

2023 Annual Report





Municipal Development Corporation

On behalf of the Oakville Municipal Development Corporation (OakvilleMDC) and its Board of Directors, we are pleased to share with you the Annual Report for 2023 which outlines the OakvilleMDC's activities over this past year.

The Corporation has focused its attention on readying the former Public Works site for market, particularly through a comprehensive update to the 2018 Master Plan and the preparation of a series of technical and engineering reports to support a Subdivision Application to the Town in 2024. As stated in its mandate, the OakvilleMDC continues to work to optimize the community benefit and financial value of strategic properties that are no longer needed by the Town of Oakville.

An updated Master Plan for the site was completed in 2022 which provides for a more efficient use of the various development blocks, repositions some buildings to minimize impacts and provides additional open space and parkland. The Urban Design Brief has continued to be updated and improved over the course of the past year, being finalized in November 2023. The Urban Design Plan serves to confirm and validate the directions established by the Town in the 2018 Master Plan of connectivity, sustainability and desirability of place and it is this document that will be submitted in support of the various planning approvals required for the site. A new Reference Plan for the site was completed in 2022 as was a new topographical survey, all prerequisites to the technical work undertaken in support of a Subdivision Application.

A number of Consultants were retained in the Summer and Fall of 2023 to undertake updates to the various technical reviews and studies required by the Town to permit the Master Plan to move forward to the Subdivision stage. Two new studies were also added – an archaeological review and an additional environmental site

assessment. With the completion of these latter two studies, the OakvilleMDC has now finalized all of the technical work necessary to bring the former Public Works site to an appropriate state of readiness to permit the making of a Subdivision Application to the Town, with a view to taking the property to market in 2024.

The 2023 update to the OakvilleMDC Business Plan has been completed and confirms that the assumptions around the near-term priority projects and the individual Work Plans to implement them remain valid and within budget. The Business Plan update confirms that the strategic assumptions and directions remain sound and that the financial viability/profitability of the priority projects continues to be high, notwithstanding the current economic environment. A new 3 Year Business Plan will be developed by the Board in 2024.

We would like to reaffirm our commitment to promoting and achieving the best value and community benefit for the Shareholder and look forward to your continued support in our endeavour to deliver those projects that further this goal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Burton'.

Director Rob Burton
Chair

REPORT TO THE SHAREHOLDER

This Annual Report and Business Plan update provides information related to the Oakville Municipal Development Corporation's activities in 2023. This report is also intended to support the requirements of the Business Corporations Act, Ontario for holding of the 2024 Annual General Meeting of the Shareholder of the Oakville Municipal Development Corporation (OakvilleMDC) including receipt of the Audited Financial Statements for 2023.

Mandate

On January 1, 2018, the Oakville Municipal Development Corporation (OakvilleMDC) was incorporated to provide development services to the Town of Oakville to unlock the value of its under-utilized real estate holdings, with a view to enhancing the economic competitiveness of Oakville and furthering the Town's policy objectives.

The goal of Town Council in creating the development corporation is to achieve the following objectives:

- obtain "optimal value" in terms of both financial and non-financial community investment, i.e. achieve good financial and community value/community benefit simultaneously;
- enter into long-term commercial relationships in the nature of joint ventures, partnerships and equity transactions which will serve to ensure that the Town maintains a continuing interest in the development of strategic surplus properties and ensures that these properties will generate a sustainable, long-term source of income to the Town;
- build on community objectives by supporting community values and local heritage;
- clearly separate responsibilities between the Town as the approval authority and the OakvilleMDC as the developer of the project;

The corporation achieves its goals by:

- planning, subdividing and developing or redeveloping sites owned or held by the corporation (or on behalf of the Town) for residential, industrial, commercial, institutional, public, recreational or other uses;
- undertaking or conducting studies, research and design work;

- conducting public marketing and advertising of properties for disposition and/or sale; and
- other complementary activities not inconsistent with the above noted objectives.

The OakvilleMDC has established a governance framework which ensures that appropriate policies, procedures and controls are in place to allow for the proper conduct of its business and appropriate oversight of the corporation's activities. The Town of Oakville has identified what services will be provided to the OakvilleMDC on a chargeback basis and what services will be secured by the OakvilleMDC independently, the objective of which is to ensure an appropriate separation of functions to avoid conflict with the Town's role as the approving authority.

Role of the OakvilleMDC

The core business of the OakvilleMDC is unlocking the value of the Town of Oakville's surplus real estate assets through managed and sustainable development. The focus of OakvilleMDC's activities is to determine the financial and community development potential of these assets and to optimize that development potential. The OakvilleMDC and the Town work to identify opportunities within the Town's real estate portfolio for development and added value. To this end, the OakvilleMDC has identified assets that have been prioritized for development through the development of a Business Plan, which establishes its priority projects and provides workflow scenarios, budgets and timing for these projects.

