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**TO:** GENERAL COMMITTEE

**SUBJECT:** 1-15 Bayfield Street & 9 Simcoe Street Rationalization and Disposition Process

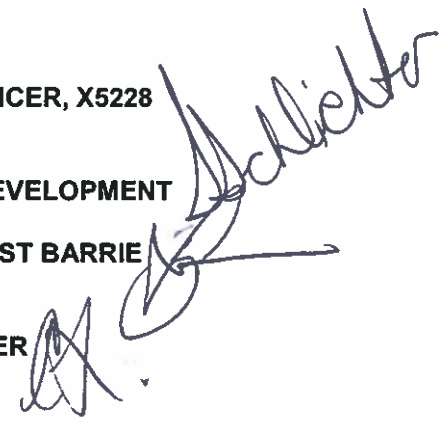
**WARD:** 2

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



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**RECOMMENDED MOTION**

1. That the following lands as further described in Appendix "C", be re-declared surplus to the City's needs:
  - a) 15 Bayfield Street,
  - b) The land segment immediately adjacent and to the east of 15 Bayfield with no fixed address,
  - c) 9 Simcoe Street,
  - d) 1 Bayfield Street.
2. That staff in the Planning and Building Services Department be authorized to initiate a re-zoning application for the lands known municipally as 1-15 Bayfield Street and 9 Simcoe Street from the current site specific Central Area Commercial C1-1 (SP-422) designation to a C1-1 commercial zoning with modified Special Provisions as summarized in paragraph 31 of Staff Report BDD012-16 and that the City Clerk be authorized to execute the required application for same.
3. That the parts of the lands known municipally as 31, 33-37 Dunlop Street East also zoned C1-1 (SP-422), also be included in the application for rezoning subject to the property owners consent.
4. That staff be authorized to obtain a Phase II Environmental Site Assessment (ESA) including any supplemental reports for offsite investigation for the subject lands, and that funding to a maximum of \$75,000 be provided from the Industrial Land Reserve to complete the Phase II ESA.
5. That a maximum amount of \$7,000 be funded from the Industrial Land Reserve, to complete appraisals for the subject lands.
6. That proceeds from the sale of the Properties reimburse the Industrial Land Reserve for both the appraisal and ESA Phase II assessment, with any additional proceeds being allotted to the benefit of the Parking Reserve.

7. That staff in the Business Development Department be directed to proceed with the disposition process identified and attached as Appendix "A" to Staff Report BDD012-16.
8. That Staff in the Business Development Department be authorized to negotiate an agreement of Purchase and Sale for 1-15 Bayfield Street and 9 Simcoe Street and report back to General Committee for approval of same.

## **PURPOSE & BACKGROUND**

### **Report Overview**

9. The purpose of this staff report is to outline the primary steps necessary for the sale and development of the lands known as 1-15 Bayfield Street and 9 Simcoe Street, and to obtain approval for the consideration of a re-zoning of the property, an ESA Phase II, and the disposition process.
10. The lands at 1-15 Bayfield Street and 9 Simcoe Street (which has been changed to Chase McEachern Way) were previously declared surplus. However, given the length of time since the lands were actively marketed for sale, it is prudent to once again declare the subject lands surplus.
11. The lands have twice been previously made available for sale by the City since 2006. The initial proposal was via a Request for Expressions of Interest in 2006. This led to some potential sale and development activity in 2007-2008. A sale of the lands was not completed. In 2010, the City issued a Request for Proposal which resulted in interest from several proponents, however, a property transaction was not completed at that time.
12. On June 22, 2015, City Council adopted motion 1-15-G-160 regarding the Rationalization of Downtown Parking Lots. Parts 1 and 2 of the motion are as follows:
  - a) That the strategy for the rationalization of the downtown City owned properties, attached as Appendix "A" to Staff Report BDD002-1-15, be adopted.
  - b) That staff be directed to proceed with steps 1 – 3, identified in the strategy for the rationalization of the downtown City-owned properties, attached as Appendix "A" to Staff Report BDD002-1-15 and report back to General Committee with respect to any actions requiring approval by Council.
13. Appendix "A", to Staff Report BDD002-1-15, outlined a framework by which the disposition of the downtown lots would occur. The first step was to set out the objectives of the disposition. The objectives being:
  - a) **Growth and Vibrancy:** Increase the density of residential development and thriving businesses in the City Centre.
  - b) **Integration:** Ensure the sale and development of the lands aligns with, and advances, existing City Centre plans and policies.

