

# Pete McMartin: Arbutus Corridor — from greenway to gold mine

Everyone appears to win in a deal that preserves most of the land, but saves some for development, and profit

BY PETE MCMARTIN, VANCOUVER SUN COLUMNIST MARCH 8, 2016 8:32 AM

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Pedestrians along the Arbutus Corridor. The City of Vancouver has agreed to pay CP Rail \$55 million for the strip of land from Milton Street near the Fraser River to 1st Avenue near False Creek.

Photograph by: NICK PROCAYLO, PNG

And you thought housing in this town was expensive.

Vancouver taxpayers, proud or otherwise, are now the owners of the Arbutus Corridor, which may have to be entered in the Guinness World Records as the World's Most Expensive Greenspace.

Is it a good deal?

Yes it is. And it is so for both parties. But it was a slog to get there.

Since 2002, the corridor was on both the city's and CP's agendas, and in 2011 they entered into direct negotiations.

Those negotiations failed miserably. Frustrated by what it saw as the city's lowballing, CP Rail publicly suggested it wanted something in the neighbourhood of \$100 million for the corridor, insisting that, if fully developed, it would be worth \$400 million. Added all together, it was 42 acres of land running through the heart of Vancouver.

At about \$2-3m/acre it is certainly a bargain if not a steal! The cost to acquire DNV parkland runs at about 5times that.- cjk

An ugly and public stalemate ensued, with CP Rail bringing in backhoes to tear up trespassing tomato patches. It was an oafish move on the railroad's part, but a pivotal one, too. It compelled the city to

reassess, literally.

According to city councillor Heather Deal, who oversaw the negotiations for the city, a reassessment of the corridor's worth was ordered last fall, and the new assessment, presumably, was such that it put CP Rail's \$100-million asking price in a more favourable light. (Sources close to the reassessment said it ranged between \$55 million and \$62 million.)

So, two years later, the agreed-upon figure of \$55 million looks like a reasonable compromise, if not a steal for the city, given the volatility of the market.

But that's not the final figure.

Potentially bigger money resides in this deal's back end, which, during Monday's press conference, both the city and CP Rail barely commented on.

It has to do with the future residential and business development of excess land in the corridor. This is land that would not be used for green space or for a future light rail line.

How much of that excess land is available for development neither the city nor CP Rail could (or would) tell me Monday, but if the figures being tossed around are any indication, it's considerable.

When and if these lands begin to be redeveloped, CP Rail can exercise one of two options, and in both it can realize some big numbers.

Under the first option, it takes a share in the net proceeds from the development of those excess lands in staggered amounts. CP Rail would get 75 per cent of the first \$50 million, 50 per cent of the second \$50 million and 25 per cent of the third \$50 million. Any net proceeds after those three stages would go entirely to the city.

That's a potential \$75 million extra going to CP Rail over the life of the corridor's development, and, with the upfront \$55 million, **a total of \$130 million that CP Rail could realize.** (And, of course, if net proceeds from development reached those totals, **the city would pocket \$75 million, too,** and that's not including revenue from parking, billboards, etc.)

The second option would see CP Rail taking sole control of all the corridor between West 1st and West 5th Avenues — land that is unsuitable for a green corridor anyway — and it would be allowed to develop it and take all the profits from that development up to a total of \$75 million. Any net profits above that figure would have to be shared 50-50 with the city. Again, that would bring CP Rail's potential profit on the corridor to \$130 million, with an open end to make even more if its worth goes above \$75 million.

That type of redevelopment, of course, could benefit the city, too. It would go toward paying the initial \$55-million bill, if not all of it. And that makes it a good deal for the city.

But the huge potential for profit that the deal admits to shows just how valuable those lands are. The city may profess to wanting to develop the corridor as a green space, and it will. But it's really a gold mine it bought, and it knows it.

As for CP Rail, it unloads a difficult situation for \$55 million, and gets a buy-in to the future for what potentially may be even a greater payout.

And the people of Vancouver? What do they get?

Said a former city consultant involved in the previous negotiation, who asked to remain anonymous:

“Do I think CP Rail got more than fair value? The answer is, absolutely, yes. But the city gets incalculable value, and not because of what happened today. It’s the downstream effects that are important here. With the passage of time, and the scarcity of public land in this city, this is going to look like a great deal for Vancouverites.”

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