The OakvilleMDC plays the role of "Master Developer" for the benefit of the Town, undertaking planning and development activities that allow the town's surplus land holdings to be developed over time, as the market dictates. The Master Developer approach ensures that lands are developed in accordance with Town Council's vision by allowing greater control over the use and design of each development and the achievement of defined community objectives. This serves to optimize financial returns and deliver long-term social, environmental and community benefits to the citizens of Oakville.

The OakvilleMDC will direct the timing and sequence of development and will determine the staging and coordination of infrastructure delivery for lands that have been identified by the Town for development or redevelopment. The OakvilleMDC will also be responsible for managing the Planning Act applications to the Town to permit development to occur and for securing the necessary planning and other municipal/agency approvals, negotiations with developers and ongoing oversight of the on-the-ground delivery of the development. Through the creation and management of

innovative, community focused development projects, the OakvilleMDC will seek to strengthen partnerships with private sector developers and the community's stakeholders, neighbours and other levels of government.

The OakvilleMDC typically advertises properties for disposition through the OakvilleMDC's website of active development opportunities, signs on properties and on a variety of development industry websites and platforms to ensure the widest pool of potential development partners can be reached. Successful developers may be selected through a number of methods as determined by the Board in each instance: by a Request for Proposal or Expression of Interest, by direct negotiation, by listing with a real estate firm or broker, by sole source or by agreement of purchase and sale. The preferred form of transaction for most projects will typically be by joint venture, partnership or equity transaction, although outright sales will be contemplated in special circumstances, (as was the case with the former Brantwood school property). In order to be eligible for selection, all proponents must agree at the outset of the disposition process to meet and to continue to be bound by all minimum conditions established by the Town and the OakvilleMDC related to planning controls, design standards and financial requirements.

OakvilleMDC 2023 Activities

Former Public Works Site

In order to ensure that the assumptions and preferred development scenario envisioned through the 2018 Master Plan remain current and responsive to policy changes that have occurred since the adoption of the Master Plan, the firm of Bousfields Inc. was retained to undertake a planning and design analysis. The objective of this review is to identify the highest and best use of the site both in its entirety and for each development block, in order to provide direction on the phasing and disposition strategy. An updated Urban Design Brief was prepared which responds to new policy directions by accommodating growth in the Town of Oakville to 2051, through increased density of the built-form at the former Public Works site and the provision of additional apartment/condominium unit supply in this strategic growth area. The updated Master Plan/Urban Design Brief confirms and validates the direction set by the 2018 Master Plan and . It fully aligns with the Town's vision for the site and continues to uphold the original design principles established by the Master Plan of connectivity, sustainability and desirability of place.

This updated Master Plan provides for a realignment of the various development blocks to maximize connectivity and allow for additional greenspace. It repositions and reduces the footprint of some buildings to allow for a greater separation distance between buildings on each block, widens boulevards, public sidewalks and rights of way and provides additional open space and parkland. The number of buildings on the site has been reduced from 9 to 8. The new survey for the site also now shows the east-west Georgian Drive and Gatwick Drive connections. Additionally, a new tree canopy plan has been prepared which increases the tree canopy coverage for each development block to be greater than the 20% tree coverage requirement of the Town's Bylaw for each development block.

Two additional studies were commenced in 2023 – an archaeological study and a Phase II ESA, both of which were finalized in March 2024. The Ministry of Citizenship and Multiculturalism has approved the Stage 2 Archaeological Report and has now entered it on the Ontario Public Register of Archaeological Reports. The Ministry has confirmed that no further archaeological investigation or fieldwork is required. Additionally, an update to the Phase I ESA (Environmental Site Assessment) originally completed by the Town in 2018 a new Phase II ESA was undertaken. All field work was completed throughout January and February 2024 and the final Phase II ESA report was completed on March 18, 2024. The previously identified contamination of the site (which is primarily confined to the southwest portion of the property) was confirmed. Being a former Public Works site, the contamination consists of salt caused by the historic presence of a salt dome on the property, metal, asphalt and VOCs (i.e. volatile organic compounds) including gasoline, diesel fuel and hydraulic fluids. A remediation program or risk assessment will be required to bring the site into compliance with the applicable standards prior to filing a Record of Site Condition. This will be done during the construction phase, since the soil will need to be disturbed in any event to install the necessary infrastructure to support the development. With the updates to the existing studies and the receipt of the Stage 2 Archaeological Study and the Phase II ESA, all technical engineering reports are now completed.

The PreCon meeting was held on January 10th, 2024 and feedback from Town, Regional and Conservation Halton staff was received at that time. Prior to this meeting, the updated Urban Design Brief and all of the technical report and studies that were then ready were submitted with the PreCon Application to ensure that all materials could be considered. No changes to the Urban Design Brief were requested or proposed by staff at the PreCon meeting. Staff did request that the Public Information meeting be held prior to the submission of the Subdivision Application to provide residents in the area an opportunity to comment on the Urban Design Brief before it is submitted. This will permit the OakvilleMDC to respond to resident comments before submitting the final application. It is anticipated that the Public Information meeting will occur sometime in May or

early June 2024 and that the Subdivision Application for the site will be ready for submission to the Town by the Summer or early Fall of 2024, with a view to commencing the marketing the site in the 4th quarter of 2024.

