



OAKVILLE

REPORT

COUNCIL MEETING ADDENDUM

MEETING DATE: FEBRUARY 22, 2021

FROM: Legal Department and Finance Department

DATE: February 16, 2021

SUBJECT: Former Public Works Site - Disposition of Block 7

LOCATION: 2274 Trafalgar Road

WARD: 5

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RECOMMENDATION:

1. That the Town proceed with the sale of Parts 2 and 3 on Plan 20R-21644 identified as Block 7 on the master plan for the former public works site at 2274 Trafalgar Road to 2486489 Ontario Inc. on the terms set out in Confidential Appendix C to this report.
2. That the Town Solicitor be authorized to execute all documents required to complete this transaction.
3. That the Oakville Municipal Development Corporation be paid a management fee of \$25,000 for its work on marketing and securing a buyer for Block 7 upon successful completion of the transaction.
4. That the Town transfer \$500,000 to the Oakville Municipal Development Corporation for costs incurred and to be incurred in the coming months.

KEY FACTS:

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

- The Oakville Municipal Development Corporation (“OMDC”) was created to add value in the disposition of Town lands such as the former public works site at 2274 Trafalgar Road (the “Site”).
- Council approved a master plan for the Site which identified a 0.9 acre residential block located at the corner of Glenashton Drive and Trafalgar Road as “Block 7” shown outlined on Appendix “A”.
- Council directed the OMDC to market Block 7 as it was seen as an ideal candidate to be sold without much investment to make the lands ready for sale, and generate proceeds for the Town which can be used to fund the OMDC.

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- The OMDC has finished marketing Block 7 and has recommended Block 7 be sold to 2486489 Ontario Inc. (the “Purchaser”) as set out in Confidential Appendix B.
- Staff are recommending the Town follow the recommendations from the OMDC and sell Block 7 to the Purchaser on the terms set out in Confidential Appendix C.
- The OMDC would be paid a management fee for its work marketing and securing a buyer for Block 7 and reimbursed for closing costs the Town would have incurred had it managed the sale internally, upon successful completion of the sale.
- The proceeds of this sale will generate cash flow to the Town which can assist in providing additional funding requirements needed by the OMDC to further develop and sell the remainder of the Site.
- The OMDC requires \$500,000 in additional funding for works completed to date and for the next two quarters of 2021, as based on the plan previously communicated to Council.

BACKGROUND:

On June 7, 2000, Council declared the former public works site at 2274 Trafalgar Road surplus to the Town needs. Despite being openly available for acquisition, the Site has remained dormant with periodic interest. On March 30, 2015, Council directed staff to stop considering offers for the Site until a multi-disciplinary team had prepared a viable development strategy and implementation plan for the site. A business case was then presented to Council for the creation of a municipal development corporation to maximize the value of this Site and other Town lands. Council decided to create the Oakville Municipal Development Corporation on December 5, 2016.

On June 11, 2018, Council approved a master plan and an Official Plan amendment for the Site. The purpose behind the master plan and Official Plan amendment was to give guidance to the OMDC in the future redevelopment of the Site. The expectation was that the OMDC would co-ordinate the redevelopment of the Site.

On June 14, 2019, as part of an annual update from the OMDC, Council directed the OMDC to commence the marketing and development of the medium density residential block referred to as “Block 7” on the master plan for the Site. Block 7 is approximately 0.9 acres in size located at the corner of Glenashton Drive and Trafalgar Road as shown on the map attached as Appendix A. Block 7 was seen as an ideal candidate for immediate disposition since it would not require a large investment to get it ready for sale and the proceeds would be sufficient to fund the future development of the Site.

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The OMDC has provided a report attached as Confidential Appendix B, which details its marketing efforts for Block 7. The report includes a recommendation to sell the lands to 2486489 Ontario Inc. (related to the Times Group).

COMMENT/OPTIONS:

Staff are recommending Council accept the OMDC's recommendation and the Town complete the sale of Block 7 to the Purchaser on the terms set out in Confidential Appendix C. The sale and future development of Block 7 will demonstrate to the development community that the Town is moving forward with the development of the Site and hopefully provide the OMDC with more interest in the remainder of the Site.

