

**TO:** GENERAL COMMITTEE

**SUBJECT:** BDD001-16 Sale of 625 Welham Rd – City Industrial Land

**WARD:** 8

**PREPARED BY AND KEY CONTACT:** P.DYCK, BUSINESS DEVELOPMENT OFFICER X5228

**SUBMITTED BY:** S.SCHLICHTER, DIRECTOR BUSINESS DEVELOPMENT

**GENERAL MANAGER APPROVAL:** ZVI LIFSHIZ, EXECUTIVE DIRECTOR INVEST BARRIE

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** C. LADD, CHIEF ADMINISTRATIVE OFFICER



**RECOMMENDED MOTION**

1. That the City Clerk be authorized to execute an Agreement of Purchase and Sale between the City and Triangle Holdings for the 4.15 acre parcel of City owned industrial land described as Concession 11, Part of Lot 10, Part 1 on 51R32732, in the City of Barrie and being part of PIN 587280541, the Property, for the purchase price of \$151,807 per acre, subject to the following terms and conditions:
  - a) The Purchaser acknowledges that acceptance of this offer, including all amendments is conditional upon the approval of City Council;
  - b) The Purchaser agrees that it is purchasing the Property in its present condition "as is" and further acknowledges and agrees that it will conduct such tests as it deems necessary to determine to its satisfaction, that the soil conditions for the Property are satisfactory to support the development and construction of the building and other structures contemplated for its proposed use of the Property;
  - c) The Purchaser also acknowledges that in the event it attempts to sell the Lands without having constructed an industrial building, the City shall have the option to repurchase the Property at 90% of the original sale price.
2. That the realized gain from the sale of 625 Welham Road be transferred to the Industrial Land Reserve (13-04-0430).
3. That the Clerk be authorized to execute any documents and/or any amendments related to the Purchase Agreement, as authorized by the Director of Business Development and the Director of Legal Services.
4. That Business Development Staff continue to work with The Italian Bakery to accommodate their development proposal on alternate parcels of land in the City of Barrie.

**PURPOSE & BACKGROUND**

Report Overview

5. The purpose of this staff report is to seek approval for the sale of municipally-owned industrial land along Welham Road to Triangle Holdings Inc. in the amount of \$151,807 per acre, totalling \$630,000.
6. The Property is approximately 4.15 acres in size and is situated on the East side of Welham Road just south of Mapleview Drive East. The property slopes downward toward the rear with municipal services along the road allowance being higher in elevation, potentially making construction and servicing such as sewer lines, difficult and more expensive due to the elevation and gradient.
7. There are currently two offers for 625 Welham. The first being presented to the City by The Italian Bakery and the other offer from Triangle Holdings Inc. The latter being the property holding company for Innovative Automation Inc. Both offers are still in the process of being negotiated, however the major terms as noted here have been substantially agreed upon subject to Council approval. Staff are recommending that the Offer from Triangle Holdings Inc. be accepted.
8. The Italian Bakery offer proposes a purchase price of \$145,000 per acre, totalling \$601,750 for the entire 4.15 acres. A deposit cheque in the amount of \$10,000 has been received. The closing date is to be November 30<sup>th</sup>, 2016. The Bakery is providing a covenant that it will begin construction of its facility within 2 years on the closing of the sale. Furthermore, should the Bakery not complete construction of the facility within that time frame the City shall have the option to repurchase the Property at 90% of the purchase price.
9. The second offer is from Triangle Holdings Inc (property holding company for Innovative Automation). The offer proposes a purchase price of \$151,807 per acre totalling \$630,000 for the Property. A deposit cheque in the amount of \$50,000 is to be received on acceptance of the agreement. The closing date is to be 75 days after the City accepts the agreement. The construction of the facility is to commence within one year of the closing of the purchase agreement. Should Triangle Holdings Inc. (Innovative Automation) not construct its facility within the proposed time frame, the City shall have the option to repurchase the Property at 90% of the purchase price.
10. Offer Summary:

<b><u>Purchaser</u></b>	<b><u>The Italian Bakery</u></b>	<b><u>Triangle Holdings Inc. (Innovative Automation)</u></b>
<b><i>Purchase Price</i></b>	\$145,000/acre Total Purchase: \$601,750	\$151,807/acre Total Purchase: \$630,000
<b><i>Agent Represented (Commission Payable)</i></b>	Yes	Yes
<b><i>Deposit Received</i></b>	\$10,000	\$50,000
<b><i>Construction Start Date</i></b>	Within 2 Years of Closing	Within 1 Year of Closing

<b><u>Purchaser</u></b>	<b><u>The Italian Bakery</u></b>	<b><u>Triangle Holdings Inc. (Innovative Automation)</u></b>
<b><i>Closing Date</i></b>	November 30 <sup>th</sup> , 2016	75 Days from Council Approval
<b><i>City 90% Buy Back Should Construction Not Occur</i></b>	Yes	Yes
<b><i>Proposed Initial Building Size</i></b>	10,000 sf	52,700 sf
<b><i>Current Employment</i></b>	30-40	Just under 100
<b><i>Proposed Employment</i></b>	Upon Construction: 50-100 Long-Term (10-15 years): Upwards of 1000	Upon Construction: 10 (in addition to the 40 hired in the past year) Long-Term (10 years): 30-35
<b><i>Employment Composition</i></b>	Baker, Chef, Cooks, Customer Service, Labour for Food Processing/Manufacturing	Engineers, High-skilled Tradespersons

### **ANALYSIS**

11. The presentation of two purchase agreements for the same parcel of land, requires that staff review the merits of each offer in order to recommend the offer that best meets Council's Strategic Priority of building a vibrant business community. Some of the criteria that are utilized in assessing the proposals include; size and scope of the project, fit within the existing marketplace, current and future employment (volume and composition), company history and growth plan and stability of the offer including commitment and ability to complete the project.
12. The Italian Bakery is currently located at 200 Wellington Street West in Barrie. It has been at this location for twelve years and in that time has grown its business substantially. The Bakery has in that time increased its revenues by over 1000%.
13. The Bakery has been successful in Barrie and in turn is looking to expand its operations into a complimentary food processing and manufacturing facility along with future franchising opportunities for its Italian Bakery brand. The Bakery's plans and future outlook in the south of Barrie are positive. So much so that it has already acquired 173 Mapleview Drive East which is immediately adjacent to the Welham property. The purpose of the Mapleview property is to serve as street frontage along Mapleview Drive East for visibility and to create a visually desirable aesthetic for the Bakery's (proposed) facility on Welham.
14. The Bakery's plans for the Welham property are to begin construction within 12-24 months of the acquisition. The location would serve not only as a bakery/restaurant but also as its corporate office, food processing and manufacturing facility. The initial building size would be approximately 10,000 sq.ft. The owners hope to expand this to upwards of 100,000 sq.ft. within 10-15 years. The initial employee count is proposed to be 50-100 staff and upwards of 1,000 staff in 10-15

years. Staff would consist of bakers/cooks, customer service staff and labour to support food processing. Current employee count at the Wellington location is 30- 40 staff. A letter from the Bakery owners, Rita & Rocco Fuda, is attached in Appendix 'B' for reference.