- c) **Strategic Development:** Promote projects that significantly accelerate economic growth and employment opportunities, while advancing the vision and goals of the City Centre.
  - d) **Financial Position:** Help improve the City's financial position.
  - e) **Affordable Housing:** Advance the opportunity for City participation in community housing projects, by partially donating the specified properties to the appropriate non-profit housing programs.
  - f) **Parking Availability:** Achieve a stated parking optimization rate of 87%.
14. Based on the above objectives, each downtown parcel was evaluated to determine its highest and best use. 1-15 Bayfield Street and 9 Simcoe Street were evaluated as 'strategic parcels' with the following rationale:

"Parcels that are closest to the water are the most strategic. These parcels have the highest potential of yielding a development that will significantly accelerate economic growth and employment opportunities, while advancing the vision and goals for the City Centre."

15. The strategic parcels were also guided by the order and method by which the disposition(s) would occur as follows:

**Disposition Order**

- i) Lots in the "strategic parcels" category will be promoted to the market as soon as the first lot from the "critical mass" category of parcels has been sold, subject to the outcome of the environmental assessment and market conditions.
- ii) The Executive Director of Invest Barrie shall be delegated the authority to determine whether to amend the disposition order of the "strategic parcels" category of lots, so as to market and promote these lots either concurrently with, or prior to, lots from the "critical mass parcels" category. A memo will be provided to members of Council advising of any decision prior to the offering of the property for sale under a different disposition order. The delegation of such authority will provide the Executive Director of Invest Barrie with the ability to react to market and environmental conditions that may encountered during the process.
- iii) Developers will be encouraged to consider the optimal use of the parcels in proposing a development. As such, to optimize the development potential, 1-15 Bayfield Street and 9 Simcoe Street will be sold jointly for the purpose of creating a land assembly that can enhance the potential for a strategic development. These two properties will be sold first in the strategic properties category.
- iv) 2-4 Simcoe Street will be available to be purchased in conjunction with 1-15 Bayfield Street and 9 Simcoe Street, as part of a larger assembly, should the properties be required to provide for a more attractive development proposal in consideration of the objectives. Unless 2-4 Simcoe Street is included as part of

an assembly with 1-15 Bayfield Street and 9 Simcoe Street, it will only be sold after the sale of the other 2 properties is complete.

**Disposition Method**

- v) Due to the strategic nature of these parcels, with the potential for catalytic developments, the disposition method will need to be carefully selected. As such, a detailed process will be designed to elicit desirable development proposals according to pre-identified evaluation criteria that ensure transparency and fairness in the process. Staff will report back with the detailed process, to obtain Council’s approval.
  - vi) All properties will be sold for fair market value, based on a formal appraisal, which may identify discounted value due to impacts such as environmental condition, which may directly affect property value.
  - vii) Unsolicited proposals that are outside of the designated process will not be considered.
16. The Genivar parking study of 2011, indicated that downtown parking lots were at most utilized 45% at any given time. Although this varies between lots and areas, this would mean the overall vacancy was roughly 55%. The 9 Simcoe Street Street lot contains 90 public parking stalls and the 1-15 Bayfield Street Street lot contains 45 parking stalls. Overall utilization was calculated by Genivar as part of Zone 1, which also included the municipal lots located at 10-14 Collier Street and 23 Collier Street. Parking lot utilization for all 4 lots in this zone was calculated to be 49%. Genivar also calculated 365 on–street spaces in the Zone 1 vicinity, with an overall utilization rate of 55%.
17. A recent analysis of parking utilization was conducted by Traffic & Parking Services on the subject lands with the following outcomes:

	May 4, 2016	June 6, 2016
<b>9 Simcoe Street Street</b>	70 % Occupancy	84 % Occupancy
<b>1-15 Bayfield Street Street</b>	13 % Occupancy	29 % Occupancy

