
TO: GENERAL COMMITTEE

SUBJECT: SALE OF SURPLUSED DOWNTOWN PARKING LOT 55 – 57
MCDONALD STREET/61 – 67 OWEN STREET

WARD: 2

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

SUBMITTED BY: S.SCHLICHTER, DIRECTOR BUSINESS DEVELOPMENT

GENERAL MANAGER APPROVAL: Z. 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 Forrest Group Acquisitions Ltd. (the Purchaser) for the 0.52 acre parcel of City-owned land described as PIN's 588170026, 588170027, 588170174, 588170024, 588170025, City of Barrie, County of Simcoe, (the Property) on the south-east corner of McDonald Street and Owen Street, also known municipally as 55-57 McDonald and 61-67 Owen Street, for the purchase price of \$1,000,000, subject to the following general 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 will conduct such tests as it deems necessary to determine to its satisfaction that the Lands are suitable for the Purchaser's intended use.
 - c) The Purchaser acknowledges that any municipal approvals, including re-zoning of the City lands, will be done in accordance with the City's standard process and procedures, and where relevant, at the Purchasers own risk.
 - d) The Purchaser agrees within four hundred and eighty (480) days following the approval by Council of the Agreement of Purchase and Sale to:
 - i) Obtain a Record of Site Condition (RSC) in accordance with residential use requirements per Ontario Regulation 153/04 for Subject Land;
 - ii) Obtain all municipal and other governmental approvals necessary in connection with the Purchaser's intended development of the Property;
 - iii) Execute a Development Agreement, including without limitation a Site Plan Agreement for development of the Property.

- e) The Purchaser agrees that unless it gives notice in writing delivered to the Seller within the four hundred and eighty (480) days that the condition has been fulfilled or an extension to the condition has been granted, this agreement shall become null and void and the deposit shall be returned to the Purchaser without deduction.
 - f) The Purchaser covenants and agrees to start construction of Purchaser's Use within twelve (12) months following the date of registration of the transfer of the Property from Seller to Purchaser and complete construction of Purchaser's Use within thirty (30) months of the start of construction provided that appropriate allowances shall be made for delays caused by strikes, acts of God and other events beyond the control of the Purchaser.
 - g) The Purchaser acknowledges that all approvals including a rezoning, are not being guaranteed by the terms of this Agreement and shall be effected by the Purchaser at the Purchasers own risk and expense.
2. That the City Clerk in consultation with the Executive Director of Invest Barrie and Director Legal Services be authorized to execute any consent or authorization documents permitting the Purchaser to process any necessary Zoning By-Law Amendments concerning the Property solely at their cost, as well as any amendments or extensions to the Completion, Construction and Conditions dates as set out in the Purchase Agreement.
 3. That proceeds from the sale of the Property, in the amount of \$76,424 be allocated to the Industrial Land Reserve (13-04-0430), with the remaining amount to be allocated to the Parking Reserve.

PURPOSE & BACKGROUND

Report Overview

4. The purpose of this staff report is to seek approval for the sale of the municipally-owned parking lot at McDonald & Owen Street in the City's downtown core, to Forrest Group Acquisitions Ltd. in the amount of \$1,000,000.
5. The Forrest Group has been involved in the design, marketing and construction of residential, retirement and resort communities since the early 1970s. The company is experienced in all disciplines of the development industry including Land Assembly, Project Management, Planning and Design. The company has developments in numerous communities in Ontario including Newmarket, Pickering, Toronto, London, Whitby, and Thornhill.
6. Forrest Group is located in Markham. Founder, Bob Forrest, has over 45 years of in-depth experience in the development industry, and has won multiple awards for his creativity and innovation. The Forrest Group works closely with a diverse team of professionals through all phases of the development process.
7. The Purchaser has also entered into a purchase agreement with owners of the abutting parcels of land including 55, 59 Owen Street & 70, 76, 78 Worsley Street, in order to accommodate a larger site for their proposed development. Combined all of these lots including the City-owned lots will total approximately 1 acre for development. (see Appendix "B")

