
TO: GENERAL COMMITTEE

SUBJECT: SALE OF CITY OWNED INDUSTRIAL LAND - 55, 65 and Part of 45 REID DR

WARD: 7

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



RECOMMENDED MOTION

1. That the City Clerk be authorized to execute the Agreement of Purchase and Sale between the City and Kingslea Developments Limited for the 5.0 acre parcel of City owned industrial land described as Part of Block B, (by Judges order SC46082) Plan 51M495, Except Parts 3 & 4 on Plan 51R35924, Part 3 & Part of Part 4 on Plan 51R35959, in the City of Barrie, County of Simcoe and known municipally as 55, 65 and part of 45 Reid Drive, for the purchase price of \$260,000 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 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 has conducted 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 has agreed that the property is subject to an easement along the south and easterly property boundaries, in favour of the City for the purpose of storm drainage;
 - d) 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; and
2. That the net proceeds from the sale of 55, 65 and part of 45 Reid Drive be allocated to the Industrial Land Reserve (13-04-0430), less the 2% parkland dedication fee, which is to be allocated to the Parkland Reserve.

PURPOSE & BACKGROUND

Report Overview

3. The purpose of this staff report is to seek approval for the sale of the municipally-owned lot of industrial land along Reid Drive in the City's Mapleview West Industrial Park (Appendix 'A'), to Kingslea Developments Limited (the Purchaser) in the amount of \$260,000 per acre for the developable portion of the property and 25% of the selling price for the easement portion of lands, totalling approximately \$1,007,500. The exact price will be confirmed based upon the property survey.
4. The parcel is approximately 5.0 acres in size and is situated on the East side of Reid Drive and is bounded by FedEx to the south and remaining vacant land to the north. Approximately 3.5 acres of the subject property is developable. The remaining 1.5 acres (approximate) is a storm drainage ditch constructed by the City to convey stormwater flows from properties in the Mapleview West Business Park, and hence is not developable land.
5. The City will retain an easement over the drainage ditch portion of the lands for access and maintenance.
6. The following terms are part of the Agreement of Purchase and Sale and are being provided here for Council's reference:
 - a) The Purchaser agrees that it will be responsible for any fees to connect laterals to sanitary sewers, water and hydro.
 - b) The Purchaser agrees that it is purchasing the property in its present condition "as is..." The Purchaser further acknowledges and agrees that it will conduct, by the conditional date, 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 acknowledges that acceptance of this offer, including all amendments, is conditional upon the approval of City Council.
 - d) The City retains the right to repurchase the lands at 90% of the purchase price should the Purchaser attempt to sell the Lands without having constructed an industrial building. The right of first refusal will be registered on title with the property on closing.
 - e) In accordance with By-Law 95-104, which establishes the procedure for the sale of municipal property, the lands were declared surplus through motion 97-G-125 and have been publicly advertised for sale through the City's website.

ANALYSIS

7. Kingslea Developments Limited is a privately owned industrial developer with holdings in the GTA marketplace in areas such as, Markham, Vaughan, Toronto (Etobicoke) and Mississauga. Kingslea Developments Limited has selected Barrie as an opportune location to grow its portfolio of industrial properties. Since 2008, Kingslea Developments Limited has purchased several

- privately held parcels of vacant industrial land on King Street and has constructed 110,000 square feet of industrial space and has recently received building permit for an additional 55,000 square feet on its last remaining parcel of land that it owns.
8. Kingslea Developments Limited serves the marketplace by providing industrial units for lease in excess 10,000 to 50,000 square feet. Current tenants include R&M Plastics, LEI Electronics, Best Buy Medical and Richelieu Hardware. Kingslea Developments currently has leases in place for half of the square footage of its newest build on King Street and is experiencing demand for a 50,000 – 60,000 square foot single-tenanted building for which it intends to construct on Reid Drive.
 9. As such, Kingslea Developments Limited is seeking to secure the Reid Drive property expediently in order initiate development to accommodate its potential tenant.
 10. The Purchaser is intending to construct an industrial building ranging from 50,000 – 60,000 sq.ft. on the Reid Drive parcel. Development charges for a 55,000 sq.ft. building, based on the updated adjusted rate of \$19.44 sq.ft. would result in a fee of \$1,069,200. Should Kingslea Developments Limited achieve building permit under the 1.2 million feet of discounted non-retail, non-residential development, development charges would equal \$631,400.
 11. Over the recent years, the City of Barrie has experienced increased absorption of its industrial inventory, both in land and building. We have experienced increased demand for larger industrial buildings in the 40,000 to 60,000 foot range. This is evidenced by recent expansions of Innovative Automation and Linear Transfer Systems and other inquiries and requests that Business Development has received. Current industrial building inventory indicates that there is opportunity to increase availability of industrial space in the City.
 12. Kingslea Developments Limited is offering \$1,007,500 for the 5.0 acre parcel. This equates to \$260,000 per acre for the developable portion of the property and 25% of the selling price for the easement portion of lands. The exact price will be confirmed based upon the property survey. The easement lands consist of a drainage ditch and are infeasible and restricted in the easement language for any type of development. As such, their only value contribution is to support development set-backs and site coverage calculations. Hence, their value is calculated at 25% of market value.
 13. The purchase agreement submitted by Kingslea Developments Limited requires the developer to sell the lands back to the City at 90% of the purchase price should they attempt to sell the lands without developing.
 14. Kingslea Developments Limited is proposing to start construction within 18-months upon closing on the property. The City typically requires one year, however, given timing of construction on their existing King Street site and the need to firm their tenant and design for the Reid Drive project, it is reasonable to provide them with 18-months to construct.
 15. The Maplevue West Business Park (MWBP) is a City developed industrial park made up of multiple parcels in the area of Maplevue Drive West and Veteran's Drive. The total remaining

