
TO: GENERAL COMMITTEE

SUBJECT: SALE OF CITY OWNED INDUSTRIAL LAND - 564 VETERAN'S DR

WARD: 7

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 the Agreement of Purchase and Sale between the City and MJJJ Developments Inc. (for a company to be named at a later date) for the 4.5 acre parcel of City owned industrial land described as Part of Block B, (by Judges order SC46082), Plan 51M495, Except Parts 3 & 4 on Plan 51R35924, Parts 5 & 6 on Plan 51R3595, Part 1 on Plan 51R35959, in the City of Barrie, County of Simcoe and known municipally as 564 Veteran's Drive, for the purchase price of \$260,000 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 the Council of The Corporation of the City of Barrie;
 - b) The Purchaser agrees that it is purchasing the property in its present condition "as is" and further acknowledges and agrees that it has conducted 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 has agreed that the property is subject to an easement along the north-westerly boundary, in favour of the City for the purpose of storm drainage;
 - d) 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 net proceeds from the sale of 564 Veteran's Drive be allocated to the Industrial Land Reserve (13-04-0430), less the 2% parkland dedication fee, which is to be allocated to the Parkland Reserve.

PURPOSE & BACKGROUND

Report Overview

3. The purpose of this staff report is to seek approval for the sale of the municipally-owned lot of industrial land along Veteran's Drive in the City's Maplevue West Industrial Park (Appendix 'A'), to MJJJ Developments Inc. (the Purchaser) in the amount of \$260,000 per acre, totalling approximately \$1,170,000. The exact price will be confirmed based upon the property survey.
4. The parcel is approximately 4.5 acres in size and is situated on the West side of Veteran's Drive near Maplevue West.
5. The west portion of the property is bounded by a storm drainage ditch which will require the City to retain an easement over the small corner portion of the lands for access and maintenance.
6. The following terms are part of the Agreement of Purchase and Sale and are being provided here for Council's reference:
 - a) The Purchaser agrees that it will be responsible for any fees to connect laterals to sanitary sewers, water and hydro.
 - b) The Purchaser agrees that it is purchasing the property in its present condition "as is..." The Purchaser further acknowledges and agrees that it will conduct, by the conditional date, 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 acknowledges that acceptance of this offer, including all amendments, is conditional upon the approval of City Council.
 - d) The City retains the right to repurchase the lands at 90% of the purchase price should the Purchaser attempt to sell the Lands without having constructed an industrial building. The right of first refusal will be registered on title with the property on closing.
 - e) In accordance with By-Law 95-104, which establishes the procedure for the sale of municipal property, the lands were declared surplus through motion 97-G-125 and have been publicly advertised for sale through the City's website.

ANALYSIS

7. MJJJ Developments Inc. purchased 150-204 Maplevue Drive West, a large 12 acre site from the City, which closed on April 4, 2008. As part of the City's Agreement of Purchase and Sale, MJJJ Developments was to begin construction within eighteen (18) months of the transfer of the property. Subsequent to the purchase in 2008, economic conditions negatively impacted industrial market demand in Barrie resulting in numerous developers requesting extensions to their construction timelines. In March 2010, the City granted several extensions, including a two year extension to MJJJ Developments Inc. Economic conditions continued to result in low demand for new industrial inventory leading up to 2014, since that time absorption of existing industrial buildings and demand for industrial land has been on the increase.

