

Translink's \$1.5B real estate empire

Authority to buy properties along rapid transit routes and form partnerships with developers

Randy Shore

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Metro Vancouver's transportation authority is launching a real estate division that could produce up to \$1.5 billion in revenue over the next 10 years, modelled on an agency that has reshaped Hong Kong.

Under the plan, enabled by 10-week-old provincial legislation, TransLink will purchase land along new rapid transit routes and around stations and ramp up the value of the land through denser zoning and partnerships with land developers to create high-density commercial and residential developments.

Early estimates of the revenue stream from real estate transactions were in the range of \$30 million per year over 10 years, TransLink CEO Pat Jacobsen told The Vancouver Sun's editorial board Tuesday.

But new TransLink chairman Dale Parker said he expects to generate four to five times that much.

"That figure is ambitious, but I think we can do it," Parker said.

TransLink has hired Phil Christie as vice-president of real estate to head the new division. Christie has managed publicly owned real estate for the provincial government for more than 25 years.

A great deal of density is going to go in around the SkyTrain stations, Parker said. "We are going to have to benefit from that."

"It means getting involved to a greater degree in real estate development."

Transportation Minister Kevin Falcon has told the new, appointed TransLink board to consider the business model used in Hong Kong in their decision-making processes.

Hong Kong's MTR employed a public-private partnership model to develop skyscrapers



CREDIT:

An artist's rendering showing the Motif at Citi, a 153-residence, 30-storey new-home project across the Lougheed Highway from the Brentwood SkyTrain station in Burnaby. The Appia Group developer expects occupancy to occur in summer, 2010.

around subway stations so successfully that the real estate arm of the public transit system is now a publicly traded company.

With a \$14-billion public transit plan just announced by the provincial government to fund, and public anger over property-based levies to fund operations, the board's need for a substantial revenue source couldn't be more pressing.

Under the provincial plan, which includes three rapid transit lines -- the Canada Line, the Evergreen Line in the northeast, and a Broadway line west of Commercial Drive -- about 1,000 new buses and a third SeaBus, TransLink is expected to pay \$2.75 billion in capital costs while it expands bus service in the Fraser Valley.

Parker admitted that opportunities to generate real estate revenue on the Canada Line were missed and that the Evergreen Line will be the first real opportunity to leverage the value that rapid transit creates in any meaningful way.

Before this year, TransLink was legally empowered only to buy the land necessary for SkyTrain operations. Under new legislation, TransLink can now buy land around stations and along the right of way.

"It will take a lot of discussion with the municipalities, but the signals that we are getting from the mayors is that they know a lot of density is going to come with the line," Parker explained.

The scheme will fast-track high-density nodes in residential neighbourhoods along new rapid-transit routes, likely adding fuel to already raucous public hearings over proposed track alignments and station locations.

But Parker said that without revenue from real estate, building the rapid transit lines "will probably not be a top priority."

To build three rapid transit lines in a decade, TransLink will need to secure high-density zoning from municipalities to feed ridership and create opportunities to profit from the real estate appreciation, Jacobsen explained.

To acquire the land cheaply and beat out developers and speculators, TransLink will have early discussions about alignments and station locations and then quickly and quietly buy the land where stations are to be built.

Some of TransLink's real estate holdings may have to be sold to finance land purchases, Parker said. Translink owns land at Oakridge and False Creek in Vancouver as well as park-and-ride lots in other municipalities.

"Once you monetize those properties, you can invest in a station and the surrounding area," Parker said.

TransLink is likely to secure its first private-sector development partners within three months, he said.

rshore@png.canwest.com

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