

INTERIM OPERATIONAL GUIDELINES AND PROCEDURES - DISPOSITION OF CROWN LAND

Last updated: 7/3/2003

I. Purpose

To establish and maintain an accountability framework for the disposition of land on behalf of the Province of British Columbia.

II. Scope

To provide operational procedures and guidance for sales activities generally and for Major Sales and Project development. In the event of an inconsistency between these guidelines and those provided for in the Land Management Manuals, these guidelines shall govern. Policies and guidelines on day-to-day tenuring activity are provided for in the Land Management Manuals.

III. Objectives

- Develop clear accountabilities for decision-making
- Conduct fair, open and accessible disposition processes
- Maximize financial and/or economic value from land dispositions
- Provide the most cost-effective solutions in disposing of land
- Protect the real estate value and interests of government

IV. Responsibilities

A. Board of Directors

- Approve strategic marketing policies and procedures that will guide disposition activities
- Approve marketing objectives, marketing plans, and provide specific approvals on project budgets and business activities in accordance with approved revenue and spending authority matrix
- Approve the entering into or withdrawing from lines of business that are or likely to be material to LWBC
- Quarterly review of disposition activities

B. Senior Management Committee (CEO, VPs, Senior Regional Managers)

- Set corporate strategies for disposition
- Develop prioritized schedule for the disposition of land
- Approve marketing plans and major project plans
- Monitor on-going disposition activities
- Ensure that current real estate industry market trends, needs and practices are considered in project development activities
- Approve offers received and project budgets in accordance with approved revenue and spending authority matrix
- Ensure that project development processes and delegations of authority are followed

V. Definition of Terms

Disposition Team - Vice President, senior regional representative and project team members as appropriate

Project team – Senior regional representative and business development representative and/or corporate services/finance representative as required

Team Leader – Regional service center director or senior regional representative

Major Sale or Project – dispositions over \$2.5 million; expenditures over \$.25 million or any project or disposition of significance to the business, financial or economic goals of the Corporation

Authority limits – defined in approved schedules of authority

Public Offering – The process of disposing of property as described in Section VIII, Marketing Techniques.

Public Offering Document - include MLS listings through real estate brokers, requests for offers to purchase, proposal calls, auction notices and any advertisements or notices of the foregoing.

VI. Disposition Objectives

- Pursue disposition of land as a means to generate the highest financial and/or economic return to the Crown
- Expedite disposition or promote government's overall objectives and ensure that the corporation recovers the optimum value for the land by making investments in site planning and limited property development only where those investments enhance the value of land

VII. Disposition Framework

1. The Disposition Team will develop a multi-year marketing strategy by assessing market needs and developing an expanded inventory of available land. In addition, the Disposition Team will regularly review all assets in the portfolio to evaluate the priorities for disposition and will coordinate preparation of, and revisions to, the marketing strategy and plan and make recommendations to the senior management committee and the Board regarding the timing and manner in which major sales or projects should be managed.
2. On a regular basis (no less than quarterly), the disposition teams will:
 - Review the updated Marketing Plan/project plans to account for and prioritize assets under consideration and/or review for disposition purposes
 - Evaluate the allocation of staff and capital resources
 - Modify marketing plans and budgets in accordance with authority limits
 - Review listings of asset dispositions authorized by staff
 - Conduct a monthly financial assessment of the portfolio to ensure that the resources of the Corporation are effectively coordinated to support the disposition program

3. Project teams from the responsible division, business development and corporate services/finance will be established and used to identify and develop comprehensive disposition strategies for all Major Sales or Projects. The team leader is responsible for ensuring all appropriate approvals are in place, project work is reflected in the marketing plan/project plan and direction given by senior management with respect to each property is implemented.
4. The team leaders will monitor all planning and sales activities through regular meetings with the project teams in their region. These meetings will enable the team leaders to update estimates of project revenues, expenses and circumstances that affect the disposition targets and timetable established.
5. The team leaders will recommend to the Vice President updated project/disposition schedules, budgets and projected revenues based on regular assessments of market conditions and prospects prepared by the project teams.
6. Activities undertaken by project teams to increase the use and value of assets including obtaining planning/approvals will be based on a business case cost-benefit analysis or economic evaluation that can demonstrate a positive return.
7. Independent marketing, planning, environmental, and financial advisors may be retained as required throughout the disposition process to review strategies developed internally, and to evaluate the assumptions used in formulating and updating financial proformas.
8. Joint ventures with the private sector may be pursued on projects that present opportunities to optimize financial return and economic objectives without direct capital investment by the Province or undue exposure to risk.
9. On-going marketing and planning activities and requests/initiatives are the means by which properties are identified as candidates for disposition or projects are initiated. Properties and projects are then assessed to determine an appropriate disposition approach. Various marketing procedures are initiated to achieve the greatest benefit to the government.