15. The acquisition by the Bakery of the Mapleview property, on its own being 4.86 acres in size would not be enough to accommodate The Bakery's proposed plans, given that part of the property is restricted due to Environmentally Protected lands, with EP zoning. The buildable area on the industrial zoned portion of the property may be as little as 2 acres (87,120 sq.ft.) given its rolling terrain and EP designation. The Mapleview lands may be able to accommodate a small building, however given the Bakery's plans, the Welham property is needed to accommodate its long term growth plans.
16. Innovative Automation (Triangle Holdings as Purchaser) has been in Barrie for 26 years, and manufactures automation equipment. Stephen Loftus, President of Innovative Automation Inc. owns 90% of Innovative Automation and 100% of Triangle Holdings. Innovative Automation has annual sales of \$24 million with clients around the world. Over the past year, the company's significant growth has resulted in the doubling of its staff to nearly 100 educated and skilled staff in engineering, trades and support roles. With an average wage of \$29.50 per hour, its total 2015 payroll is \$6.32 million. The purchase of the Welham Road industrial parcel will continue to support the growth of Innovative Automation and will result in the immediate creation of another 11 positions, with a long term expansion plan to create an additional 30 to 35 engineering or high-skill tradesperson positions. A letter from Stephen Loftus, President of Innovative Automation, is attached as Appendix 'C' for reference.
17. Innovative Automation currently has two facilities in Barrie; 191 Saunders Road which it owns, and 41 Saunders Road which it rents. The purchase of the Welham Road property will facilitate the consolidation of both facilities into one for greater operational efficiency and to facilitate the company's growth. The size of the new facility is proposed to be 52,700 sq.ft. with plans for expansion in the future. The construction start date is to be within 1-2 yrs of the closing of the Property purchase.
18. Innovative Automation (Triangle Holdings Inc as purchasing entity) requires their new facility to remain within the South Barrie Industrial Park to maintain operational efficiencies associated with logistics and supply chain activity. Three of their largest suppliers and several other clients and suppliers are located within 2km of the proposed Welham Road property.
19. City Land Sale and Revenue Estimates:

	Italian Bakery	Innovative Automation
Purchase Price	\$601,750	\$630,000
Building Size	10,000	52,700
Dev. Charges (2016 \$11.48 sq.ft.)	\$114,800	\$604,996
Annual Realty Tax Income	\$6,500	\$34,225
<b>Estimated Initial Fees to City</b>	<b>\$723,050</b>	<b>\$1,269,221</b>

20. The City has over the years developed numerous industrial land sale policies to help with the sale and development of its industrial lands. The City makes use of several policies in particular to encourage development. These two policies are:

- a) *Encourage development/construction on the lands within 1 year.* This requirement has in several situations been extended to 2 years upon the request of the buyer;
- b) *Obtain the ability to buy the lands back if the business/buyer does not construct on the lands in the specified time frame.* This is done by inserting a 'buy-back' provision in the purchase agreement. This City has made use of the provision in several situations to promote business growth and development, rather than land speculation. It is however not uniformly applied and is dependent on a situational basis.
21. The Agreement of Purchase and Sale from both the Bakery and Innovative Automation have clauses integrating the two noted policies and therefore the two offers are similar in that regard.
22. The South Barrie Industrial Park (SBIP) is a City developed industrial park made up of multiple parcels south of Mapleview Drive East and east of Hwy #400. The total remaining acreage in SBIP is roughly 18.5 acres. Zoning in the area is a mixture of EM3, EM4 and EM5. The Welham parcel is zoned EM3. The EM3 zone (now referred to as Light Industrial (LI) as part of the Industrial zoning update, By-Law 2015-068), permits a Bakery, accessory retail and office use as well as a restaurant as long as it is part of a multi-tenanted building. Mr. Fuda from the Italian Bakery has indicated that he intends on developing the Property with other tenancies in mind.
23. The City periodically obtains appraisals for its various industrial land holdings. The last appraisal for the SBIP was completed in 2010 with the exception of 44 Hooper which was appraised in 2014 along with the City's Industrial holdings in the Mapleview West Industrial Park.
24. The 2010 appraisal for 625 Welham determined a value of approximately \$144,500 per acre. This value was derived from a few comparable sales which occurred between 2007 – 2008. A number of comparable sales have occurred since that time with most occurring over the last 1 to 2 years.
25. The sales are comprised of both former City lands along with nearby private sales. The range of price points is broad, with some sales as low as \$51,000 acre (for largely unserviced land) up to higher profile lands along Bayview and Big Bay Point. The sale information is available in the table below. The most recent City land sale occurred in June, 2015 for \$120,000 per acre. The most comparable land sale is 700 Bayview in October, 2014 for \$144,842 per acre. The property purchased by the Bakery at 173 Mapleview was sold for \$800,000 (\$164,600 per acre). However given the existence of a residential building on the lot plus the actual buildable land area and difficult terrain, it's estimated the residual usable land may be in the area of \$145,000 per acre.
26. Given the number of recent industrial land sales, the decreasing availability of vacant land and the indicated sale numbers, the estimated value range for 625 Welham is between \$145,000 and \$155,000 per acre.
27. Recent comparable sales are as follows:

Sale #	Date of Sale	Location	Type	Sale Price/Acre
1	Nov-14	30 Salem Rd	Vacant Ind. Land	\$51,136
2	Oct-15	611 Huronia Rd	Vacant Ind. Land	\$62,111
3	Aug-14	68 Rawson Rd (Power of	Vacant Ind. Land	\$82,500

4	Aug-13	175 Saunders Rd	Vacant Ind. Land	\$98,039
5	Apr-14	80 Rawson Rd	Vacant Ind. Land	\$113,800
7	Jun-15	306 & 312 Saunders Rd.	Vacant Ind. Land	\$120,000
8	Oct-14	700 Bayview	Vacant Ind. Land	\$144,843
9	Sep-15	173 Mapleview Dr. E.	Industrial	\$145,000 (est)
10	Apr-14	44 Hooper ( <u>appraised value</u> )	Vacant Ind. Land	\$170,000
11	Aug-14	441 Hurontario	Vacant Ind. Land	\$217,000
13	Nov-14	370 Bayfiew Dr	Vacant Ind. Land	\$359,800

28. It should be noted that the Property may require expensive engineering work to be completed, such as sewer pumping, to the municipal services in the roadway.
29. Staff recommend that the City complete the land sale with Triangle Holdings Inc. (Innovative Automation). Advanced manufacturing and skilled labour are economic priorities for the City. In addition, the size and scope of the project that is being proposed by Triangle Holdings Inc. promotes greater immediate site utilization, is a suitable fit within the existing industrial landscape of that area, and will facilitate employment growth in advanced manufacturing. Innovative Automation has been operating since 1989 and requires a larger facility in order to support its company growth, demonstrating commitment and ability to complete the project.
30. The Italian Bakery, having taken a largely underutilized location along Wellington Street, and grown its business over the years into a very successful bakery and restaurant, with further plans to expand the business model, is also a local success story that the City wishes to support. Given that the Bakery has already purchased the lot adjacent to 625 Welham, it will be difficult to suggest alternative locations that the Bakery would be agreeable to. Staff are open to further discussion with Mr & Mrs Fuda should they wish to consider alternate City owned lands.

### **ENVIRONMENTAL MATTERS**

31. There are no environmental matters related to the recommendation.

### **ALTERNATIVES**

32. The following is one alternative available for consideration by General Committee:

**Alternative #1**

General Committee could choose to accept the Offer of Purchase from the Italian Bakery and direct staff to negotiate with Triangle Holdings Inc. for the purchase of an alternate City owned industrial lot.

This alternative is not recommended as the size and scope of the project that is being proposed by Triangle Holdings Inc. promotes greater site utilization and corresponding economic benefit to the City in terms of sale price, development charges, and tax revenue over the immediate term. While the long-term vision of The Italian Bakery presents greater employment numbers, the figure and timing is speculative at this time as it is an intended business model that currently does not exist.

Innovative Automation has been operating since 1989 and currently employs close to 100 staff in a variety of skilled labour and knowledge sectors with the short term intent to add another 11 jobs over the coming year as a result of the expanded facility and 30-35 over the long term.