8. The adjacent Owen/Worsley Street lots are zoned C2-1 which requires step-back provisions and a maximum building height of 30 metres allowing for approximately 10 stories.
9. On June 29, 2015, Council adopted Motion 15-G-160, which outlined the strategy to rationalize several City-owned parking lots in the downtown. The strategy determined that each downtown lot was suitable for specific types of development that would assist in realizing various key strategic objectives for the City.
10. On September 26th, 2016 the City issued a Property Information Package with the intent to attract potential developers to purchase the McDonald/Owen lot for the purpose of realizing the City's development goals in the downtown. In part the information package stated the purpose of the sale was to:
 - a) Create sufficient demand so as to maximize proposals and opportunity for catalytic investment in the downtown.
 - b) To identify a range of potential development opportunities that will advance the vision of the downtown core, while contributing to growth targets through employment and/or residential density.
11. As part of the disposition process, a recent appraisal had been obtained, which indicated a current value between \$975,000 and \$1,125,000 assuming highest and best use under the current zoning and free and clear of any encumbrances. Upon the closing of the 60-day Offer Period, the following principles were to guide the selection of recommended purchasers of the property:
 - a) Given that these parcels are identified within the Critical Mass classification, the City of Barrie will entertain offers that would most effectively increase the residential and/or employment density in the downtown. Development proposals that focus on increasing density in the downtown will allow the City to continue to fulfil the vision for the downtown by eliminating a need or gap.
 - b) The development must incorporate the visions of The Downtown Commercial Master Plan (December 2006).
 - c) Be developed in a timely manner.
 - d) Any employment density shall be considered based upon non-residential, non-retail uses.
 - e) Fair market value.
12. The closing date for receiving any expressions of interest via an Agreement of Purchase and Sale, was Friday, November 26th, 2016. The City received several inquiries and two executed Agreements of Purchase and Sale. One agreement was from was received from Forrest Group Acquisitions Ltd.
13. The second agreement received through the market process was received well below the appraised market value and was not considered.
14. In accordance with By-Law 95-104, which establishes the procedure for the sale of municipal property, the lands were declared surplus through motion 16-G-037 and have been publicly advertised for sale through the City's website and via signage directly on the property.

15. Business Development also actively marketed the land through its contacts in the ICI real estate and development marketplace both locally and in the broader GTA market.

ANALYSIS

16. On June 29, 2015, Council approved Motion 15-G-160, which outlined the strategy to rationalize several City-owned parking lots in the downtown. The McDonald / Owen property was identified as a parcel that advances critical mass in downtown. These types of parcels are most suitable for increased residential density. The McDonald/Owen property is currently zoned as C2, Transition Centre Commercial, with a Gross Floor Area (Max % of lot area) of 400% and a permitted building height maximum of 15 metres (approximately 4 storeys). The adjacent lots along Owen & Worsley which the Purchaser has under contract with the intent to assemble with the City lot are zoned C2-1 Transition Centre-1 which currently allows a maximum building height of 30m (10 floors) with building set-back provisions.
17. The offer from the Forrest Group is being recommended as it aligns with guiding principles to direct the selected proponent for the site in the following ways:

Effectively increase the residential and/or employment density in the downtown.	The proposal from Forrest Group seeks to maximize density from the development through a mixed use residential development that could include a retirement residence. The Forrest Group's proposal to assemble the City lot with the abutting parcel fronting on Worsley Street for a 1-acre development, further advances the achievable density of the site.
Be developed in a timely manner.	<p>There are several components of due diligence and approvals regarding soil conditions, achieving a Record of Site Condition (RSC), proposed re-zoning, etc. The agreement provides for a 480 period to achieve required approvals with an additional 90 day extension.</p> <p>The property will close within 30 days of a Development Agreement (Site Plan Agreement) being executed in concert with the abutting parcel being assembled with the City lot. The Purchaser will then start construction within twelve months following the date of the transfer.</p> <p>The timelines provide for adequate time for the Purchaser to complete approvals process, and a reasonable construction start date once the property closes.</p>
Any employment density shall be considered based upon non-residential, non-retail uses.	The parcel is being mainly considered for residential development with some potential mixed use for office uses permitted under the commercial zoning. The zoning requirement for commercial component of minimum of 50% of the ground floor area will apply to this development.
Fair market value.	Appraised value: \$975,000 and \$1,125,000 Offer: \$1,000,000

18. The offer from Forrest Group will seek to rezone all the lands (both the City's and adjacent property) for a variety of mixed residential and commercial uses, including a potential mix of the following; residential apartment, retirement, long-term care, commercial office, retail, food service and similar, with a view to assuring future flexibility in the face of changing markets. In terms of the residential component of the development, the Purchaser is intending to build a 10 to 12-storey building across the balance of both properties consisting primarily of residential type uses. The greatest density/height is to be focused on the adjacent lots as they currently permit 30 metres in height, with lower density/height to be allocated toward the City's lands. It is premature to determine the specific configuration or design of the development, however, the Forrest Group is expecting that the overall size would be approximately 450,000 square feet, subject to associated zoning being achieved.
19. The property is subject to Site Plan Control and the design and development would be regulated through the associated Site Plan process. The sale of the property does not close until 30 days after a Site Plan Agreement is approved by the City and agreed to by Purchaser via an executed Site Plan Agreement.
20. The disposition process was initiated with a request for offer to Purchase and did not require detailed design. The Forrest Group has not invested in a full market investigation to determine the specific residential use and mix and design process until such time as there is intent to proceed with their offer. The Forrest Group intends to comply with the commercial component at grade, as per the zoning requirements and will complete a full market investigation and site design should the City accept their offer to purchase.
21. Based upon their initial investigation into the development of the property, the Forrest Group has determined that project feasibility will require them to be able to increase the density of the lands above the current zoning. The Forrest Group agrees that they are applying for all development approvals at their own risk and that any re-zoning application will be assessed independently of the agreement to purchase, on its own Planning merits and in accordance with the associated public consultation.
22. Given that the Forrest Group has the abutting parcel fronting on Worsley Street under contract with an intent to assemble the parcel for a larger, intensive development and that the offer reflects fair market value, Business Development Staff are recommending that the Forrest Group be permitted to complete a re-zoning application at their own risk and cost to determine the feasibility of the development. Should they be unsuccessful, under the terms of the Agreement, the Forrest Group would have the opportunity to terminate the Agreement of Purchase and Sale. Invest Barrie could then return the parcel to market for sale.
23. Staff report BDD002-15 specifies one of the objectives of selling the McDonald/Owen parking lot to advance the critical mass in the downtown via multi-density residential. The intent of the Forrest Group to assemble the City's lot with the abutting property fronting on Worsley Street, also satisfies another criteria of the rationalization of downtown parking lots by supporting larger developments via assembly of land parcels.
24. The Purchaser has agreed to start construction within twelve months following the date of registration of the transfer of the Property, provided they are successful in their re-zoning efforts to permit a 10 to 12 storey mixed use residential building on the property.