VIII. Disposition Procedures

A. Disposition Planning and Priorities

1. When a property is identified as a potential disposition candidate or major project, a project number (to be carried through the life cycle of the project) will be assigned and a Project Team will be formed. As covered in section V.3 above, the project team will have the on-going responsibility for achieving the goals for each asset.

Project Teams will prepare a Baseline Report on asset value and disposition strategy. The report will address the following topics:

- a) description -location, site area, zoning, building area, use and occupancy
- b) condition - physical and environmental attributes of the land and major improvements and available services
- c) appraised and/or assessed value -recognizing highest and best as defined by the Appraisal Institute of Canada
- d) planning and market potential -highest and best use, redevelopment potential and timing
- e) tenant/user information -identification of tenure holder
- f) provincial interest assessment -determine any provincial policies and directions respecting the property
- g) proposed disposition strategy, cost-benefit analysis (ie., tenure vs. sale) and disposition options preferred
- h) issues list -factors that will affect the timely completion of the disposition process, including unique characteristics of the asset, location and market that may have a significant impact on achieving the financial goals for the project or other stated objective of the government, and communication issues
- i) record of consultation undertaken
- j) assessment of First Nations interests
- k) history of property-original disposition, private ownership and use, major tenures.

3. The report should be in a standard format (Appendix A - to be attached).

4. In addition to the Baseline Report, the project team will prepare an initial work plan, including resources and milestones.

5. In preparing the Baseline Report, the project team may rely on in-house and out-of-house financial, appraisal and marketing, environmental and legal expertise. Where required, the project team will retain the services of independent planning and development consultants to conduct the necessary reviews required to maximize public value.

6. With reference to the Baseline Report for major projects, one of the following disposition strategies may be recommended to the appropriate approval authority:

- a) disposition "as is" with investment restricted to listing or tendering the property or transferring title
- b) disposition following mandatory investments to address building code deficiencies, environmental projection and other conditions that limit the potential for disposition "as is"
- c) enhanced disposition based on discretionary investments in site planning, property improvements and property development including preparation of plans of subdivision and secondary plans. These investments are intended to realize a higher net present value for the sale of public land.

Each of the above is to be followed by a process leading to the listing, tendering or transferring the title of the asset.

7. The Baseline Report will provide an objective assessment of asset value. This ranking will guide the decisions made by senior management and the board with respect to the allocation of resources to each project and will establish at the onset the disposition strategy.

B. Agency Sales

Lands Owned by Other Organizations

Where the lands are owned by other ministries, agencies or organizations, LWBC will establish appropriate protocols and service contracts with the title holder.

C. Property Review and Preparation

The primary and immediate objective of all disposition activities is the disposition of land for a price and terms that maximize the public value and investment to the Province. To accomplish this objective and to ensure that a parcel is available and suitable for disposition, the following activities will be undertaken:

- a) A land status (including title search) will be conducted to confirm the status of the property
- b) The team will procure the services of an accredited appraiser to prepare a description of the property and valuation "as is". The appraisal report will be issued in draft to the Project Team within 30 days of the request being made
- c) A Phase I environmental site assessment conforming to provincial and federal standards will be prepared and a more detailed assessment will be undertaken as required
- d) Following receipt of the title search, property valuation, and Phase I Environmental Assessment, the Project Team will review and update the Baseline Report
- e) The Project Team may engage the services of a legal advisor to review the legal issues associated with the site
- f) Where the property includes significant physical structures, the Project Team will ensure that up-to-date building condition reports have been obtained and area certification obtained where necessary
- g) In circumstances where the financial return to the government may be enhanced by changes to the development potential of a site; bundling properties for investment potential; or transactions involving sale lease-back scenarios, the Project Team will undertake an evaluation of the site(s) to determine the optimal option to pursue.

