
TO: GENERAL COMMITTEE

SUBJECT: Sale of City Owned Industrial Land, 52 – 68 Rawson Avenue

WARD: 8

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 Morriello Construction Limited for the 5.4 acre parcel of City owned industrial land described as Lots 76, 77, 78 and 79 on Plan 51M-379 Plan of Subdivision of Part of N1/2 and S1/2 Lot 10, Concession 11 Township of Innisfil now in the City of Barrie, County of Simcoe and known municipally as 52-68 Rawson Avenue (the Property), for the purchase price of \$121,000 per acre, 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.
 - b) The sale of the Property is subject to the Purchaser obtaining at its own risk and expense, an Official Plan Amendment, a rezoning and a Building Permit.
 - c) That the Business Development standard preliminary development agreement be amended to eliminate the requirement of the Purchaser to construct a building of any particular minimum or maximum size and the development be subject to zoning and Site Plan requirements in that regard only.
 - d) 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 one (1) year 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 City shall have the option to repurchase the Property at 90% of the original sale price;

- iii) 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;
2. That the City as owner of the Property, authorize the Purchaser at its own risk and expense, to proceed with its application to rezone and obtain the necessary Official Plan amendment for the Property to facilitate the proposed usage of the Property (General Industrial) and the City Clerk be authorized to execute the necessary documents for same.
3. That the net proceeds from the sale of 52-68 Rawson, less the 2% parkland dedication fee to be allocated to the Parkland Reserve, be allocated to the Industrial Land Reserve (13-04-0430).

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 along Rawson Avenue (Appendix 'A'), to Morriello Construction (the Purchaser) in the amount of \$121,000 per acre, totalling approximately \$653,400.
5. The combined parcels are approximately 5.4 acres in size, and are located on the west side of Rawson Avenue, immediately adjacent to the Champlain Ready Mix facility. The rear of the Property is adjacent to the City's rail line, offering the potential for rail use.
6. The City has received an offer to purchase the Property from two prospective buyers. The first buyer is Morriello Construction Limited, which is a Barrie based development/construction firm. Morriello has a tenancy agreement in place with Busch Systems, which is currently a tenant of Morriello's at 81 Rawson Avenue. Their current location is almost directly opposite the Property being sold.

The second prospective buyer is RAM Iron & Metal Inc. which has its head office in Toronto as well as 3 other locations in Toronto, Welland and Concord. RAM Iron & Metal Inc. is a scrap metal recycling firm.
7. A portion of the lands along Rawson were rezoned to a more restrictive use when the City entered into negotiations to relocate Barrie Metals from its then current location along Tiffin to Rawson Avenue. As a result, the Official Plan land use designation for that section of Rawson Avenue (Lots 76 – 83) was changed from General Industrial to Restricted Industrial and the zoning was changed to EM5 (SP) (H) – from EM4 - which is a special site specific designation to accommodate only a material recovery facility. The EM5 designation has subsequently been changed to Restricted Industrial "RI".
8. A land sale agreement with Barrie Metals was not completed and the lands have remained under the special zoning since that time. In 2012, the City sold a portion of the same designated lands to Champlain Ready Mix. Ready Mix was required to re-zone its land to permit the appropriate use, which was subsequently approved by the Ontario Municipal Board.
9. Zoning as per the by-law is noted as follows:

EM5 (SP-413) (H-107)

- a) Notwithstanding the permitted uses for Industrial Zones set out in Section 7.2, of this By-law, the property zoned Restricted Industrial (EM5)(SP-413)(H-107) shall only be permitted a *Material Recovery Facility*; that associated *outdoor storage* of material be permitted provided that such *outdoor storage* is screened in accordance with the requirements of Section 4.11 of this By-law (2009-141), and that any associated *outdoor storage* not be permitted within 15m of the *front lot line*.
- i. The (H) symbol indicates that the lands so zoned cannot be used for a purpose permitted by Restricted Industrial (EM5)(SP-413)(H-107) until the (H) symbol is removed. The removal of the (H) symbol shall be subject to completion of the following matters to the satisfaction of The Corporation of the City of Barrie:
1. Ministry of Environment approval through issuance of a Certificate of Approval;
 2. That the owner provide a binding agreement to employ the Best Management Practices as included as Appendix "B" to Staff Report PLN054-06 and as recommended by Golder Associates Ltd. in a report entitled "Hydrogeological Review and Proposed Protection Measures, Barrie Metals Facilities, dated July 14, 2006" on the site, in a form acceptable to the City of Barrie;
 3. That adequate facilities for the safe storage, handling and disposal of hazardous materials be identified and a spills contingency plan be prepared;
 4. That a monitoring well be installed in order to monitor long term groundwater quality;
 5. That the owner submit a noise report prepared by a qualified professional that is to be reviewed and approved by the City's Engineering Department. (By-law 2008-004)
10. As a result of these measures the site can only be used by another Material Recovery Facility and the sale of the site to anyone other than a Material Recovery Facility requires a rezoning and possibly an Official Plan Amendment depending on the end user. Based on the information provided by RAM Iron & Metal, it would not be required to rezone the lands.
11. The Buyer therefore will be responsible in obtaining both an Official Plan Amendment and a rezoning in order to accommodate its operations as it is not a material recovery facility. This is to be done through the normal Planning Department application process and is subject to Council approval. The City must give the proponent permission to Act on its behalf - as owner of the land - in order to complete the rezoning process. As noted in the motion above, staff are requesting that the Clerk be provided the authority to execute the necessary documents.
12. While the majority of surrounding land uses are currently zoned General Industrial (GI), there are also three nearby Restricted Industrial (RI) zoned facilities.
- a) Located at the far south of Rawson Avenue (#160 Lockhart) is the Coco Asphalt Plant. This hot asphalt plant, formerly operated by Lafarge, began operating in approximately 2000.
 - b) Just north of the Rawson lands is the Lafarge Concrete Ready Mix plant. Located at 275 Saunders, this plant began its operations in approximately 1996.

