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**TO:** GENERAL COMMITTEE

**SUBJECT:** WAIVER OF CITY RIGHTS, FORMER CITY INDUSTRIAL LAND – 450 HURONIA ROAD

**WARD:** 8

**PREPARED BY AND KEY CONTACT:** P. DYCK, BUSINESS DEVELOPMENT OFFICER, EXT. 5228

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

**GENERAL MANAGER APPROVAL:** Z. LIFSHIZ, EXECUTIVE DIRECTOR OF INVEST BARRIE

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

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### **RECOMMENDED MOTION**

1. That the City waive its right to repurchase the lands described as Innisfil CON 12 PT LT 10 RP 51R34415 PART 2, known municipally as 450 Huronia Road from DCSR Investment Corp.
2. That the City Clerk be authorized to execute any associated documentation required in a form satisfactory to the Director of Legal Services.

### **PURPOSE & BACKGROUND**

#### Report Overview

3. The purpose of this Staff Report is to seek Council approval to waive the City's right to buy back the former City industrial lands located at 450 Huronia Road.
4. On February 20, 2006, City Council adopted motion 06-G-072 regarding the "Offer to Purchase – Prodomax International Inc." Prodomax International Inc. purchased two parcels adjacent to their existing site at 455 Welham Road. One being described as the westerly part of Plan 51R-31332 consisting of 3.77 acres (111 Ellis Drive) and the other described as the easterly part of 51R-31332 consisting of 3.55 acres (450 Huronia Road). Each parcel was purchased separately under a unique purchase agreement. The westerly portion was developed first and the agreement contained the City's standard clauses and conditions related to development of the property. The easterly portion was intended to be developed at a later date and the development and construction requirements were struck from the agreement.
5. In the absence of development requirements, the provision regarding re-selling the property to avoid 'flipping' of the site did remain intact on the easterly lands (450 Huronia Road). Accordingly, Motion 06-G-072 specified the following:

"That.... the City Clerk and Mayor be authorized to execute the Agreement of Purchase and Sale from Prodomax International Inc. for a 3.55 acre (1.44 hectare) parcel of City owned industrial land described as the easterly part of Part 2, Plan 51R-31332, at the corner of Ellis Drive and Huronia Road in the South Barrie Business Park, for the purchase price of \$85,000 per acre, subject to the following exceptions and additions to the Standard Offer.

- ... d) The Vendor '(The City of Barrie)' agrees to the removal of Paragraphs 3 and 4 of Schedule "A", which address the timing of the start date and completion of construction along with minimum and maximum coverage for the subject parcel and the associated enforceability of repurchasing the land should the Purchaser not meet those requirements.
- e) The Purchaser agrees that it cannot sell the land, or any part thereof as vacant land without first offering to sell the lands to the City of Barrie at the price equal to 90% of the original purchase price."
6. The sale closed in May, 2007 and based on a new survey and R-Plan, the area for the easterly portion (450 Huronia Road) was recalculated to be 3.13 acres.
  7. Prodomax is an established, local company that has been operating in Barrie since the early 1970's and are global experts in machine integration and automation serving the automotive and other industries. Prodomax International Inc. was the landholder and Prodomax Automation Ltd. was the business operation. Prodomax has grown substantially over that time, employing residents, supporting other local industry through supply chain, and investing in the expansion and development of the properties they own.
  8. The purchase of 111 Ellis Drive and 450 Huronia Road, supported the growth that Prodomax Automation Ltd. was experiencing at the time. Prodomax International Inc. subsequently expanded and constructed industrial buildings on both 455 Welham Road and 111 Ellis Drive. 450 Huronia Road was not developed.
  9. The original intent when the lands were purchased by Prodomax International Inc., was to develop a campus of industries along Ellis Drive. Due to economic conditions and business shifts after the economic downturn in 2008, Prodomax International Inc. sold their land and existing building at 111 Ellis Drive to Jebco Industries to facilitate their business expansion to Barrie. Prodomax retained the parcels on both 455 Welham Road and 450 Huronia Road.
  10. In 2015, the owners sold a controlling interest in the business (Prodomax Automation Ltd.) to a Canadian private equity firm, and retained the land assets that included 455 Huronia Road as Prodomax International Inc. (now DCSR Investment Corp).
  11. Currently, 450 Huronia is owned by DCSR Investment Corp which is overseen by one of the previous owners of Prodomax Automation Ltd., Mr Sab Ravalli. Given the buy-back clause provided in the agreement, Staff have received a written request from Mr. Ravalli asking that the City waive the buy-back provision in favour of the sale of the property to Kingslea Developments to facilitate development of the property.

