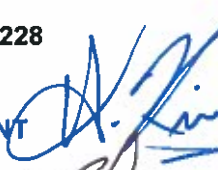


TO: GENERAL COMMITTEE


SUBJECT: SALE OF CITY INDUSTRIAL LANDS FOR A MEDICAL MARIHUANA FACILITY, SKYTECK PHARMACEUTICAL

WARD: 8

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

SUBMITTED BY: H.KIROLOS, DIRECTOR BUSINESS DEVELOPMENT 

GENERAL MANAGER APPROVAL: ZVI LIFSHIZ, EXECUTIVE DIRECTOR INVEST BARRIE 

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

RECOMMENDED MOTION

1. The City Clerk be authorized to execute the Agreement of Purchase and Sale between the City and 1923903 Ontario Ltd. for the 4.8 acre parcel of City owned industrial land described as Part of Lots 72, 73, 74 & 75 Plan 51M379, City of Barrie, County of Simcoe, to be further described by reference plan to be deposited and being part of PINs: 587280320, 587280321, 587280322 & 587280323, the Property, for the purchase price of \$125,000 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 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;
 - d) The agreement is conditional, at the Purchaser's discretion, upon the City implementing the new zoning provisions as contained in the Planning staff report "Industrial Rationalization Review" (PLN023-14), permitting Medical Marihuana production facilities within the EM4 zoning category and the Purchaser achieving a Health Canada and City of Barrie licence permitting the operation of a Medical Marihuana Production Facility.
2. That a Deeming by-law be passed to merge all the lots of the Property (Lots 72, 73, 74 & 75 Plan 51M-379) as one lot for the purposes of development.

3. That the proceeds from the sale of 36 - 48 Rawson Avenue be allocated to the Industrial Land Reserve (13-04-0430).
4. That the City Clerk be authorized to execute the "Consent by Owner to Utilize Site" document, attached as Appendix "B", subject to the passage of the necessary Zoning By-Law Amendment to permit Medical Marihuana Production Facilities within the zoning category for the Property.

PURPOSE & BACKGROUND

Report Overview

5. The purpose of this staff report is to seek approval for the sale of several municipally-owned lots of industrial land along Rawson Avenue in the City's South Barrie Industrial Park, to 1923903 Ontario Ltd. in the amount of \$125,000 per acre, totalling \$600,000.
6. The parcel is approximately 4.8 acres in size and is situated on the North side of Rawson Avenue. The entire property is made up of 4 lots and is adjacent to the City's ACDC rail line.
7. The combined lots will not be completely rectangular due to the Buyer's need to be greater than 500 metres from the nearest residence. As a result, a small portion of the North-East corner of the lands are to remain as City property. See the attached Appendix "A" for a diagram.
8. The purchaser of the lands; 1923903 Ontario Ltd. also known as 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. All shipments are 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.
11. Skytek will need several weeks to conduct its due diligence for the Property. Closing of the sale is tentatively set for end of August, 2015. During the interim Skytek needs to apply for its licensing as per Health Canada guidelines: The Marihuana for Medical Purposes Regulations (MMPR). As part of these regulations Skytek needs to provide proof to Health Canada that the current owner of the lands, (at the time of the application this will be the City), is aware of the intended use of the lands. It is for this reason the motion contains the "Consent by Owner to Utilize Site" paragraph, requesting the City to execute the document subsequent to the appeal period and

only once the zoning bylaw permitting the use has come into force. A copy of this document is attached as Appendix "B".

ANALYSIS

12. The South Barrie Industrial Park (SBIP) is a City developed industrial park made up of multiple parcels south of Mapleview Drive East and Hwy #400. The largest parcel in SBIP is roughly 14.5 acres in size. The total remaining acreage in SBIP is roughly 26 acres. Zoning in the area is a mixture of EM3, EM4 and EM5. The parcels being sold are zoned EM4.
13. The City periodically obtains appraisals for its various industrial land holdings. The last appraisal for the SBIP was completed in 2010. Another appraisal was completed for the City's Mapleview West Industrial Park in 2014. One of the properties from this appraisal can be considered comparable to the subject property.
14. The 2010 appraised value of the property ranged from \$91,000 to \$117,000 per acre. However the comparable sales at the time were taken from a few sales which occurred during 2007 – 2008, the beginning of the market downturn. Few City owned sales have occurred since that time, with the exception of the nearby 80 Rawson Road, at \$113,800 per acre. Other nearby private sales have been in the \$82,500 to \$98,000 per acre range as seen in the table below. The purchaser has accepted a price of \$125,000 per acre, or \$600,000 total for the two lots.
15. Recent comparable sales and appraised values are as follows:

Sale #	Date of Sale	Location	Type	Sale Price/Acre
1	08/16/2013	175 Saunders Rd	Vacant Ind. Land	\$98,039
2	08/27/2014	68 Rawson Rd (Power of Sale)	Vacant Ind. Land	\$82,500
3	April 2014	80 Rawson Rd	Vacant Ind. Land	\$113,800
4	June 2015	306-312 Saunders Rd	Vacant Ind. Land	\$120,000
5	April 2014	44 Hooper (<u>appraised value</u>)	Vacant Ind. Land	\$170,000

16. The appraisal of \$170,000 / acre for the 44 Hooper property is at the upper range of the comparables. There has been no serious interest in these City owned lands for several years. City industrial lands at 306-312 Saunders Rd, which is near to the property, recently sold for \$120,000 per acre.
17. With the above valuations in mind, the agreed upon price of \$125,000 / acre is seen as being a reasonable price for the sale of the lands.

18. It should be noted that the Property may require substantial engineering works to be done. The 2010 appraisal for the lands did not properly account for all the works needed to bring the lands to a 'buildable' state. As a result it is possible that once the Buyer completes his due diligence further negotiation concerning the sale value of the lands may be required. If necessary staff will be returning to Council for an amended purchase agreement.

ENVIRONMENTAL MATTERS

19. 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

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

Alternative #1 General Committee could reject the offer in favour of saving the lands for a different user.

This alternative is not recommended as the remaining City owned lands along Rawson are difficult to sell due to the nature of the topography and the amount of grading and engineering work that needs to be completed. The proposed user, due to the nature of its business, is aware of these issues and is willing to consider these concerns within the context of its due diligence work.

Alternative #2 General Committee could defer the offer until the Buyer has completed his due diligence work and a new offer/price point has been negotiated.

This is a viable alternative however the Buyer wishes to have some assurance that the land is tied up as they will be expending funds to complete the engineering investigations.

FINANCIAL

21. 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.
22. 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 \$105,343 (\$600,000 proceeds on sale, less \$494,657 NBV).
23. Annual municipal realty taxes as per the 2014 BMA study, would be \$42,250 based on a 65,000 sq.ft. industrial building. One time municipal development charges are estimated to be \$733,200.

LINKAGE TO 2014-2018 STRATEGIC PLAN

24. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:

- Vibrant Business Environment

APPENDIX "A"

Property Description

36 – 48 Rawson Avenue



Appendix "B"

Consent by Owner to Utilize Site

(see attachment)

APPENDIX A

CONSENT BY OWNER TO UTILIZE SITE

If the proposed site, or any portion of the site, identified below is not owned by the applicant, this declaration is to be signed and dated **by the owner of the site** (or each portion of the site). The owner must consent to the use of the site by the applicant for the proposed activities with cannabis.

If there are multiple owners, each owner must consent to the use of the site by the applicant for the proposed activities with cannabis using part (2) b) of this Appendix. Please attach additional pages as needed.

Check here if additional pages are attached:

(1) To be completed by the applicant:

Please provide a brief description of the activities to be conducted on the proposed site or any portion of the site for which this consent is being requested.

Description of Activities to be Conducted with Cannabis on the Proposed Site

Location of proposed site for which consent is being requested:

Street Address					
City		Province		Postal Code	

(2) To be completed by site owner(s):

(2) a) Sole owner

I hereby declare that I am the sole owner of the proposed site listed in section (1) of this Appendix and that I am fully aware of and consent to the activities with cannabis described in section (1) of this Appendix being conducted on this site.

Signature: _____ Date: _____
(YYYY/MM/DD)

Print Full Name: _____

(2) b) Joint Owner(s)

Note: If the site is co-owned, please provide the name and address for each property owner.

Property Co-owner

Full Name:	
Address:	

Property Co-owner

Full Name:	
Address:	

Property Co-owner

Full Name:	
Address:	

Property Co-owner

Full Name:	
Address:	

I hereby declare that I am a co-owner of the proposed site listed in section (1) of this Appendix and that I am fully aware of and consent to the activities with cannabis described in section (1) of this Appendix being conducted on this site.

Property co-owner's signature: _____

Print Full Name: _____

Date: _____
(YYYY/MM/DD)

Property co-owner's signature: _____

Print Full Name: _____

Date: _____
(YYYY/MM/DD)

Property co-owner's signature: _____

Print Full Name: _____

Date: _____
(YYYY/MM/DD)

Property co-owner's signature: _____

Print Full Name: _____

Date: _____
(YYYY/MM/DD)

Check here if additional pages are included