
TO: GENERAL COMMITTEE

SUBJECT: AMENDMENT TO SALE OF CITY INDUSTRIAL LANDS FOR SKYTEK PHARMACEUTICAL

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: M.PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. The City Clerk be authorized to execute the Amendment to the Agreement of Purchase and Sale between the City and 1923903 Ontario Ltd. (Skytek Pharmaceutical) to amend the property description to include the complete parcels of City owned industrial land described as Lots 72-75, Plan 51M-379, City of Barrie, County of Simcoe, being PIN's 587280320, 587280321, 587280322 and 587280323, the Property, subject to the following terms and conditions:
 - a) The Purchaser acknowledges that acceptance of this amending agreement is conditional upon the approval of the Council of the City of Barrie.
2. That the City Clerk be authorized to execute amendments to extend the closing date through to January 31st, 2018 and no further extensions to the closing date be provided.

PURPOSE & BACKGROUND

Report Overview

3. The purpose of this staff report is to amend the property description in the current agreement of purchase of sale of City-owned industrial lands to 1923903 Ontario Ltd. (Skytek Pharmaceutical) to include the complete parcels described as Lots 72-75, Plan 51M-379. All other terms of the agreement would remain the same, including the purchase price of \$125,000 per acre, totalling \$647,250.
4. Motion 15-G-156 approved the sale of the part of the industrial lands to Skytek Pharmaceutical for the operation of a Medical Marihuana Facility.
5. The approval for the original sale of the lots contemplated that only a part of Lots 72-75 would be included, so as to accommodate the Buyer's need have land owned by them be greater than 500 metres from the nearest residence. As a result, a small portion of the North-East corner of the lands were to remain as City property. Skytek Pharmaceutical has indicated that it can satisfy its requirements with the entire parcel and is willing to acquire the entire area rather than just a portion.

6. After the approval of the sale of the property, the Federal Government announced changes to legislation as it pertains to the licensing of medical marihuana growing facilities. As such, license applications were put on hold. Staff extended the closing date in 6-month increments while the legislative changes were contemplated and while Skytek continued through the process to obtain their license. The current closing date is scheduled for December 15th, 2017.
7. Skytek has applied for its licensing with Health Canada for the MMPR (The Marihuana for Medical Purposes Regulations). The process has been longer than expected and Skytek remains in the licensing process, and are confident that an outcome will be achieved this year. As such, Skytek is committed to closing on the land purchase.
8. Skytek Pharmaceuticals is proposing to construct a 65,000 sq.ft. facility. The building will be design/built for the purpose of growing, processing and research & development of medical marihuana. Orders for the product are to be filled via mail and couriered throughout Canada for patients with medical prescriptions. Retail sales through the facility are not permitted.
9. Skytek intends to employ approximately 120 people with a long term potential of up to 450 staff. The new facility is to incorporate state of the art HEPA and carbon filters to eliminate any odours, and to recycle water used for irrigation thereby eliminating any discharge into municipal sewer systems from the production of the product. Initial investment by Skytek is estimated to be \$7.0M.
10. It is Skytek's plan to build to a level 7 security standard (as per Health Canada's Directive On Physical Security Requirements For Controlled Substances) which would include electronic security access, a fenced facility along with an electrical entry gate. Preparation of all shipments is to be conducted indoors. The facility would be 3rd party monitored by alarm system including ground parameter sensors and off-site recording from cameras. Cameras are installed both indoors and outdoors totalling 120 cameras.

ANALYSIS

11. Amending the property description of the agreement of purchase and sale will yield an additional area of land totalling 0.168 acres, for a total land area to be sold at 5.178 acres. The corresponding increase in land sale revenue will total \$21,000 with a total sale price of \$647,250.
12. Purchasing the entire lot is a preferred option for the City as there will no longer be a remnant parcel created that would be required to be maintained by the City.
13. Providing for a final extension to the agreement of purchase and sale will support the Buyer in completing their licensing process, while ensuring that the parcel is not being held beyond a reasonable period and can be returned to market. While the current closing date is December 15th, 2017, Staff have requested an extra 45 days be available to facilitate the closing of the transaction, should they be required.

ENVIRONMENTAL MATTERS

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

ALTERNATIVES

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

Alternative #1

General Committee could reject the amendment to the property description and proceed with the sale of the part lots as is.

This alternative is not recommended as there is an existing agreement of purchase and sale in place for the majority of the parcel. Amending the property description to include the full area of the lots as described yields additional land sale revenue for the City and avoids the creation of remnant parcels for which the City would be required to maintain.

Alternative #2

General Committee could reject the Clerk's authority to provide a final extension of the closing to January 31st, 2018.

This alternative is not recommended as the City has an existing agreement in place with a closing date of December 15th, 2017. Providing an additional 45 days accounts for unforeseen issues, while ensuring a firm date for the transaction to be completed. Should the Buyer be unable to close on the property in that time frame, Staff can then return the property to market as the agreement will be terminated. .

FINANCIAL

16. 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 \$108,869 (\$647,250 proceeds on sale, less \$494,657 NBV less \$12,945 for the 2% parkland dedication, less commissions of \$29,029 and less \$1,750 in legal closing costs).
17. Annual municipal realty taxes as per the 2016 BMA study would be \$81,900 based on a 65,000 sq.ft. industrial building at \$1.26 per square foot. One time municipal development charges are estimated to be \$1,304,550 at \$20.07 per square foot, assuming the discounted development charge rate of \$11.85 no longer be available at the time of construction.

LINKAGE TO 2014-2018 STRATEGIC PLAN

18. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:
 - Vibrant Business Environment
19. The recommendation provides for an amendment to an existing agreement of purchase that would increase the area of the property being purchased, and will provide for the closing of the transaction in order to facilitate the development of the property.

APPENDIX "A"

Property Description

36 – 48 Rawson Avenue