acreage in MWBP is roughly 16.7 acres, including the 564 Veteran lands, which are also being contemplated for sale and the Reid Drive property. Zoning in the area is Business Park (BP) with a special provision of SP-338, which prohibits hotels and motels.

16. The parcel being proposed to be purchased by Kingslea Developments Limited is part of a larger 8.8 acre parcel within the Mapleview West Business Park. Staff are supportive of dividing this parcel as there is market interest for the remaining approximate 3.8 acre parcel in the park for a further 60,000 square feet of industrial space.
17. The City periodically obtains appraisals for its various industrial land holdings. The last appraisal for the City's Mapleview West Industrial Park in 2014. Several of the Mapleview West lands were appraised including the Veteran's parcel.
18. The 2014 appraised value of the 35-65 Reid Drive property was appraised at \$240,000 per acre. Several City owned sales have occurred since that time however these sales have occurred on the east side of Hwy 400, where industrial land values are considerably less.
19. Recent comparable sales and appraised values are shown below. King Street has seen the most activity and can be considered as comparable. Nearby private sales have been in the \$220,000 to \$274,000 per acre range as seen in the table below.

Sale #	Date of Sale	Location	Type	Sale Price/Acre
1	03/31/2016	281 King Street	Vacant Ind. Land	\$254,600
2	03/04/2016	251 King Street	Vacant Ind. Land	\$271,400
3	01/22/2016	161 King Street	Vacant Ind. Land	\$271,400
4	01/22/2016	231 King Street	Vacant Ind. Land	\$271,400
5	01/22/2016	221 King Street	Vacant Ind. Land	\$274,000
6	06/24/2015	252 King Street	Vacant Ind. Land	\$267,282
7	05/05/2015	162 King Street	Vacant Ind. Land	\$219,900
8	01/21/2015	281 Mapleview (W)	Vacant Ind. Land	\$657,292
9	April 2014 Appraisal	564 Veterans Drive	Vacant Ind. Land	\$245,000
10	April 2014 Appraisal	35-65 Reid Drive	Vacant Ind. Land	\$240,000

20. With the appraised values in mind, and the activity of recent comparable land sales, the value range of the Veterans parcel would be \$245,000 to \$274,000. The Offer from Kingslea Developments Limited is within the value range and reasonable given that the property retains a development agreement on title.
21. Staff recommends the property be sold to Kingslea Developments Limited. The Purchaser has established itself as a successful developer in the City of Barrie and has supported the attraction of new business to the City. This development provides the opportunity to expand Barrie's

employment base and industry sectors, while complimenting the existing facilities within the Mapleview West Business Park and meeting current market demand for industrial space in Barrie.

ENVIRONMENTAL MATTERS

22. 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

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

Alternative #1 General Committee could reject the sale of the property to Kingslea Developments Limited

This alternative is not recommended as Kingslea Developments Limited has made a commitment and investment to build on existing lands in the City of Barrie and is seeking to purchase the Reid Drive property to develop the site for a potential single user of the site. Kingslea Developments Limited has a strong history of development and attraction of tenants in its Barrie and GTA facilities.

Current market demand for industrial land and building has increased in the City of Barrie. The need for increased building inventory will allow for the attraction of more business and employment opportunities to Barrie.

FINANCIAL

24. Net proceeds of the land sale less the 2% parkland dedication fee is to be allocated to the Industrial Land Reserve (13-04-0430). The current sale price is calculated at \$1,007,500 and will be adjusted based on the property survey acreage at a price of \$260,000 per acre for the developable portion and a 25% contribution to the easement lands.
25. The Purchaser of the property is represented by a realtor for this transaction. As such, commission of approximately \$39,621 is payable on the transaction and will be paid from the proceeds of the land sale.
26. Annual municipal realty taxes as per the 2015 BMA study, would be \$66,550 based on a 55,000 sq.ft. industrial building. One time municipal development charges are estimated to be \$1,069,200 at \$19.44 per square foot and \$631,400 if the discounted rate is achieved.

LINKAGE TO 2014-2018 STRATEGIC PLAN

27. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:
- Vibrant Business Environment
28. The sale of city-owned industrial land facilitates the development of an industrial building to attract business and employment opportunities to the City, contributing to Council's Strategic Priority to create a Vibrant Business Environment. The offer is at fair market value and will generate tax and development revenue for the City. For these reasons, it is recommended that the Offer from Kingslea Developments Limited be accepted.

APPENDIX "A"

55, 65 and Part of 45 Reid Drive