**ANALYSIS**

18. The intention of the disposition order of the strategic parcels was to be guided and influenced by the ‘critical mass’ properties, and was also subject to such things as environmental and market conditions. Given the strong and solid performance of the local real estate market and market interest in the subject lands, the Executive Director of Invest Barrie is exercising the authority provided under paragraph 14.ii to initiate the disposition process prior to the sale of a ‘critical mass parcel’, in order to leverage favourable market conditions.
19. Paragraph 14.iv of the disposition order contemplates the inclusion of 2-4 Simcoe Street – the parking lot directly to the east of 9 Simcoe Street as potentially being part of the assembly and sale. Given the residential nature of the surrounding uses on 2-4 Simcoe Street and the

development objectives being sought for the 1–15 Bayfield Street and 9 Simcoe Street lands as outlined in 'Appendix A', it is not currently being contemplated as part of this disposition process. As such, 2-4 Simcoe Street lot will undergo a separate evaluation for disposition as outlined in the Paragraph 14.iv of the disposition order.

20. An offer process has been designed to elicit desirable development proposals according to pre-identified council priorities attached in Schedule A. The following disposition process is being recommended:
- a) Submission to Council for review and approval of land surplus and disposition process
  - b) Phase II Environmental Site Assessment (con-current with re-zoning )
  - c) Rezoning Review
  - d) Appraisal of subject lands ( In parallel with re-zoning and Phase II ESA)
  - e) Sale/marketing of lands through Exposure Period process
  - f) Receive Offers through Offer Period
  - g) Report and/or recommendation to Council of offers received.

#### Re-Zoning Rationale

21. By Law 2008-126 changed the zoning for the lands from Commercial (C1-1) and Open Space (OS) to Central Area Commercial (C1-1) (SP-422). The SP-422 designation added several specific requirements to the permitted uses:
- a) the development shall have a minimum 144 room hotel as part of the first phase of the development project;
  - b) the development of a meeting and convention facility to accommodate a minimum of 650 people as part of the first phase of the development project;
  - c) the development of a minimum 300 m<sup>2</sup> (3,230 sq.ft.) of at grade retail commercial space as part of the first phase of the development project and shall have a minimum of a total of 1000 m<sup>2</sup> (10,764 sq.ft.) of at grade retail and commercial space prior to the approval of occupancy of any residential condominium unit.
  - d) Building height shall be a maximum of 47m.
  - e) That the lands zoned C1-1 SP422 shall be deemed to be a single lot.
22. Motion 08-G-343 approved the re-zoning of the subject lands to its current C1-1 (SP-422) zone. At the time of the re-zoning, the City was in negotiations with a purchaser for the subject lands for a specific development.
23. The re-zoning was recommended to be site specific to both bring the zoning of the subject lands into conformity with the City's Official Plan, to ensure that the final development of the site accommodated the uses envisioned by *The Next Wave* and the *Downtown Commercial Master Plan*, and to ensure that the site was not developed exclusively for residential uses.

24. The lands subject to the zoning provision also included 3 parcels that are not under control of the City and are privately-held. At the time of the re-zoning, these parcels were to be included by as part of the purchaser's overall development.
25. Business Development Staff will be contacting the owners of the 3 non-City owned lots to advise of the City's disposition process and associated recommended zoning changes. Should the private land owners provide consent, the City will include their parcels as part of the re-zoning application.
26. For the purposes of placing the City-owned parcels on the market, the privately held parcels will not be considered as part of the opportunity. Any proponent could seek to secure and incorporate the privately held parcels at their own discretion.
27. The development requirements established through the SP-422 zoning provision was to satisfy the original purchaser of the property. Since that time, the vision for the desired development of the lands has evolved and the restrictive nature of the zoning related to the development of a specific number of hotel rooms and capacity for a convention facility limit the attractiveness of the site from a market potential.
28. While the City still wishes to have a hotel in the downtown, the nature of the business model can vary pending on the hotel brand, operating requirements, and the market and location for which it serves. To provide the greatest opportunity to attract a desired development to the downtown that incorporates a hotel, it is recommended that the minimum requirement for a hotel in the first phase of development be retained and the minimum 144 room requirement be removed from the SP-422 provision on the site through the re-zoning process.
29. The provision of a meeting and convention centre remains desirable to the development of the lands, however, the type of meeting/banquet/convention space and the associated capacity is best determined by the market, hotel operating model and overall feasibility of the project. To provide the greatest opportunity to attract a development that incorporates a hotel with meeting/convention centre/banquet facility space, it is recommended that the convention centre facility requirement be removed in its entirety from the SP-422 provision on the site through the re-zoning process. The desire for meeting space will be reflected in the offer process as outlined in Appendix 'A'.
30. Paragraph c) of SP(422) relates to the proportion of at grade retail commercial space identified in the original development proposal. It is recommended that this provision be removed as the zoning standard for a C1-1 zoning designation requires a commercial component of a minimum of 50% of the lot area. This standard zoning requirement would address the vision for the development for the property to include a commercial component and therefore not needed to be specified under an SP designation.
31. As part of the re-zoning process, Staff are further recommending that the building height requirement be reviewed in context with the City's Planning policies, the vision for the downtown and in reflection of viewsheds for Meridian Place, adjacent to the subject lands.
32. It is therefore recommended that the City rezone the lands to amend the SP-422 provisions to remove sections b) and c), retain section e, and amend section a) as follows:

a) the development shall have a hotel as part of the first phase of the development project;

The provision in section d) related to height be reviewed as part of the re-zoning process. .

#### ESA Phase II Rationale

33. As a result of prior negotiations for purchase of the subject lands, both 1-15 Bayfield Street and 9 Simcoe Street have had both Phase I and Phase II Environmental Site Assessments (ESA's) completed since 2006. A supplemental Phase II assessment was completed for 1-15 Bayfield Street in 2007 which took a more detailed look at soil and groundwater conditions found in the earlier Phase II and a delineation program was assessed in 2008. The report also included a high level costing program. In 2011, 1-15 Bayfield Street underwent a further Phase I & II assessment to reflect updated regulations. .
34. In all cases, soil and groundwater exceedances were observed and as a result the sites did not meet the applicable MOE standards.
35. In conjunction with the re-zoning process, an updated ESA Phase II will need to be completed on the 1-15 Bayfield Street and 9 Simcoe Street sites. Given changes to MOE standards, a Phase II will be required to be completed again to ensure adherence to updated regulations and requirements.
36. Should any resulting remediation measures be required, they would be considered as part of a negotiation process independent of the offer of purchase through a remediation agreement.

#### Appraisal Rationale

37. An updated appraisal will also be required to establish market value for the subject lands, and an asking price for which to go to market.

#### Parking Rationale

38. Given the volume of municipal parking provided by these city-owned lots and current utilization, it is proposed that a portion of the 135 public parking spaces be incorporated as part of any re-development of the property.
39. As such, the City would consider development/operating models that incorporate public parking spaces within any development proposal for the site. The minimum number of required spaces will be identified as part of the parking strategy and incorporated into the offer package.
40. Appendix 'A' establishes the disposition process, which will occur upon the completion of the re-zoning, appraisal and concurrently with the ESA Phase II.

#### ENVIRONMENTAL MATTERS

41. The following environmental matters have been considered in the development of the recommendation:

- a) The lands are deemed to be not meet MOE standards and additional analysis is required.
- b) Recommendations from qualified personnel are required to provide recommendations for any potential remediation.
- c) Should any resulting remediation measures be required, they would be considered as part of a negotiation process independent of the agreement of purchase and sale through a remediation agreement.

## **ALTERNATIVES**

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

### **Alternative #1**

General Committee could maintain the existing site specific zoning by-law with respect to the 1-15 Bayfield Street and 9 Simcoe Street.

This alternative is not recommended as the current zoning is restrictive and prohibitive and may deter the development community from placing offers on the property. While achieving a hotel for the location is a desired outcome of the disposition process, providing flexibility in the size of the hotel development will provide the greatest opportunity to attract a variety of hotel chains that can be most receptive to the marketplace.

### **Alternative #2**

General Committee could alter the proposed recommendation by not obtaining an updated Phase II ESA prior to the offer period, but rather upon Council approval of an Offer of Purchase for the subject lands.

This alternative is available, and would allow the City to defer any costs until such time as an agreement has been approved by Council. The benefit of deferring works would provide the City more assurances that the property would be developed and the ESA work would not expire.