- c) The Champlain Ready Mix facility, adjacent to the lands, is currently under construction.
13. Current City planning policies prohibit material recovery uses and should the Rawson Avenue lands be rezoned from the current Restricted Industrial use, these types of uses will not be permitted elsewhere in the City.

ANALYSIS

14. Busch Systems is a local manufacturing business which has been in operation for 30 years. Busch Systems designs and manufactures waste recycling solutions. Their current Rawson facility of 51,000 sq.ft. is at capacity, and it is Busch's plan to grow their business by 300% over the next five years. The proposed new Rawson Avenue facility is to be an initial build-out of approximately 30,000 sq.ft. and growing to upwards of 80,000 sq.ft. as their moulding, warehouse and shipping areas expand. Current staffing is at 100, and it is expected the expansion will add another 80 – 100 staff. Timing is important to Busch Systems, in that they need the extra space operational by April 2018 in order to meet their targets.
15. RAM Iron & Metal is based out of Toronto with three additional independent locations. Their plan is to add a fourth in Barrie, of which the primary purpose would be for the purchase and sale of ferrous and non-ferrous scrap metal. Their operations require both indoor and outdoor storage. It is expected that a 10,000 – 20,000 sq.ft. building would be constructed for the operations including office space. Initial employment is estimated to be 5 – 7 staff.
16. Both parties have indicated they are interested in using the City's rail services. RAM Iron & Metal in particular has noted the main reason for considering the location is due to the availability of rail adjacent to the lands. RAM purchases scrap metal from local businesses or individuals. It then processes the metal after which the goods are shipped either by truck or rail. RAM's rail usage is dependent on volumes, but it expects anywhere from 5 – 20 rail cars per month, once the operation is at operating capacity. A time frame for which the company expects to reach capacity was not identified.
17. RAM Iron & Metal has not provided any operational work-flow requirements with respect to its rail use. Regardless, considerable due diligence work would be required by all the involved parties to assess its specific needs and requirements. Given that staff are not recommending the sale of the lands to RAM, the investigation between staff, CANDO and RAM has not been initiated. For the purpose of analysis an estimate of rail car revenue has been shown in the table below.
18. Busch Systems has also indicated an interest in exploring usage of the City's rail system for its raw materials (raw plastic, typically in pellet form). However, at this early stage of the process it is too premature to establish an estimate of rail revenue as car usage has not been assessed.
19. The subject property, 52-68 Rawson Avenue, has not previously had an independent appraisal. Although several nearby lands have been appraised, the unique nature of the site in terms of usage and engineering works, warranted a proper valuation. Consequently staff obtained an appraisal of the property which is valid as of September 2016.
20. Many of the lands lying on the west side of Rawson Avenue (currently City-owned) are problematic in that they are not considered 'development ready'. Meaning the lands still need significant site works completed in order to be considered ready for construction. Namely grading, drainage and other associated engineering work is yet to be completed. For this reason the

appraisal also took into consideration the engineering complexities of the site along with the extra costs to get the site ready. Based on these factors, a value range of \$70,000 to \$114,000 per acre was considered appropriate, with a defined market value of \$80,000 per acre. This would equate to \$432,000 for the 5.4 acre site, or a potential value range of \$378,000 to \$615,600. The appraisal did not account for any change in zoning however there is the rationale that a rezoning to a less restrictive use could make the lands marginally more valuable.

21. The offers from RAM Iron & Metal and Morriello Construction Limited, are similar in both content and purchase price. The initial offer by Morriello Construction Limited is \$121,000 per acre for a total of approximately \$653,400. RAM Iron & Metal has offered \$125,000 per acre for a total of \$675,000.
22. Although both parties have utilized the City's standard purchase form, there are some minor differences to the agreements. Morriello Construction Limited wishes to close the purchase agreement by April, 2017, followed by the building construction as quickly as possible, in order to accommodate Busch Systems timelines for growth. As the current zoning is site specific, the buyer has also inserted a clause stating the offer is conditional upon the buyer obtaining the proper zoning, and building permit – at its expense – failing which the offer will be void.