25. There are several conditional periods permitting the Forrest Group to achieve certain milestones before the purchase agreement is completed. The timeline to achieve these conditions is estimated to be approximately 12-18 months (480 days post Council approval with an optional 90-day extension). It is expected that should any of these milestones not be achieved, the agreement timelines may be extended, or the Purchaser will have the option to terminate the agreement. The critical milestones are as follows:
- a) Council Approval of the purchase;
 - b) A satisfactory environmental report;
 - c) Obtaining a Record of Site Condition (RSC) from the Ministry of Environment. The RSC is an environmental requirement due to the change of use and intensified land use from the current parking lot use;
 - d) Rezoning to permit the intended use;
 - e) Execution of a Development Agreement (Site Plan Agreement) in concert with the abutting parcel being assembled with the City lot.
26. The requirement for the execution of a Site Plan Agreement prior to closing the property provides the City with some assurance of the intent of the Purchaser to develop the property and start construction within a timely manner.
27. Staff recommend the property be sold to Forrest Group as it has considerable experience in the development of small to mid-sized mixed use projects in urban settings similar to Barrie's downtown. Furthermore, the project is to combine the adjacent lands further increasing the density and revitalization of the core, which was one of the primary goals as set out in staff reports BDD002-15 and BDD002-16.

ENVIRONMENTAL MATTERS

28. The Purchaser will be required to conduct its own environmental investigation to obtain a Record of Site Condition for its proposed development.

ALTERNATIVES

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

Alternative #1

General Committee could choose to not accept the sale of the property to Forrest Group in favour of seeking an alternative purchaser.

Staff do not recommend this option as the proposal from the Forrest Group achieves the intent of the disposition of the downtown parking lot. Specifically, the proposal will effectively increase the residential and employment density in the downtown, develop in a timely manner and the offer has been received at fair market value. The City did not receive any other expressions of interest on the 55-57 McDonald Street and 61-67 Owen Street lots that reflected fair market value. Furthermore, the Forrest Group's proposal to assemble the City lot with the abutting parcel fronting on Worsley Street for a 1-acre development, further advances the achievable density of the site.

The Forrest Group is a successful developer of a variety of residential buildings and communities around Ontario. Staff are recommending that the Forrest Group be permitted to file a complete re-zoning application at their own risk and cost to determine the feasibility of the development. Should they be unsuccessful, under the terms of the Agreement, the Forrest Group would have the opportunity to terminate the Agreement of Purchase and Sale. Invest Barrie could then return the parcel to market for sale.

It is therefore recommended that General Committee approve the sale to Forrest Group.

FINANCIAL

30. As part of the disposition process for the downtown parking lots, Council Motions 15-G-160 and 16-G-037, stipulated that a combined maximum of \$35,000 be allocated from the Industrial Land Reserve for the purpose of obtaining appraisals, and a maximum of \$110,000 be allocated from the Industrial Land Reserve for the purpose of obtaining environmental assessments and for marketing purposes. Upon sale of the properties, the funds were to be reimbursed to the Industrial Land Reserve (13-04-0430).
31. To date, a total of \$76,424 (plus HST) has been expended for these services. These costs are to be returned to the Industrial Land Reserve (13-04-0430) out of the proceeds of disposition on the property. Remaining recoverable expenditures for appraisal, environmental assessments and marketing purposes are to be returned to the Land Sale Reserve upon future sales and are expected to remain within the existing allocation approved by Council.
32. The Purchaser also used a broker for the purchase of the land. The City stipulated as part of its disposition process to pay a commission of 2.5% (plus HST) on the total sale price of the Property. The commission amount totals \$25,440.
33. The remaining net amount of \$898,353 is to be allocated to the Parking Reserve.

LINKAGE TO 2014-2018 STRATEGIC PLAN

34. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:
- Support diverse and safe neighbourhoods
35. The sale of city-owned parking lots in the downtown core facilitates the multiple strategic objectives for the City's downtown. In brief, the sale and development aligns with the City's vision growth, economic development and social needs. The offer is also at fair market value and will generate tax and development revenue for the City.

APPENDIX "A"

55-57 McDonald Street & 61-67 Owen Street Aerial



APPENDIX "B"

Combined Lands: Owen/McDonald & Worsley/Owen

