

**PROPOSED METHOD OF DISPOSITION – (EAST SHEPARD INDUSTRIAL)
WARD 12 (CLLR. SHANE KEATING) FILE NO: POINT TROTTER INDUSTRIAL PARK
PHASES 1 AND 2 (AD)**

SUMMARY/ISSUE

Authorization for public marketing of the Property, to be administered by the Office of Land Servicing & Housing, and authorization to negotiate a sale of the Property to the successful applicants.

PREVIOUS COUNCIL DIRECTION/POLICY

At the 2012 July 30 Regular Meeting, Council approved LAS2012-35, Industrial Sustainable Building Incentive Pilot.

At the 2012 April 23 Regular Meeting, Council approved LAS2012-15, Proposed Method of Disposition – East Shepard Industrial – Ward 12 (Ald. Shane Keating) File No: Point Trotter Industrial Park – Phase 1.

At the 2010 February 22 Regular Meeting, Council approved LAS2010-04, Point Trotter Industrial Lands – Project Approval.

At the 2008 June 23 Regular Meeting, Council approved LAS2008-102 – Point Trotter Industrial Land, directing Administration to negotiate a cost sharing agreement with Walton Development Management Inc.

At the 2004 April 26 Regular Meeting, Council approved LAS2004-67 – Proposed Industrial Land Strategy which identifies potential roles The City could fill in the development of future industrial land, including entering into a mutual development agreement “when the financial risk analysis indicates The City can benefit from outside expertise in order to achieve a specific type of development”.

ADMINISTRATION RECOMMENDATIONS:

That the Land and Asset Strategy Committee recommend that Council:

1. Reconsider its decision contained in the minutes of the 2012 April 23 Regular

Meeting of Council with respect to LAS2012-15, Proposed Method of Disposition;

2. File LAS2012-15;
3. Authorize the recommendations as outlined in Attachment 4;
4. Request that Attachments 3, 4, 5, 6, 7 and 8 be removed from this report prior to being forwarded to Council and that Attachments 3, 4, 5, 6, 7 and 8 remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(g), 25(1)(b) and 27 of the *Freedom of Information and Protection of Privacy Act* and that Council consider Attachments 3, 4, 5, 6, 7 and 8 in camera if requested by Council; and
5. Request that the Recommendations, Report and Attachments 1 and 2 remain confidential under Sections 23(1)(b), 24(1)(a), 24(1)(g), 25(1)(b) and 27 of the *Freedom of Information and Protection of Privacy Act* until the report is published in the Council agenda.

RECOMMENDATION OF THE LAND AND ASSET STRATEGY COMMITTEE, DATED 2014 OCTOBER 16:

That Council:

1. Reconsider its decision contained in the minutes of the 2012 April 23 Regular Meeting of Council with respect to LAS2012-15, Proposed Method of Disposition;
2. Approve the Administration Recommendations 2 and 3 contained in Report LAS2014-53; and

**PROPOSED METHOD OF DISPOSITION – (EAST SHEPARD INDUSTRIAL)
WARD 12 (CLLR. SHANE KEATING) FILE NO: POINT TROTTER INDUSTRIAL PARK
PHASES 1 AND 2 (AD)**

3. Direct that Attachments 3, 4, 5, 6, 7 and 8 remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(g), 25(1)(b) and 27 of the *Freedom of Information and Protection of Privacy Act*.

Excerpt from the Minutes of the Regular Meeting of the Land and Asset Strategy Committee Held 2014 October 16:

“4. Request that Attachments 3, 4, 5, 6, 7 and 8 be removed from this report prior to being forwarded to Council and that Attachments 3, 4, 5, 6, 7 and 8 remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(g), 25(1)(b) and 27 of the *Freedom of Information and Protection of Privacy Act* and that Council consider Attachments 3, 4, 5, 6, 7 and 8 in camera if requested by Council”

INVESTIGATION

Administration is proposing the prior method of disposition report (LAS2012-15) be filed and replaced with this report. As the Property has not yet been marketed, an opportunity exists to revise certain terms, increase the Reserve Selling Price and include Phase 2 lands into the Property. The amendments to the terms and conditions are summarized below and are fully set out in Attachment 6. The terms and conditions proposed in LAS2012-15 were guidelines for information purposes only and it was outlined that they may be adjusted from time to time.