However, this alternative is not being recommended as delaying the ESA work will add time to the due diligence period required in order to have the report prepared and any corresponding remediation work assessed. This will add significant time to the development process. By initiating the work immediately, the time to development by an approved purchaser can be reduced.

### **Alternative #3**

General Committee could choose not to approve the disposition process as addressed in Appendix 'A' in favour of an alternative process.

This alternative is not recommended as the process has been established in collaboration with Legal & Real Estate Services in order to provide staff with the ability to market and be responsive to investor interest, while ensuring a clear and transparent process for disposition. The City is the owner of the lands and as such, retains the right to sell or not sell the property based upon the offers received.



**Alternative #4**

General Committee could choose to retain 1-15 Bayfield Street Street and 9 Simcoe Street municipal lots until the 'Critical Mass' parcels currently on the market have been developed.

This alternative is not recommended as current market conditions are favourable due to elevated levels of activity in the real estate market for both residential and commercial/industrial development. Overall market interest for development opportunities across the City and specifically downtown is high and Business Development has received market interest in hotel development downtown.

**FINANCIAL**

43. A maximum amount of \$7,000 be funded from the industrial land reserve, to complete the appraisal for the property, and any proceeds from the sale of the property be returned to the reserve, with any additional proceeds being to the benefit of the Parking Reserve.
44. A maximum amount of \$75,000 be funded from the industrial land reserve, to complete an ESA Phase II for the property, and any proceeds from the sale of the property be returned to the reserve, with any additional proceeds being to the benefit of the Parking Reserve.
45. The Industrial Land Reserve fund currently retains a positive balance to support the expenditures outlined above. The fund will require to be drawn upon over the coming years to complete capital works (ie. tree planting, etc.) related to subdivision completion requirements for the Mapleview West Business Park as this was a City-owned business/industrial park.

**LINKAGE TO 2014-2018 STRATEGIC PLAN**

46. The recommendation(s) included in this Staff Report support the following goals identified in the 2014-2018 Strategic Plan:
  - Vibrant Business Environment

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**APPENDIX "A"**

Disposition Process:

Appendix 'A' sets out the core criteria for which an offer process will be established and consequently recommended to Council for approval.

1. Direct Sale - staff will place a sale sign on the properties to be sold, and will promote the sale via resources (digital and traditional) that are available to the City and will include engagement and promotion with the development and site selection community in the GTA. The properties will not be listed with a broker.
2. The Executive Director of Invest Barrie shall in consultation with Legal Services, develop conditions and requirements of the sale that align with the development objectives set out in Appendix 'A' and any other conditions that are deemed to be in the City's interests for the lands.
3. The City will pay a flat commission of 2.5% plus HST on the total sale price to a purchasing broker.
4. Offers on the property will only be accepted following a 90-day market exposure period.. The purpose of the exposure period is to allow investors, including those outside of the region, to become aware of the opportunity, and to create sufficient demand so as to maximize the sale price.
5. Offers on the property will only be accepted during a set timeframe, known as the 'Offer Period', which will be the 30 days immediately following the exposure period. The purpose of the Offer Period is to maximize the competition amongst potential purchasers, which is expected to maximize the sale price.
6. Should no suitable offers be received during the offer period, the Executive Director of Invest Barrie shall be delegated the authority to determine whether to repeat the process again with increased promotional activity during the exposure period, remove the property from the market, or to develop a different disposition method. A memo will be provided to members of Council advising of any decision prior to the offering of the property for sale under a different disposition method. The delegation of such authority will provide the Executive Director of Invest Barrie with the ability to react to market feedback that may be received during the process.

Offer Requirements:

7. The City of Barrie will be accepting offers for the Sale of its lands located at 1-15 Bayfield Street and 9 Simcoe Street, through an offer period process.
8. Offers will reflect fair market value.
9. Offers will be accepted in hard copy only. The City's Standard Offer of Purchase and associated conditions will be included in an attached schedule to the 'Offer Package' to be made available on the City's website.

