

REPORT

Council

Meeting Date: December 16, 2024

FROM: Legal Department

DATE: December 3, 2024

SUBJECT: 125 Randall Street Disposition

LOCATION: 125 Randall Street

WARD: Ward 3

Page 1

RECOMMENDATION:

1. That the former fire station lands at 125 Randall Street identified as Parts 1 and 2 on Plan 20R-22155 (the “**Property**”) be declared surplus.
2. That staff be authorized to transfer the Property to the OakvilleMDC on the principles set out in this report, and the Town Solicitor be authorized to execute all documentation required to affect such transaction.
3. That staff explore the possibility of Oakville Galleries leasing the first two floors within the future building on the Property from the Town.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The property at 125 Randall Street is no longer required for a firehall site.
- The Property is currently being used for temporary storage and parking which can be accommodated elsewhere.
- Staff are recommending the Property be declared surplus and be transferred to the OakvilleMDC so they can redevelop the Property as part of a joint venture with a private developer.
- A joint venture has the potential for a higher financial return to the Town compared to a standard real estate sale.
- In addition to maximizing the profit, staff are recommending the following non-financial objectives guide the OakvilleMDC:
 - Ensure the first two floors of the building are retained under Town ownership for cultural/community space;

- Ensure that the search for a developer partner is done through a public, open and transparent process;
 - Council will ultimately decide on the planning permissions for the site and OakvilleMDC will ensure there is no appeal of the Council decision; and
 - Ensure the height of the future building does not exceed 17 storeys.
- While there are financial reasons to develop the Property as a fully residential building, there are cultural and community benefits to securing Town ownership of the first two floors for a cultural/community use.
- One of the recommendations coming out of the Downtown Cultural Hub study was to secure a site for an art gallery in the downtown. The first two floors of the future building on the Property may be a good location for the Oakville Galleries.
- Staff are seeking authority to explore the possibility of Oakville Galleries leasing the first two floors in the future building from the Town. Staff will negotiate potential lease terms with the Oakville Galleries and return to Council for approval, if an agreement is possible.

BACKGROUND:

The Downtown Cultural Hub was an envisioned outcome of the 2015 Downtown Plan to move the Town closer to its vision, *“to create an attractive, active, animated and vibrant downtown where people come together to live, work, shop, meet and engage. It will be the cultural, social and economic heart of our community where citizens and visitors can celebrate and experience the natural setting, heritage, culture and the arts.”*

Among the recommendations in the 2015 report, entitled Downtown Cultural Hub Master Plan, was a recommendation that Oakville Galleries be accommodated at either the former Post Office site, Lot 2 located south of the former post office site, or as part of a residential development on the former Fire Hall site downtown.

A September 6, 2022 Council Report entitled, *Downtown Cultural Hub Workplan Update*, directed staff to proceed with capital planning based on a dispersed model of new cultural facilities in the downtown area. Subsequent to that report, a September 6, 2023, Council Report entitled *Downtown Cultural Hub – Update and future directions*, identified several recommendations related to advancing the Cultural Hub including proceeding with a stand-alone library facility on the former post office site and exploring options for the former Fire Hall site to incorporate a stand-alone facility for Oakville Galleries or a gallery space incorporated within a residential condominium project. In response to these approved recommendations, the Oakville Municipal Development Corporation (“**OakvilleMDC**”) was engaged to

evaluate and report back on the potential redevelopment opportunities for the Property.

Earlier this year (2024), OakvilleMDC engaged the services of N. Barry Lyons Consultants (“**NBLC**”), to produce a confidential report, that provided a Development Feasibility and Land Value assessment for the Property and examined various options for the redevelopment of the Property, including residential, hotel and art gallery uses. This report is discussed in more detail in the confidential companion report on this agenda (the “**Confidential Companion Report**”).

COMMENT/OPTIONS:

In accordance with the disposition policy set out in Appendix A, before a property can be transferred to the OakvilleMDC, the property must be declared surplus in a public report and the report must contain the following:

1. the reason why the property may be considered surplus to the needs of the municipality;
2. the purpose and rationale for transferring the property to OakvilleMDC;
3. the specific objectives, both financial and non-financial and any conditions/restrictions that will govern OakvilleMDC’s approach to its future disposition of the property; and
4. confirmation that an independent appraisal has been obtained or will be obtained prior to the transfer of the property, to value the property at fair market value at the time OakvilleMDC assumes control of it.

The Property is no longer required for a fire station and the building is currently used for temporary storage by the Town and two BIAs. The Town’s temporary storage can be accommodated in other Town facilities. The BIAs were advised that they could only use the space temporarily, and they would need to find alternative space when the site was ready to be developed. There is also parking on this site that was always meant to be temporary and can be accommodated at other locations. The 300 Church Street parking garage will reopen with additional parking spaces before the temporary parking on the Property is removed. There is also additional parking that was recently added beside the Property in the lower lot off Water Street. Therefore, there are no identified municipal needs for the Property and staff are recommending the Property be declared surplus. The surplus portion of site is identified as Parts 1 and 2 on Reference Plan 20R-22155 and is shown outlined on Appendix B. Part 1 is the developable area and Part 2 is the non-developable sloped land.