D. Market Valuation Determination

The following procedures will be used by the project team to acquire an appropriate market valuation for any land under consideration:

- a) Terms of reference will be prepared by the project team and will guide the preparation of a market valuation carried out by a qualified appraisal firm
- b) Appraisal firms will be selected to offer independent opinions of value based on appropriate qualifications:
 - Generally, a full narrative appraisal will be obtained
 - A pre-qualified roster list will be used to select local firms, unless the marketing strategy requires a different scope due to significance, type of offering (i.e., investment), or other defensible reason
 - Quotes from a minimum of three qualified firms will be requested where the estimated property value is above \$100,000
 - Where estimated property values are under \$100,000, a single firm may be selected to submit a quote and a form appraisal may be appropriate.
- c) Appraisals older than 6 months may be considered stale dated and the original appraiser will be contacted to determine if, and the extent to which, changes in market conditions warrant reconsideration of the appraised value. A new appraisal will be commissioned where appropriate.
- d) Based on an acceptable appraisal of the value of the property, a threshold value or reserve bid amount will be set for the property by the Project Team.

E. Property Marketing and Sales

Various marketing approaches will be used to dispose of property in a fair, open and accessible manner.

Selection of Broker

When a property has been prepared for marketing, the Project Team may obtain the services of a qualified real estate brokerage firm to prepare an appropriate marketing plan for approval and implementation.

Brokerage firm selection will be managed on the following basis:

- a) A Request for Qualification process will be employed to establish a pre-qualified roster listing of brokers
- b) Based on the requirements of the project and predetermined assignment selection criteria established by existing procurement policy, the Project Team will select and request brokers to submit proposals for their undertaking of the assignment. The Vice President will ensure that firms are selected in accordance with procurement policy, and that fairness is employed in the overall process

Marketing Plan

The proposed marketing plan should be based on a standard template format (Appendix B – attached) and supported by appropriate market rationale, including:

- a) overview of market and rationale for proposal
- b) market exposure techniques
- c) market exposure period
- d) approach to documentation of all activities
- e) roles and responsibilities of the project team and the broker
- f) on-going reporting requirements
- g) approval processes and authorities that will be followed in implementation.

Marketing Techniques

An appropriate marketing option, as outlined below, will be selected based on the unique requirements of the property and relative marketplace. LWBC will ensure that appropriate procedures and regulations are followed in managing these processes.

(a) Real Estate Industry Listing.

- Normally properties will be listed for sale on MLS with qualified real estate brokers. The property will generally be listed for 90 to 180 days with a period of 15 to 30 days before offers are accepted
- The conditions of sale will be established by the Project Team. Commissions will not exceed appropriate market levels and will only be paid when the transaction is complete
- Where properties are difficult to sell or have a limited market appeal, conditional periods may be extended and additional conditions may be considered
- Properties listed for sale by a qualified brokerage firm will have an initial 90-day to 180 day listing period. Longer periods or renewals will be at the discretion of the Vice President or applicable approval level. Appraised values will be considered when establishing listing prices.

(b) Open offerings: Requests for offers to purchase/Public Auctions/Lot Draws.

- Open Offerings are used to obtain the broadest market exposure and opportunity
- In the case of open offerings, at least two weeks should elapse after the publication of the first advertisement before the sale takes place
- A confidential reserve bid may be established
- Where the highest bids meet or exceed the reserve and are tied, all of the bidders will be advised of the tie bid situation and will be invited to tender a further bid, which is to exceed their existing bid
- Where properties are to be marketed via open offering, a marketing package will, in addition to general advertisements, be distributed to sales agents, developers and builders identified by the Project Team. An announcement of the proposal call will be advertised in the appropriate media and on the LWBC web site
- The marketing package will include (a) location and description of the asset; (b) permitted land uses and development potential of the site; (c) desired form of the transaction; (d) bid requirements; and (e) other information as required.

(c) Restricted Offerings

Restricted or Invitation offerings or auctions are usually used when (a) property is landlocked or otherwise non-viable, in which case the property is offered for sale to all the adjoining interests

- The procedures outlined under item (b) above will be followed for restricted offerings. Restricted offerings may be carried out by the Project Team without the assistance of a brokerage firm in circumstances where a direct sale is under consideration
- Direct sale guidelines are provided in section E below.

(d) Proposal Call

- Requests for proposal involving the disposition of property requires prior approval of the Disposition Team. This disposition method is normally employed where disposition would include alternative forms of development or acquisition.

(e) Direct Sales

Generally, properties available for disposition must be placed on the open market. Notwithstanding the foregoing, or any other part of these Operational Guidelines and Procedures, land may be disposed of directly to one or more interested parties, without Public Offering or other open market process, when one or more of the following criteria are met:

- a) Landlocked and other properties that are not separately viable except to the purchaser
- b) The property is needed to restore access or frontage to property cut off by realignment or closure
- c) Property is being transferred/sold to other levels of government, provincial agencies or corporations, utility companies, conservation authorities or First Nations
- d) Sales are being carried subsequent to an unsuccessful public offering
- e) Land is being exchanged
- f) Entities who have been occupying the property under tenure have applied to purchase

In the event that a direct sale would provide a clear benefit to the Crown and does not meet the criteria in (a) to (f), an appropriate rationale will be provided on a case-by-case basis for the decision of the Board or Executive Committee of the Board.