10. A Phase II ESA will be completed for the property and any environmental considerations will be considered as part of an independent remediation agreement, if required.
11. A deposit cheque of (\$50,000) is to be included with the signed copy of the Offer to Purchase when submitted to the Business Development Department. Cheques will be held in the Finance Department until an offer has been accepted. At such time, any unsuccessful offers will have their cheques returned.
12. All offers must provide the following information to accompany the Standard Offer to Purchase:
  - a) Who is the developer (company name, its principals, contact person and phone number)
  - b) Experience in delivering comparable projects, providing examples, where appropriate.
  - c) Size and type of development being proposed:
    - i. Residential/Commercial/Institutional (percentage of each type of use, where applicable)
    - ii. Proposed number of units (for residential/commercial) and/or approximate square footage
    - iii. Potential users
    - iv. Proposed height
    - v. Proposed massing of the building
  - d) Any variances from the current zoning standards of the property that may be required to accommodate the development proposal.
  - e) Name and contact details of real estate representative if applicable.
  - f) Please note that architectural drawings are not required for the submission.

Development Considerations:

13. Chase McEachern Way is to be retained by the City as it is a municipal right of way. Development proposals will contemplate either a turning circle abutting Memorial Square or a one-way road access at the easterly boundary of the property to Simcoe Street.
14. Retaining public parking spaces will be a requirement of any development on the lands. As such, the City will consider development/operating models that incorporate public parking as part of the development. The number of required and spaces and the associated development/operating models will be contemplated as part of the City's overall parking strategy and incorporated in the 'Offer Package' at the time of issuance.

Upon the closing of the Offer Period, the following principles will guide the selection of recommended purchasers of the property:

15. Given that these lands are identified within the Strategic Parcel classification, the City of Barrie will only entertain offers that would most effectively fulfil the vision for the downtown waterfront, as reflected in various plans of the City.
16. The City of Barrie will give priority consideration to offers that:
  - a) Contain a mixed used development that includes ground-level retail and a hotel.
  - b) Commitment to deliver the development project in a timely manner.

The City of Barrie also considers the following as a desirable attribute to the development:

- c) The inclusion of convention centre and/or banquet and/or meeting space.
- 17. The terms of the sale may be negotiated prior to presentation to General Committee.
- 18. Staff will report on the outcomes of the offer process to General Committee. Invest Barrie retains the option to recommend that no offers be accepted. All agreements will be subject to approval by Council.
- 19. The City's proposed financial commitments to redevelopment will be identified under any proposed Built Boundary CIP in effect at the time of development.

APPENDIX "B"

Lands within C1-1 (SP 422) Zoning



**APPENDIX "C"**

**Legal Description of Lands to be Surplused**

**Parcel #1 (firstly)**

Lot 1 and Part of Lot 2, N/S Simcoe St, Plan 433A, Part of Lot 131, N/S Marks St, Plan 2, being Parts 1 and 2 on Reference Plan 51 R-20248, City of Barrie, County of Simcoe being all of PIN 58795-0079(LT);

**Parcel #2 (secondly)**

Part of Lot 131, N/S Marks St, Plan 2, Part of Lot 2, N/S Simcoe St, Plan 433A, being Part 1 on Expropriation Plan SC727960, City of Barrie, County of Simcoe, being all of PIN 58795-0234(LT);

**Parcel #3 (thirdly)**

Part of Railway Property Barrie (Btn Lot 11 N/S Dunlop St & West limit of Bayfield St) (aka Public Square and Water Lots in front of Lots 8-11 & Owen Street N/S Dunlop St, Part of Water Lots in front of 131-133 S/S Marks St and Lot 5, Plan 347) as in RO180147 PCL 2, Part RDAL Btn Con 4 & 5 (formerly Vespra) as in RO822458, Pcl 5, lying Btn Simcoe St and CNR, Part Dunlop St, Plan 2 (closed by By-Law 2542 as in RO118755) and further described as parts on a reference plan to be deposited, City of Barrie, County of Simcoe, being part of PIN 58795-0198(LT);

**Parcel #4 (fourthly)**

Part of Water Lots 8-16, S/S Dunlop St, Part of Water Lots 131-133, S/S Marks St, Plan 358 and Part of Water Lot in front of Owen St, all in front of Plan 2, designated as Parts 1 and 15, Plan 51R-28485; further described as parts on a reference plan to be deposited; S/T easement over Part of Water Lot 12, S/S Dunlop St in front of Plan 2 Being Part 15, Plan 51R-28485 as in RO1409417, City Of Barrie, County of Simcoe, being part of PIN 58795-0635(LT).