One option for disposing of the Property is for staff to run a public process and sell the Property to a developer with specific restrictions on how the Property can be redeveloped and secure those restrictions through a repurchase agreement. This option is a relatively quick way to dispose of the property and secure funds from the

sale. However, a Town-issued sale process has limitations on the ability to negotiate with purchasers and a strict sale would limit the potential financial benefits to the Town. There are also limitations as to how much the Town can control the redevelopment of the site after the sale through a repurchase agreement.

As discussed in more detail in the Confidential Companion Report, there is potential for a higher financial return for the Town if the OakvilleMDC participates in a joint venture with a private developer and shares in the profits of the development. In a joint venture, the OakvilleMDC would contribute the value of the land as its equity and the private developer would contribute the costs to construct and redevelop the site. Unlike in a sale, the OakvilleMDC would retain control of the redevelopment process as a partner in the joint venture and would remain involved until the end sales to the homeowners.

A joint venture does come with a higher level of risk since the Town's return on its investment would be delayed and the future profits will be subject to unpredictable changes in the market. However, staff believe there is enough potential financial benefit from a joint venture to offset the potential market risks and delay in receiving the profits. Therefore, staff are recommending using the OakvilleMDC to redevelop the Property through a joint venture.

OakvilleMDC Objectives

The main goal for the OakvilleMDC will be to maximize the profit associated with the development of the Property. However, staff recommend the following non-financial objectives be given to the OakvilleMDC to govern its approach to the development of the Property:

- 1) Cultural/Community Space – The first two floors of the future building on the Property (approximately 20,000 square feet of gross floor area) should be reserved for cultural/community space. The Town will retain ownership of these two floors for its own use, or to lease out to a community group such as Oakville Galleries.
- 2) Public Process – OakvilleMDC will ensure that its search for a partner in the joint venture is a public, open and transparent process.
- 3) Planning Permissions – OakvilleMDC will be responsible for the future zoning and OPA applications for the Property. Council will decide on the height limits for the Property through the OPA process and OakvilleMDC will not appeal Council's decision. The height limits and planning permissions will be dealt with in more detail through the normal planning procedures once OakvilleMDC has a partner and a design for the building that Council can review.

- 4) Height Limits - The NBLC report identified 15 residential storeys as the height that would likely support the best value for the Property under current conditions. With the addition of 2 floors of community/cultural space, staff are recommending the Property does not exceed 17 storeys. Council may still decide that the development should be less than 17 storeys based on the planning merits for the site, but this will set an initial maximum height for the OakvilleMDC to work towards.

The NBLC report examined the possibility of using the first two floors of the future building for a community space such as an art gallery and the costs associated with this are further discussed in the confidential companion report. Reserving these two floors for non-residential purposes will have an opportunity cost to the Town in potential lost profit. However, there are cultural and community benefits to owning 2 floors of community space in a future building within the downtown cultural hub. Land is expensive and difficult to acquire in the downtown, so staff are recommending securing a long-term community asset through this approach.

Oakville Galleries currently leases space from the Town in Gairloch Gardens and Centennial Library. One of the recommendations coming out of the Downtown Cultural Hub Master Plan was to explore the possibility of using the Property as a potential site for the Oakville Galleries. There are several details to work through with Oakville Galleries to determine if this potential space will work for the Town and Oakville Galleries. Therefore, staff are only seeking authority at this time to explore the possibility of a lease and commence negotiations with Oakville Galleries.

If the first two floors of the future building are used for an art gallery, there will be special costs associated with constructing the space to support an art gallery. There will also be ongoing costs and expenses to repair and maintain the premises and condominium fees associated with being part of condominium. Staff will explore the potential to use the [Community Loans Procedure](#) (the full procedure is available on the Town's website) as part of the negotiations with the Oakville Galleries. If an agreement is possible, staff will return to Council for approval.

The sale price for the transfer from the Town to the OakvilleMDC will be set at a nominal amount for tax reasons. However, staff have received an appraisal for the Property to establish a baseline for the value of the lands at the time of the transfer to OakvilleMDC. This will allow the Town to measure the value added by OakvilleMDC in the difference between the baseline and the proceeds received by OakvilleMDC in its development of the site. This value-added amount less expenses will be the profits shown by OakvilleMDC in its financial statements. The baseline price and the net proceeds will return to the Town through the dividend process.

CONSIDERATIONS:

(A) PUBLIC

The inclusion of this report in Council agenda will provide public notification.

(B) FINANCIAL

The sale price will be set at a nominal amount for tax reasons. Once the Town receives a dividend from OakvilleMDC, these proceeds will be added to the Town's general capital reserve. A future report will identify the financial terms of a potential lease with the Oakville Galleries.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Executive staff from all commissions have been briefed and are in concurrence with recommendations of the report.

(D) COUNCIL STRATEGIC PRIORITIES

This report addresses the corporate strategic goal to be the most livable Town in Canada.

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – Disposition policy for lands transferred to the OakvilleMDC

Appendix B – Location Map

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