RAM Iron & Metal wishes a closing date of February 2017 but wishes to start construction within 2 years of the closing and complete construction within 1 year.
23. All other primary terms relating to the City's ability to repurchase the lands at 90% of the purchase price in the event the buyer does not construct as intended, have remained in the agreement.
24. Financial/Project Summary:

	Morriello Construction	RAM Iron & Metal
Purchase Price total	\$653,400	\$675,000
Building Area	30,000 to 80,000 sq.ft.	10,000 to 20,000 sq.ft.
Proposed Closing Date	April, 2017, (Conditional Upon Rezoning)	February, 2017
Construction Start Date	Within 1-year	Within 2-years
Employment	80 – 100	5 – 7
Rail Use	Possible	Probable \$48,000 - \$192,000 per annum Based on 5-20 cars monthly
Rezoning	Yes	No
Development Charges	30,000 sq.ft. = \$344,400	10,000 sq.ft. = \$114,800

Shown at discounted rate of \$11.48 sq.ft. & non-discounted rate of \$19.44 sq.ft. (see financial section for additional comments)	80,000 sq.ft. = \$918,400	20,000 sq.ft. = \$229,600
	30,000 sq.ft. = \$583,200 80,000 sq.ft. = 1.55M	10,000 sq.ft. = \$194,400 20,000 sq.ft. = \$388,800
Annual Taxes (2015 BMA rate \$1.21 sq.ft. based on min to max build-out of premises)	\$36,300 - \$96,800 per annum	\$12,100 - \$24,200 per annum
Estimated Financial Impact (min to max range dependant on build-out timing, etc.)	\$1,034,100 - \$2,300,000	\$801,900 - \$1,088,000 (Excluding Rail Revenue Estimate)

25. Given the overall impact to the City in terms of revenue and economic spin-off from increased employment within the City, staff are recommending the City's industrial lands at 52 – 68 Rawson Avenue, be sold to Morriello Construction Limited for the purchase price of \$121,000 per acre. Busch Systems has been a long term business in Barrie, and is poised for future growth. Busch has shown it's also an active member in the business and cultural community. The business currently employs 100 people of varying skill sets; educated technical, manufacturing and support staff. It has invested heavily at its current location and it is hoping to do the same again at a newly expanded location.

ENVIRONMENTAL MATTERS

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

ALTERNATIVES

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

Alternative #1

General Committee could choose to sell the lands to RAM Iron & Metal. The current zoning does permit this use. However, this is not recommended given the proposed development by Morriello Construction Limited to facilitate the expansion of Busch Systems Ltd. is more aligned with the City's overall economic development strategy to increase employment opportunities and support growth of its key sectors including Advanced Manufacturing. Busch Systems Ltd. has indicated that the construction of the new facility will support their growth and the geographic proximity of the facility directly across the street, is required for the efficiency of its manufacturing, warehousing and distribution operations. Having outgrown its existing location, Busch Systems Ltd. has indicated it would need to look elsewhere to grow in order to create a consolidated facility, should it not be able to expand at the Rawson Avenue Property.

While rail use is not affirmed with the expansion of Busch Systems Ltd., the potential rail revenues gained through the purchase from RAM Iron & Metal are not as great as the economic benefit achieved for the City by the proposal from Morriello Construction Ltd. Furthermore, current Planning policy prohibits further material recovery facilities within the City, and as such, is a less desirable use for the property.

Should Council choose to recommend the Agreement to Purchase from Ram Iron & Metal, it is recommended that staff be directed to achieve a commitment to rail usage as part of the Agreement of Purchase and Sale prior to closure of property.

FINANCIAL

28. For the purposes of the amount to be transferred to the Industrial Land Reserve (13-04-0430) the realized gain on the sale of the Property is approximately \$35,000 (proceeds on sale \$653,400 less \$569,105 NBV, 2% parkland dedication of \$13,068 and commission of \$36,227).
29. Morriello Construction Ltd. is represented by a realtor for the transaction and as such a commission of approximately \$36,227 will be payable by the City.
30. Annual municipal realty taxes as per the 2015 BMA study would be \$96,800 based on a total build out of 80,000 sq.ft. of industrial space. One time municipal development charges are estimated to be \$918,400 based on the current DC rage of \$11.48 per sq.ft.
31. Of importance is Morriello'Construction Ltd.'s financial agreement with Busch Systems for the construction and leasing of the development. Morriello has noted that if it is unable to obtain the current development charge rate of \$11.48, its agreement with Busch Systems will be in jeopardy. It is therefore imperative that Morriello Construction Ltd. meet its timeline to achieve building permit as soon as possible..
32. Revenue from the potential RAM rail car use,would be roughly \$48,000 to \$192,000 per annum. There is a revenue threshold to the City's rail operator CANDO. Meaning any revenue below \$600,000 per year, goes directly to CANDO. This City receives a 50% share of the revenue once the income exceeds this threshold.

LINKAGE TO 2014-2018 STRATEGIC PLAN

33. 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