The City and Walton International Group Inc. (WIGI) are the land owners and joint developers of the Point Trotter Industrial Park comprised of 150.36 +/- gross acres.

The Property is located along 68 Street SE south of Glenmore Trail SE and east of Dufferin North Intermodal Park. All lots have a land use designation of I-G, industrial general,

with the exception of two gateway lots at 68 Street SE and 106 Avenue SE which are designated I-B, industrial business. As well as a cost sharing agreement, The City and WIGI have entered into a project management agreement to allow WIGI to take the role as project manager for the Park with administration oversight. Phase 1 consists of 26 lots designated I-G and 2 lots designated I-B ranging in size from 1.06 to 5.59 acres for a total net saleable area of 68.99 acres. Phase 2 is currently in the subdivision planning stage and comprises 58.28 gross acres.

Calgary's SE industrial area has returned to a familiar land-crunch situation, specifically for serviced lots less than 3 acres. The City of Calgary's Industrial Land Strategy includes a mandate for a steady supply of small serviced industrial lots. Point Trotter Industrial Park is intended to meet The City's need to maintain a supply of small lots for local companies to expand their business and own their own land and buildings.

The park's subdivision, road network and street lighting are all in place for Phase 1. As well, much of the infrastructure upgrades along 68 Street SE and 106 Avenue SE are complete or in the process of completion. Administration is now ready to proceed with public marketing of Phase 1.

The significant amendments are summarized below:

Building Commitment

The building commitment is to commence construction within 24 months with no provision for extensions. Although the commitment to commence construction (footings and foundations) should be achievable within 24 months, an extension should be provided for in the event of delays caused as a result of something beyond the

**PROPOSED METHOD OF DISPOSITION – (EAST SHEPARD INDUSTRIAL)
WARD 12 (CLLR. SHANE KEATING) FILE NO: POINT TROTTER INDUSTRIAL PARK
PHASES 1 AND 2 (AD)**

control of the purchaser, such as delays in obtaining a development or building permit not caused by the purchaser. An extension fee of \$10,000.00 per acre will be imposed. If an extension is not provided for, further Council approval would be required to grant one.

Option to Repurchase

The terms of the option to repurchase provides for a repurchase price of 90% of the purchase price. As a result of recent experiences and potential legal implications, Administration is proposing the repurchase price be amended to be 100% of the purchase price paid, less any Finder's Fees paid.

Finder's Fee

Normally real estate commissions (finder's fees) are shared between the purchaser and vendor's broker/realtor. In the case of sales of City owned land, the purchaser's broker is entitled to the entire commission as it is not shared.

For this reason, Administration is recommending the Finder's Fees be reduced.

Further clarification around the paying of finder's fees are being proposed including:

- Fees will only be paid to a realtor who is a "cause of sale".
- No fees will be paid to a realtor who is a purchaser or director of a purchaser corporation.
- No fee will be paid on any sales that do not close.

Servicing

To align with the WIGI sale terms, it was initially proposed that the purchasers be responsible for arranging for tying in the service connections from the roadway to the property line.

As the Office of Land Servicing & Housing (OLSH), as joint developer, remains liable for the cost of curing all damage and maintenance work required as a result of servicing work carried out by the purchaser's contractors, Administration is proposing OLSH continue to provide this service. This will ensure that OLSH, as developer, is not responsible for paying damage and maintenance costs and will ensure timely receipt of the final construction completion certificate is obtained.

For this reason, OLSH has taken on this role in the past and continues to provide this service in other industrial parks. A \$95,000.00 service connection and driveway crossing fee will be collected on closing to be applied towards the cost of tying in service connections from the roadway to the property line including rehabilitation of driveways. The Purchaser shall remain responsible for arranging and paying for bringing the services from the property line to their building.