## **ANALYSIS**

12. DCSR Investment Corp. currently has an agreement in place to sell the lands to Kingslea Developments, who are based in Toronto. Kingslea has developed several multi-tenant industrial buildings in Barrie, and has previously purchased industrial lands from the City of Barrie. The last being 55 Reid Drive, which it purchased from the City in 2016 and has subsequently constructed an industrial building which is currently fully leased
13. Staff have been in contact with Kingslea regarding 450 Huronia Road. The purchase agreement has not closed as both the seller and buyer are waiting for the City to determine its position regarding the buy-back provision. Kingslea does have a prospective tenant expected to occupy the space. Kingslea is seeking to construct a 30,000 sq.ft. warehouse to accommodate a local business, seeking to expand.

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14. 450 Huronia Road consists of a 3.13 acre site which is zoned Light Industrial. This permits a maximum site coverage of 60%, which translates to roughly 81,800 sq.ft. Kingslea is planning initial construction of a 30,000 sq.ft. facility and have indicated they anticipate expanding the building footprint in the future as they secure additional tenants.
  15. The original sale price for the property in 2006, was \$85,000/acre, totalling \$266,050 for the 3.13 acre parcel. Ninety percent (90%) of this value equals \$239,445. The current sale price for the property between Kingslea and DCSR Investment Corp reflects current market value, which is substantially higher.
  16. Since acquiring the lands from the City in 2006, industrial land values have appreciated significantly. The intent and purpose of the buy-back clause contemplated in the original agreement of purchase, was to protect against buyers 'flipping' land for profit. Given that the seller has invested significantly in building Prodomax Automation Ltd., which continues to grow in our community, and the history of the property acquisition, it is reasonable that the seller's intent was not to flip the property.
  17. Further, the wording of the clause in the purchase agreement does not require DCSR Investment Corp to build on the lands nor is there any requirement for the owner to sell the lands. Should the buy-back provision not be waived for the property, DCSR Investment Corp could terminate its current agreement with Kingslea and the lands would remain undeveloped.
  18. The City continues to receive property tax on the vacant site. Achieving development, employment and tax revenue on a developed site, provides far greater benefit to the City, and as such, it is recommended that the City waive its right to repurchase the land and allow the sale to Kingslea Developments to proceed.

#### **ENVIRONMENTAL MATTERS**

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

#### **ALTERNATIVES**

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

**Alternative #1**

General Committee could choose to not waive the City's buy-back provision at 90% of the original purchase price. This alternative is not recommended as the purchase agreement has no enforcement mechanism whereby the land owner is required to sell the lands back to the City. DCSR Investment Corp could terminate its current agreement with Kingslea Developments and the lands would remain undeveloped.

**Alternative #2**

General Committee could contemplate directing staff to negotiate a purchase agreement with DCSR Investment Corp for the property at 90% of it's current market value. The City would incur costs associated with the buy-back and resale (legal and broker fees, etc), lost tax revenue while the property is in the City's possession, appraisal work required, in addition to the financial burden to the City of funding the land purchase. These costs, in addition to the opportunity cost of the lost opportunity to facilitate a local business expansion, do not provide a fiscal benefit to the City. As such, this alternative is not recommended.

**FINANCIAL**

21. Currently, the City receives property tax on the property at the vacant industrial rate. Should Kingslea Developments complete the construction of a 30,000 sq.ft. facility this would translate into a Development Charge of \$652,500 (based on the current rate of \$21.75 / sq.ft.) in addition to increased property taxes for a developed property.

**LINKAGE TO 2018–2022 STRATEGIC PLAN**

22. The recommendation(s) included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:
- Growing Our Economy
23. Achieving development, employment and tax revenue on a developed site, provides far greater benefit to the City, and as such, it is recommended that the City waive its right to repurchase the land and allow the sale to Kingslea Developments to proceed.