The Town's disposition By-Law 1995-71, as amended by By-Law 2010-104, requires the Town to declare land surplus in a public report and obtain a fair market appraisal before disposing of the land. The Site was previously declared surplus, however, staff have not obtained an appraisal. Staff are recommending Council waive this requirement of the disposition by-law because the work done by the OMDC to expose Block 7 to the market has provided a good indicator of the market value. The OMDC received a number of offers and interest in Block 7 which suggests that the offer from the Purchaser is representative of fair market value.

Council approved zoning by-law amendment 2021-21 for Block 7 on February 8, 2021 to bring the zoning in line with the master plan for the Site and Official Plan Amendment #25, which were both approved by Council in June 2018. The Zoning By-law amendment implements the direction and policy of OPA #25. The benefit of having the zoning regulations in place for Block 7 prior to the sale of the lands is to ensure some predictability for both the public and the future developer for the future built form and land use. The Zoning regulations allow the development to be four to six storeys in height, specific to a residential land use for either townhouses or a low-rise apartment building.

If Council approves the sale of Block 7, staff will work with the OMDC to assign the purchase agreement to the Town so the Town can transfer Block 7 directly to the Purchaser. This would remove an unnecessary step and avoid any potential tax consequences of transferring the land to the OMDC first and then immediately transferring the lands from the OMDC to the Purchaser. Confidential Appendix C sets out the proposed terms of the sale.

The OMDC has provided a valuable service to the Town in marketing and running the sale process for Block 7 and has incurred costs to do so, such as brokerage, legal and consulting fees. Staff are recommending the OMDC be paid out of the proceeds of this sale a management fee and reimbursed for the closing costs it incurred through this process that the Town would have had to incur if the Town had

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run this disposition process internally. Staff are recommending a management fee of \$25,000. This amount was agreed to with the OMDC based on the time the OMDC spent working on the disposition, similar to other consulting contracts.

The OMDC previously indicated to Council that the sale of Block 7 would be structured such that the Property would be transferred to the OMDC for a nominal amount and the OMDC would then sell the Property and retain the proceeds to fund its operations with any remaining funds being reverted to the Town. Staff are recommending following a different structure where the Town transfers the lands directly to the Purchaser and pays the OMDC a management fee. There are a number of reasons for the different structure:

- To be in accordance with the government accounting guidelines;
- To provide greater transparency on the transactions between the Town and OMDC;
- To allow the Town to use the proceeds to fund the 2002 Public Works Land capital project which still has a \$7,500,000 shortfall. When the Town's Central Operations facility was constructed, the expectation was that a portion of the costs would be funded from the future sale proceeds of the old public works lands.
- To allow the Town to fund OMDC as required based on its business plan. As OMDC provides the Town with an updated business plan, staff can report back on further funding recommendations.

The OMDC requires an additional \$500,000 in funding for its operations to date and for the first two quarters of 2021. Staff are recommending loaning the OMDC these additional funds. The OMDC is finalizing an updated business plan, which will be available prior to requesting any further funding. This loan would be in addition to the \$700,000 already loaned to OMDC in 2018 and will also be funded from the Town's capital reserve. The full value of the loan will be repaid to the Town as the OMDC generates revenue from future sales of the Site. The current loan has no interest charged and no fixed terms of repayment. Staff are recommending that this new loan have no fixed terms of repayment but an interest rate comparable to the Town's long-term borrowing rate be charged.

CONSIDERATIONS:

(A) PUBLIC

This disposition opportunity was openly marketed in the public by the OMDC and the inclusion of this report in the public agenda will provide further public notification. The terms of the offer and report from the OMDC may be considered in the absence of the public under Section 239(2) of the

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Municipal Act, 2001 because it deals with a pending disposition of land by a municipality.

(B) FINANCIAL

From the proceeds of the sale the Town will pay a management fee of \$25,000 to the OMDC as well as reimburse the OMDC for closing costs such as real estate brokerage and legal fees incurred by the OMDC to market the Property. The remaining proceeds will be added to the town's general capital reserve to replenish it for the funds used for the construction of the Central Operations facility. In addition, the Town will loan \$500,000 to the OMDC from the capital reserve.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Legal and Finance staff have worked together to prepare this report.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be innovative in everything we do
- be fiscally sustainable

(E) COMMUNITY SUSTAINABILITY

This issue addresses the economic sustainability of the community through the appropriate use of internal and external resources.

APPENDICES:

Appendix A: Location Map

Confidential Appendix B: Report from the OMDC (*See confidential agenda.*)

Confidential Appendix C: Terms of the proposed sale (*See confidential agenda.*)

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