Staff have explored alternative City-owned industrial sites with Triangle Holdings Inc, (Innovative Automation) including properties in the Mapleview West Business Park. Triangle Holdings Inc. has indicated that the South Barrie Industrial Park is a required location based upon proximity to its local supplier and customer base and as such, Mapleview West Business Park is not a viable alternative as it would add logistics costs to the business model.

Within the South Barrie Industrial Park, the City only has one lot remaining that is in excess of the 4.15 acres that Triangle Holdings Inc. requires to satisfy its building requirements. This parcel is on Rawson Avenue and currently is zoned as a restricted industrial site, which would require a re-zoning to an alternate use that would satisfy the industrial use for Innovative Automation. While this is a viable opportunity, the timing to complete a re-zoning application in addition to the grading and other engineering issues of the Rawson Avenue site, it is not a viable solution for Triangle Holdings Inc. to satisfy its building time line.

**FINANCIAL**

33. Industrial land held for sale is recorded on the City's balance sheet at net book value (NBV). When land is sold, NBV is apportioned to the land being sold based on its proportionate share of the total acreage.
34. For the purposes of the amount to be transferred to the Industrial Land Reserve (13-04-0430) the realized gain on the sale of the Property is \$277,913 (\$630,000 proceeds on sale, less \$352,086 NBV).
35. Annual municipal realty taxes as per the 2014 BMA study, would be \$34,225 based on a 52,700 sq.ft. industrial building. One time municipal development charges are estimated to be \$604,996.

**LINKAGE TO 2014-2018 STRATEGIC PLAN**

36. The recommendation(s) included in this Staff Report support the following goals identified in the 2014-2018 Strategic Plan:

- Vibrant Business Environment



APPENDIX "A"

Welham Property Location



**APPENDIX "B"**

**Proponent's Letter of Introduction – The Italian Bakery**

*The*  
**Italian Bakery**  
Fresh Breads \* Pastries \* Hot Table \* Deli \* Catering

705-737-3434

200 Wellington St. W. Barrie, Ont. L4N 1K9  
www.fudaitalianbakery.com

ATTENTION: City of Barrie Council  
CC: Peter Dyck  
Business Development Officer, City of Barrie  
Re: Property Purchase 625 Welham Rd. City of Barrie  
4.15 Acres Industrial Lands

My Wife and I (Rita and Rocco Fuda) have just closed on a property at 173 Mapleview Dr. East which abuts the subject property that we presently have an agreement of purchase and sale on which the City of Barrie owns and is surplus lands.

We presently own and operate The Italian Bakery at 200 Wellington St. West in The City of Barrie. We have worked very hard to give the citizens of Barrie a destination for Bakery Products in conjunction with our restaurant arm. Outlined below are our plans and visions for the subject property

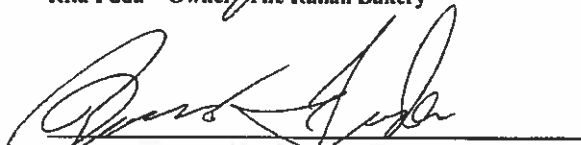
- Initial building size would be in the range of 10,000 Sq Ft.
- Construction would begin within 12-24 Months of closing the transaction
- We feel the building size would expand to 100,000 plus Sq Ft in 10-15 years
- The initial employee count would be 50-100 people
- The employee count is envisioned for up to 1000 people in 10-15 years
- This site would be our Head Office as we plan to franchise our operations nationally and possibly internationally in addition we would do bakery food processing and catering from this site.
- Our vision would be to incorporate the two properties and use the 5,000 Sq Ft bungalow as an auxiliary building or destination Restaurant.

Italian Bakery has won major prizes from BACI competing on a national scale. The Italian Baker is a family business and we envision our grandchildren will keep the tradition and success moving forward.

To say the least, we are very excited and motivated regarding the expansion of The Italian Bakery Inc. and look forward to the closing of 625 Welham Road with The City of Barrie. This development will be another destination for the citizens of Barrie to enjoy and be proud of; we look forward to working with and doing business with The City of Barrie.