Sale Value

All direct sales of viable parcels will be sold at the fair market value, subject to variances permitted by the CEO (example of variances include transfers based on value-in-kind compensation; or where discounts of stale or less saleable lands will promote sales).

F Miscellaneous Provisions

Evaluation of Offers

- a) All offers received will be evaluated by the project team (as quickly as possible upon receipt of the offer, but not later than 3 business days) and forward to the appropriate evaluation team within one week of preliminary evaluation. Evaluation teams are comprised at a minimum as follows:
 - Where properties are valued less than \$1 million, the team will consist of the project team or delegated authority
 - Where properties are valued between \$1 million and \$2.5 million, the team will consist of the Vice President and the team leader
 - For properties over \$2.5 million in value, the team will also include the President & CEO

- For properties over \$5 million, the team will also include the Board of Directors
 - Independent advisors may also be added to the evaluation team as warranted.
- b) The Evaluation Team will prepare a proforma evaluation of the terms and conditions of the offers. A summary will be submitted for approval (based on delegations of authority). For properties over \$2.5 million, the team leader will prepare a more in-depth evaluation with advice and recommendations.

Financial Options

Subject to Board approval, LWBC may consider providing vendor take back ("VTB") mortgages on agreements of sale in accordance with policies developed by the CFO where and when it is determined that providing a VTB will assist in the disposition of an asset and/or achieve the best price for the asset.

Public Disclosure

Dispositions, Crown grants and public offerings are made available to the public. LWBC will provide copies of requested documents to requesters on cost recovery basis.

Profit Recovery Clause (Viable Parcels)

In order to ensure the province receives fair value for its land, agreements of purchase and sale with municipalities or other direct sales (where normal method of sale would be through public means) of parcels may contain a clause providing for the purchaser to reimburse the government the difference between the purchase price and the sale price, should the property be sold at a higher price within a certain time period.

Disposition Mechanisms

- a) With the exception of some unique circumstances, the disposition of all real estate assets owned by the Government of British Columbia requires the issuance of a Crown Grant. Dispositions may be subject to the processing of a variety of legislative and administrative instruments in accordance with the *Land, Ministry of Lands, Parks and Housing and University Endowment Land Acts*.
- b) Where possible, LWBC will attempt to obtain legislative and administrative approvals prior to marketing of the property so as not to hinder the expeditious disposition of land.

APPENDIX A
LWBC BASELINE REPORT

SECTION 1. Property description and status

Property Name-	
File #	
Project #	
Legal Description	
Address & Location	
Size	
Title Search	
Assessment Search/value	
Tantalis Search & Tenures	
ALR/FLR	
Provincial Forest	
Historic use, from file information	Original Crown grant issued: Forfeited to Crown/Purchased by Crown:

SECTION 2. File review

Date	
Issues Identified from File Review	

SECTION 3. Property inspection

Date /Person	
Access, Legal	
Access, Physical.	
Neighbouring land uses.	North: South: East: West:
Power	
Water	
Sewer	
Indication of unregistered utilities	
Survey Evidence	
Contamination	
Timber	
Topography	
Ecological Sensitivity:	
Other	
Market conditions	
Highest and best use	

SECTION 4. Correspondence with Municipality/RD on LWBC'S intentions

Municipality: Official:	
Date	
OCP designation	
Zoning	
Response	

SECTION 5. FN Review/Status

Proximity to IR	
Physical Evidence	
Assessment of FN interest	
APR Date	

SECTION 6. Project recommendation:

Issues list	
Potential value/costs	
Disposition strategy (cost-benefit analysis/options preferred)	
Project team	
Work plan/timing	
Provincial interests	

Project Manager: _____ Date: _____

Regional Manager: _____ Date: _____

Vice President: _____ Date: _____

CEO: _____ Date: _____

**APPENDIX B
DEVELOPMENT AND MARKETING DIVISION
PROJECT MARKETING PLAN**

File #	
Project Name:	
Project #	
Region:	
Land description:	
Marketing Rationale:	
Marketing Technique:	
Marketing Period:	
Realtor Responsibilities:	
Appraised Value:	
Asking Price:	
Terms Offered:	
PROJECT TEAM	
Project Manager:	
Regional Manager:	
Vice President:	
CEO/BOARD:	
Approval to Proceed:	
Date:	
Signing Authority:	