8. In 2014, MJJJ Developments Inc. initiated development of their property with the site plan pre-consultation process. They have since submitted for Site Plan approval and building permit. Staff continue to work with MJJJ Developments Inc. on confirmation of site plan conditions and issuance of building is imminent. It is the intent of MJJJ Developments Inc. to initiate construction of a 200,000 square foot industrial and office development on their existing Mapleview Drive West property in summer of 2016.
9. MJJJ Developments Inc. operates a construction company called DIG-CON International, which is the construction arm of MJJJ Developments. DIG-CON will be constructing the new facility on the existing lands on Mapleview Drive West. The development is being constructed on speculation that tenants will be obtained. This is a risk to the developer, but it also indicates a positive outlook on Barrie's economy.
10. The Purchaser is intending to construct an industrial building ranging from 55,000 – 60,000 sq.ft. on the Veteran's Drive parcel. As the Veterans lands are adjacent to their Mapleview property, it is intended that all buildings have a similar design concept to make the development area co-ordinated in its planning and of a quality design. Development charges for a 55,000 sq.ft. building, based on the updated adjusted rate of \$19.44 sq.ft. would result in a fee of \$1,069,200.
11. MJJJ Developments is offering \$1,170,000 for the 4.5 acre parcel. This equates to \$260,000 per acre. The purchase agreement submitted by MJJJ Developments Inc. is substantially as per the standard City form requiring the developer to sell the lands back to the City at 90% of the purchase price should they attempt to sell the lands without developing.
12. MJJJ Developments is proposing to start construction within 2 years of closing on the property. The City's typical requirement is one year, however, given the scope of their initial project on Mapleview Drive West and that construction will require at least 18-months to complete the 200,000 square foot development in addition to establishing tenant occupancy, it is reasonable to allow for a 2-year build requirement.
13. DIG-CON International has constructed, owns and leases approximately 1.4 million sq.ft. of medical and industrial space which is predominantly located in the Bolton area and surrounding GTA. DIG-CON International is actively seeking tenants for the Mapleview Drive West and Veteran's properties and expects to develop similar, long-term tenant relationships within its Barrie development as it has within its other developments.
14. The Mapleview West Business Park (MWBP) is a City developed industrial park made up of multiple parcels in the area of Mapleview Drive West and Veteran's Drive. The largest remaining parcel in MWBP is approximately 8.8 acres in size. The total remaining acreage in MWBP is roughly 16.7 acres, including the 564 Veteran lands. Zoning in the area is Business Park (BP) with a special provision of SP-338, which prohibits hotels and motels.
15. MJJJ Developments Inc. does not intend to merge the Veteran's Drive parcel together with the Mapleview Drive West parcel in order to keep the two developments independent. As such, the Purchaser will assign the title to a company to be named at closing.

16. Over the recent years, the City of Barrie has experienced increased absorption of its industrial inventory, both in land and building. We have experienced increased demand for larger industrial buildings in the 40,000 to 60,000 foot range. This is evidenced by recent expansions of Innovative Automation and Linear Transfer Systems and other inquiries and requests that Business Development has received. Current industrial building inventory indicates that there is opportunity to increase availability of industrial space in the City.
17. The purchase agreement submitted by MJJJ Developments Inc. requires the developer to sell the lands back to the City at 90% of the purchase price should they attempt to sell the lands without developing.
18. The City periodically obtains appraisals for its various industrial land holdings. The last appraisal for the City's Mapleview West Industrial Park in 2014. Several of the Mapleview West lands were appraised including the Veteran's parcel.
19. The 2014 appraised value of the Veteran's parcel was \$245,000 per acre. 35-65 Reid which is on the west side of the block was appraised at \$240,000 per acre. Several City owned sales have occurred since that time however these sales have occurred on the east side of Hwy 400, where industrial land values are considerably less.
20. Recent comparable sales and appraised values are shown below. King Street has seen the most activity and can be considered as comparable, if not slightly below value compared to the highly visible Veterans parcel. Nearby private sales have been in the \$220,000 to \$274,000 per acre range as seen in the table below.