Respectfully submitted,

  
Rita Fuda – Owner, The Italian Bakery

  
Rocco Fuda – Owner- The Italian Bakery

**APPENDIX "G"**

**Proponent's Letter of Introduction – Triangle Holdings Inc.**

**RECEIVED**

**NOV 23 2015**

**Business Development  
Department**

**Proposed Purchase of the City of Barrie Property at**

**625 Welham Road by Triangle Holdings Inc.**

- Triangle Holdings is not a Toronto-based holding company looking to make a profit on a re-sale of land; we are a Barrie-based company looking to build a building for a growing related company that has been successful in Barrie since 1989
- Triangle Holdings Inc. is the property holding company that owns property exclusively for use by Innovative Automation Inc.
- Triangle Holdings is owned 100% by Stephen Loftus, who was born and raised in Simcoe County
- Innovative Automation is owned 90% by Stephen Loftus
- When you think of Innovative Automation as a company you need to understand that Triangle Holdings exists only to hold property for the use of Innovative Automation

**Some quick facts about Innovative Automation Inc.**

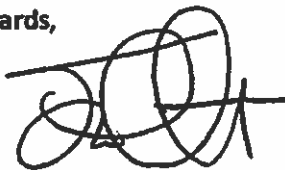
- Builds custom industrial automation (robotic machinery) to serve the global market place
- Employs just under 100 people
  - 25% of staff are under the age of 25
  - Majority of staff are highly trained engineering or skilled tradespersons
  - All support staff have earned undergraduate degrees or college diplomas
  - Average annual base salary - \$ 62,500
  - Average annual base salary with 3 years or greater service - \$72,000
  - Percentage of employees in the top 10% of Canadian household incomes (just the Innovative Employee not including spouse) - 31%
  - Percentage of employees earning greater than \$ 100 000.00 – 13%
- Purchases product locally
  - Three of Innovative Automation's six largest suppliers are located within 1 kilometre. For these 3 companies this \$2.25 million in revenue and 30 skilled worker jobs.
  - Within 2 kilometres of this location and east of the 400 highway, Innovative does a total of \$ 3.2 million in business, representing another 12 skilled worker jobs.

**Why is this property is needed for the continued growth of Innovative and how does it impact the City of Barrie?**

- This property will:
  - allow Innovative to consolidate 2 locations to increase efficiency
  - allow Innovative to bid on contracts with larger equipment in addition to the present workload
  - create 11 new staff positions
  - provide a long term expansion plan to create an additional 30 to 35 engineering or highly skilled tradesperson positions
- Innovative breeds a culture of community responsibility with our young workers:
  - For 15 years, Innovative has been in the top 10 fund raisers for the United Way of Greater Simcoe County
    - In 2009, Innovative Automation was in the top 5 fundraisers with only 42 employees
  - Innovative is also a major supporter of:
    - Big Brother Big Sisters of Barrie
    - Georgian College, supplying not only financial support, but program direction, co-op employment and learning opportunities
      - Over 30% of employees are either current or past students of Georgian College
    - Youth activities (sports, missions and learning opportunities)
- Innovative has twice in the last 5 years been recognized as Canada's Safest Employer and once a Canada's Safest Employer Silver Medalist. The latest is the 2015 Canada's Safest Employer – Young Worker Category  
[www.safestemployers.com](http://www.safestemployers.com)

In conclusion, Innovative Automation is proud to call Barrie our home. We are asking that you support our efforts to continue to grow and be a contributing component of this vibrant city. If you have any questions, please do not hesitate to contact me at [sloftus@innovativeautoamtion.com](mailto:sloftus@innovativeautoamtion.com) or 705 730 9003.

Regards,



**Stephen Loftus  
President  
Triangle Holdings Inc. and Innovative Automation Inc.**