Fire Hall Site, 125 Randall Street

As was the case in 2023, the Town continues to use the existing building and grounds for its own program purposes (potentially for another two years) and the marketing and disposition of this site has not yet commenced. Because the availability of the property for disposition is still unknown, no Request for Proposal or Expression of Interest process will be commenced until the Town has determined when the property will no longer be required, which is anticipated to be in the Spring of 2025 at the earliest.

Recognizing this property's very strong locational attributes (i.e. its location at the edge of Downtown Oakville, its proximity to retail amenities, the waterfront, cultural and recreational facilities, etc.), it is imperative that the value of the site to the Town be maximized and that any redevelopment takes full advantage of its location and favourable characteristics. The OakvilleMDC engaged N. Barry Lyons Consultants in November 2023 to undertake a study on the joint behalf of the OakvilleMDC and the Town and to provide their opinion of land value(s) for 125 Randall Street by considering various opportunities and options for developing the site as a mixed-use development.

The Town of Oakville is currently assisting the Oakville Galleries in its search for a new location and the study was asked to consider the potential for inclusion of gallery space as part of any redevelopment of the site. Recognizing that it may also be desirable to add additional hotel space in the Downtown area, the study was asked to consider this option as well. The study considers differing development scenarios - high density residential units (in condominium or rental form), the potential for the integration of new gallery space and the potential for a boutique hotel in a portion of the building. Residential condominiums (i.e. an all-condominium building) supports the strongest market value and profit projection for the site. This aligns with the conclusions made in the OakvilleMDC 3-Year Business Plan which sees the maximum value for the property being realized through the construction of a 12 to 15 storey condominium development.

Former Oakville- Trafalgar Hospital Site

Although there has been some developer interest in this site in 2023, no redevelopment plan has materialized. This continued reluctance relates to the high cost associated with the repurposing of the high school building and the overall profitability of any project on site. In view of the high initial cost to rehabilitate the

building, the Town will need to determine whether the building could be disposed of at a minimal value in return for an acceptable redevelopment proposal, thereby making the project more affordable for a potential purchaser.

The redevelopment of heritage buildings is specific to a distinct developer group, while the same can be said for developers of Seniors' living accommodation. Two potential developers who came forward in 2023 showed interest in repurposing the building as a school but in both instances, the footprint of the building was determined to be too small for their needs – requiring the construction of additional classrooms, common rooms and meeting space, which the current location could not accommodate through additions without significantly impacting the property required for the Seniors Living Facility. It may be that the Town will want to consider other options/uses for the vacant property on the site located to the east of the high school building. A third potential developer is still actively considering the site and the OakvilleMDC will continue to pursue this opportunity but no decision has yet been made.

2023 OakvilleMDC Business Plan Update

The annual update to the OakvilleMDC Business Plan was completed in April 2023. It confirms the near-term priority projects and the individual Work Plans to implement them. Since last year's business plan update, the pace of inflation accelerated to its fastest pace in four decades, peaking at 8.1% in June 2022. This led the Bank of Canada raising the overnight interest rate seven times throughout 2022. In September 2023, the key rate was 5.0% where it now remains. Developers have less spending power which typically leads to a slowing of demand. Higher development costs also reduce the number of developers who have sufficient access to funding to participate in larger-scale undertakings. Construction costs have also seen dramatic increases, with increases in hard costs of housing construction reported in the order of 20% in some markets, including Oakville. These factors could impact the pool of developers who would otherwise be inclined to participate in the development of the OakvilleMDC's properties.

Having said this, the forecasted project costs to be incurred by the OakvilleMDC for the remainder of the life of the 2021-2023 Business Plan have increased incrementally for all projects. Nonetheless, the total profit and residual land value forecasted for the former Public Works site remains virtually unchanged, while the total profit and residual land value for the Former Fire Hall site has actually increased from the previous forecasts – a product of both the strong market for these types of properties and the increases in property values that continue to occur in the land development market. These continue to be very desirable

properties which still attract significant developer interest, notwithstanding the current interest rate and inflationary pressures.

The term of the existing OakvilleMDC 2021-2023 Business Plan has now ended and a new Business Plan for the 2024-2027 development horizon is currently being formulated for approval by the Board in the third quarter of 2024.

AUDITED FINANCIAL STATEMENTS

The 2023 Audited Financial Statements are attached as Appendix 1 to this Annual Report. These have been prepared by Finance staff from the Town on behalf of OakvilleMDC management and approved by the Board. KPMG LLP is the external auditor and has examined these financial statements and has provided its audit opinion.

The financial statements provide the Shareholder with information in relation to the OakvilleMDC's year-end financial position and operations for the 2023 year. The financial statements include a number of different individual statements and notes. These statements and notes are relatively simple and straightforward and primarily reflect the costs of the work undertaken by staff and the funding provided by the Shareholder.