- While the Downtown office vacancy rate is relatively high, it is an opportune time to invest in Downtown properties and take advantage of cyclical opportunities. The property is conveniently located in the heart of Downtown near all amenities and services, including the City Yards.
- The 20,000-sf site has 200 ft of frontage along 1<sup>st</sup> Avenue plus 100 ft along 23<sup>rd</sup> Street.

Developed on the site is an approximate 28,800 sf building that was constructed in two stages: first in 1976 with a 9,400-sf single-storey building, followed by a 19,400 sf two-storey addition (9,700 sf per level) in 1982. The two-story portion is fitted up with lobby/reception areas on both floors, a large meeting room, and a combination of private offices and open work areas that will accommodate approximately 100 staff. A front and rear stairwell plus a passenger elevator off the reception areas provide full accessibility access to the second level. The building was formerly occupied by Saskatoon Police Service staff.

The single-storey portion of the building was recently retrofitted into office space to accommodate a long-term lease agreement with the Commissionaires that commenced on April 1, 2021. The property includes the improved surface parking lot located at 141 Pacific Avenue. The paved lot is currently operated by Reef (formerly Impark) and contains 70 stalls.

The property meets the long-term accommodation needs of the City in the following ways:

- The available space within the building would accommodate approximately 80% of the City's space requirements that are now being filled by externally owned office space.
- Based on the City's current external lease costs of \$319,497, collapsing 80% of the external leases and relocating those groups into the property would translate into savings of approximately \$260,000 per year in lease costs.
- With only modest renovations and upgrades, the building can provide modern and accessible workspaces in a variety of formats, including private offices, shared space areas, and open work areas.
- The building provides a source of revenue for the City, as the main floor is currently leased to the Commissionaires under a long-term lease agreement that will be assigned to the City upon Closing. This also provides longer-term space availability for City staff if required in the future.
- The property is located along all three BRT lines which provides the potential opportunity to use a portion of the building in some capacity in relation to the BRT.
- The surface parking lot at 141 Pacific Avenue is included in the purchase and provides an additional source of revenue and potential for future development.

#### Terms of the Agreement

The Administration has negotiated a purchase agreement with Pillar Properties Corp. to acquire its property at 145 – 1<sup>st</sup> Avenue North and 141 Pacific Avenue. Noteworthy details of the agreement are as follows:

- Purchase Price:
  - \$7,150,000 (145 1<sup>st</sup> Avenue - \$4,250,000; 141 Pacific Avenue - \$2,900,000) with a \$275,000 deposit paid within 20 days of acceptance of the offer.
  - The balance of approximately \$6,875,000 less applicable adjustments is due on the Closing Date.
- Conditions Precedent:
  - Due diligence investigation period until June 30, 2021.
  - City Council approval by August 30, 2021.

- Other Terms and Conditions of the Agreement:
  - Possession shall coincide with Closing Date of November 1, 2021.
  - Adjustments of all taxes against the Land shall be as of the Closing Date.

Appendices 1 and 2 provide a visual of the property and surrounding properties.

The purchase price of \$7,150,000 for the two properties is considered representative of fair market value.

### **FINANCIAL IMPLICATIONS**

Sufficient funds for this purchase exist in the Property Realized Reserve (PRR), which would be used as an interim source of funding.

Revenue generated from the long-term lease for the space in the north portion of the building (Commissionaires), revenue from the improved parking lot at 141 Pacific Avenue, and redirection of lease payments from existing external leases to this property results in a total annual income of approximately \$650,000, which is sufficient to repay the PRR within a period of 11 years.

### **ENVIRONMENTAL IMPLICATIONS**

Phase I and Phase II Environmental Site Assessments were previously completed on both properties by the owners. The corresponding reports were provided to the City for review as part of the due diligence investigations.

The Phase I report identified potential concerns which were refuted by the Phase II investigations.

As part of the due diligence investigations, a hazardous building material assessment was completed. Those investigations indicated asbestos in some of the floor tiles, low levels of lead in the paint, and some degree of mercury in the fluorescent light tubes. The approximate cost to remove the floor tiles and fluorescent tubes is estimated to be less than \$10,000.

### **OTHER IMPLICATIONS**

There are no privacy, legal, or social implications identified.

### **NEXT STEPS**

If this acquisition is approved, plans will be finalized for the relocation of City work groups to 145 1<sup>st</sup> Avenue, and associated lease agreements will be terminated to correspond with relocation timelines. Modest renovations will be undertaken to update the space and prepare it for City occupancy, including upgrades to the security features of the property.

**APPENDICES**

1. Subject Property Locations
2. Building Photos

**REPORT APPROVAL**

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