Sale #	Date of Sale	Location	Type	Sale Price/Acre
1	03/31/2016	281 King Street	Vacant Ind. Land	\$254,600
2	03/04/2016	251 King Street	Vacant Ind. Land	\$271,400
3	01/22/2016	161 King Street	Vacant Ind. Land	\$271,400
4	01/22/2016	231 King Street	Vacant Ind. Land	\$271,400
5	01/22/2016	221 King Street	Vacant Ind. Land	\$274,000
6	06/24/2015	252 King Street	Vacant Ind. Land	\$267,282
7	05/05/2015	162 King Street	Vacant Ind. Land	\$219,900
8	01/21/2015	281 Mapleview (W)	Vacant Ind. Land	\$657,292
9	April 2014 Appraisal	564 Veterans Drive	Vacant Ind. Land	\$245,000
10	April 2014 Appraisal	35-65 Reid Drive	Vacant Ind. Land	\$240,000

21. With the appraised values in mind, and the activity of recent comparable land sales, the value range of the Veterans parcel would be \$245,000 to \$274,000. The Offer from MJJJ Developments Inc. is within the value range and reasonable given that the property retains a development agreement on title.

22. Staff recommends the property be sold to MJJJ Developments Inc. MJJJ Developments Inc. is currently preparing to construct their existing site on Mapleview Drive West. Adding the parcel on Veteran's Drive, will allow MJJJ to create a more cohesive development on a very prime and prominent corner within the Mapleview West Business Park. The company has a strong development history in the GTA, which provides the opportunity to attract new businesses to Barrie from the GTA. This development provides the opportunity to expand Barrie's employment base and industry sectors, while complimenting the existing facilities within the Mapleview West Business Park and meeting current market demand for industrial space in Barrie.
23. MJJJ Developments Inc. is building speculatively. This is how the company has operated since its inception and has been successful at attracting and retaining large users. The Purchaser will be targeting companies that are looking to re-locate or grow into a larger facility. Constructing a facility speculatively provides a physical structure that is appealing to larger companies who often have restrictive timelines for development or relocation. MJJJ Developments Inc. has a corporate philosophy of attracting quality tenants that will result in a long-term commitment to the facility.

ENVIRONMENTAL MATTERS

24. The purchaser will be acquiring the property in its present condition: 'as is'. Any environmental investigation will be done by the Purchaser. There are no other environmental matters related to the sale.

ALTERNATIVES

25. The following alternatives are available for consideration by General Committee:

Alternative #1

General Committee could reject the sale of the property to MJJJ Developments Inc.

This alternative is not recommended as MJJJ Developments Inc. has made a commitment and investment to build on its existing lands in the Mapleview West Business Park and is seeking to purchase the Veteran's Drive property to create a more cohesive development on a highly visible corner. MJJJ Developments Inc. has a strong history of development and attraction of tenants for long-term leasing in its existing 1.4 million square feet of medical and industrial space it operates.

Current market demand for industrial land and building has increased in the City of Barrie. The need for increased building inventory will allow for the attraction of more business and employment opportunities to Barrie.

FINANCIAL

26. Net proceeds of the land sale less the 2% parkland dedication fee is to be allocated to the Industrial Land Reserve (13-04-0430). The current sale price is calculated at \$1,170,000 and will be adjusted based on the property survey acreage at a price of \$260,000 per acre.

27. The Purchaser of the property is represented by a realtor for this transaction. As such, commission of approximately \$42,932 is payable on the transaction and will be paid from the proceeds of the land sale.
28. Annual municipal realty taxes as per the 2015 BMA study, would be \$66,550 based on a 55,000 sq.ft. industrial building. One time municipal development charges are estimated to be \$1,069,200 at \$19.44 per square foot.

LINKAGE TO 2014-2018 STRATEGIC PLAN

29. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:
 - Vibrant Business Environment
30. The sale of city-owned industrial land facilitates the development of an industrial building to attract business and employment opportunities to the City, contributing to Council's Strategic Priority to create a Vibrant Business Environment. The offer is at fair market value and will generate tax and development revenue for the City. For these reasons, it is recommended that the Offer from M.J.J.J. Developments Inc. be accepted.

APPENDIX "A"

564 Veterans Drive

