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**TO: GENERAL COMMITTEE**

**SUBJECT: SALE OF CITY OWNED INDUSTRIAL LAND, 44 HOOPER 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: ZVI 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 Clerk be authorized to execute the Agreement of Purchase and Sale between the City and Darvon Sales Inc. for the 2.5 acre parcel of City owned industrial land described as Lot 5 on Plan 51M-378 and known municipally as 44 Hooper Road (the Property), for the purchase price of \$220,000 subject to the following terms and conditions:
  - a) 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; and
  - b) The Purchaser acknowledges the Purchase Agreement incorporates the City’s standard preliminary development agreement which in part stipulates the following:
    - i) The Purchaser will, within twenty four (24) months of registration begin construction of the industrial complex, and complete said construction within one (1) year of its initiation;
    - ii) If construction is not completed as required the Purchaser cannot sell the Property without first offering to sell the lands to the City at 90% of the original sale price; and
    - iii) The Purchaser acknowledges that it is responsible for any fees to connect the laterals to sanitary sewers, water and hydro, as well as any costs associated with the installation of laterals to connect to the services.
2. That the net proceeds from the sale of 44 Hooper Road, less the 2% parkland dedication fee to be allocated to the Parkland Reserve, be allocated to the Industrial Land Reserve (13-04-0430).
3. That the City Clerk be authorized to amend any dates in the Purchase Agreement, as authorized by the Director of Business Development and the Director of Legal Services.

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## **PURPOSE & BACKGROUND**

### Report Overview

4. The purpose of this staff report is to seek approval for the sale of the municipally-owned lot of industrial land located at 44 Hooper Road (Appendix 'A'), to Darvon Sales Inc. (the Purchaser) in the amount of \$220,000.
5. The lot is approximately 2.5 acres in size, and is located on the North side of Hooper Road. The rear of the Property, is comprised of a ravine area roughly 1.5 acres in size. The drop in elevation from the edge of the usable area, which is level with the road, to the lower part of the ravine is roughly 10m. Given the topology and the engineering & conservation authority requirements, the ravine area is considered undevelopable.
6. Staff have had some preliminary discussions with the Lake Simcoe Conservation Authority which would oversee any development and encroachment onto the affected lands. They have indicated that several requirements would need to be met:
  - a) Any proponent would need to provide a top of bank survey;
  - b) A geotechnical analysis indicating the stability of the soils and stable top of bank;
  - c) A building set back from the stable top of bank could be as large as 15m; and
  - d) Site grading would need to ensure drainage moves toward the road and not the rear of the property.
7. 44 Hooper Road is the City's last remaining industrial parcel of land. The land has various constraints such as the ravine, geotechnical and conservation issues plus narrow frontage on Hooper Road, making the land parcel more challenging to develop, which is reflected in its land value.

## **ANALYSIS**

8. Darvon Sales Inc. (the Purchaser) also sells heavy construction equipment worldwide, and has been in business for roughly 10 years. Darvon Sales Inc. is also a Barrie owned and operated business.
9. The owners of Darvon Sales, also own the Redline Brewhouse which began operating in 2015. Redline Brewhouse is currently located at 431 Bayview Drive and operates both a Brewhouse (production, packaging, warehousing, refrigeration and lab) and a 6,000 sq.ft. restaurant..
10. Redline's business has grown beyond its expectations. Brewing output in their current facility has reached its capacity. As such, they wish to build a 10,000 – 12,000 sq.ft. facility at 44 Hooper Road, that will house the brewing, canning and warehousing operations, along with the potential for event space.
11. The expansion would allow Redline Brewhouse to employ an additional 10 staff related to the beer production, packaging, warehousing, maintenance and delivery.
12. 44 Hooper was last appraised in 2014. Given the length of time since this appraisal and current market conditions, another appraisal was requisitioned and completed in December 2017. The appraiser noted that comparable lands where being sold in the \$250,000 - \$275,000 per acre range. However, given 44 Hooper's smaller developable area of roughly 0.85 acre and marginal utility for another 0.15 acre, the valuation was deemed to be \$220,000. No value was derived from the 1.5 acres within the lower ravine area.

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13. The City's normal requirement for any developer to begin construction is 12 months, however given the difficulty of the topography and the extensive requirements for conservation and building approvals the purchase agreement provides the Buyer with a 24 month period in which to begin construction. Completion of construction must be accomplished within 1 year of commencement.

#### **ENVIRONMENTAL MATTERS**

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

#### **ALTERNATIVES**

15. The following alternative is available for consideration by General Committee:

**Alternative #1** General Committee could choose to not sell the lands to Darvon Sales Inc. This action is not recommended as the company (and associated Redline Brewhouse) is an existing local business seeking to expand its employment base, operations, and building foot print to develop a new facility at 44 Hooper. The sale of the property supports the City's goals for the disposition of its industrial land by fostering employment and business growth.

#### **FINANCIAL**

16. There will be a loss on the sale of the Property in the amount of \$-2,789 (proceeds on sale of \$220,000 less the commission of \$10,780 and less the \$212,009 Net Book Value).
17. Annual municipal realty taxes as per the 2017 BMA study would be \$9,720 based on a total build out of 12,000 sq.ft. of industrial space. One time municipal development charges are estimated to be \$248,040 based on the current DC rate of \$20.67 per sq.ft.

#### **LINKAGE TO 2014-2018 STRATEGIC PLAN**

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

Vibrant Business Environment

APPENDIX "A"

Aerial and Location