IMPLICATIONS

General

It is expected that Alberta will have one of the strongest provincial economies in 2014 – 2015 buoyed by strong energy prices and public sector capital spending on infrastructure to deal with rapidly expanding population and post flood rebuilding. Given robust economic conditions, Alberta will lead in terms of retail spending, employment growth and housing market performance. Growth prospects will attract migrants from other provinces.

The outlook for The City of Calgary reflects the provincial forecast with solid economic growth underpinned by strong energy prices, construction and manufacturing. Remarkable

**PROPOSED METHOD OF DISPOSITION – (EAST SHEPARD INDUSTRIAL)
WARD 12 (CLLR. SHANE KEATING) FILE NO: POINT TROTTER INDUSTRIAL PARK
PHASES 1 AND 2 (AD)**

population and income growth is fuelling demand for goods and services. With Calgary's economy firing on all cylinders, serviced lots in industrial areas help ensure that both local and new companies can purchase and build their own facilities to suit the needs of their operations.

Social

Developing serviced lots for future industrial growth creates the opportunity for sustainable growth and economic diversification. Creating employment opportunities within close proximity to residential communities contributes to a live work balance within southeast Calgary. The location of Point Trotter to the Canadian Pacific Railway's intermodal yard provides the opportunity for businesses to service the warehouse and distribution centres in close proximity (Dufferin North and South). These businesses will also benefit from excellent access to transportation routes.

Environmental

The Property has been reviewed in accordance with The City of Calgary's Sales, Acquisitions and Leases Environmental (S.A.L.E.) Policy. No concerns were identified.

Economic (External)

Strong market demand for industrial space is causing vacancy rates to decline and forecasters expect that the city's tightening industrial market will persist until new product comes on line. The City's mandate is to ensure a supply of serviced land to facilitate economic growth, Point Trotter will address market demand within Calgary while also providing an economic benefit to Calgary.

BUSINESS PLAN/BUDGET IMPLICATIONS

The sale will be recorded in the Office of Land Servicing & Housing Program 488 with 5% directed to the Public Housing Reserve as per

OLSH action 1c1.3 approved in BPBC3. The net proceeds from the remainder will be transferred to the Real Estate Retained Earnings reserve.

To administer the incentive program approved under LAS2012-35, the sum of \$100,000.00 will need to be retained from each sale for a period of two years following completion and occupancy of each site or until such time as the Purchaser has declared they will not be utilizing the program. If not, utilized funds will be released to the Real Estate Retained Earnings Reserve.

RISKS

The City's current supply of small lots is limited. The risk of not providing these lots to market may be that our mandate to ensure a supply of serviced industrial land is compromised. There is a potential loss of industrial developments to outside of Calgary.

Administration intends to promote the incentive program in marketing Phase 1 of Point Trotter.

However, based on feedback from Industry it is not expected there will be significant interest or uptake in the program. Costs of implementing and obtaining Leed® Certification are seen as being cost prohibitive for industrial development. Uptake or involvement is expected to be limited to those selected developments that are being constructed for tenants who have a strong interest in reducing operating expenses and undertaking sustainability initiatives as part of their business operations.

VALUATION

The reserve price of the Property was based on an internal valuation which has been endorsed by Administration's Valuation

**PROPOSED METHOD OF DISPOSITION – (EAST SHEPARD INDUSTRIAL)
WARD 12 (CLLR. SHANE KEATING) FILE NO: POINT TROTTER INDUSTRIAL PARK
PHASES 1 AND 2 (AD)**

Review Committee. The comparable sales analyzed are included in Attachment 3.

ATTACHMENTS

1. Site Map
2. Recommendations
3. **Removed at Committee Request**
4. **Removed at Committee Request**
5. **Removed at Committee Request**
6. **Removed at Committee Request**
7. **Removed at Committee Request**
8. **Removed at Committee Request**