

FORMAL REPORT

To:	Mayor Strathdee and Members of Council
Prepared by:	Brent Kittmer, CAO/Clerk
Date of Meeting:	25 July 2017
Subject:	CAO 29-2017 121 Ontario Street Agreement of Purchase and Sale

PURPOSE

The purpose of this report is to present the draft agreement of purchase and sale for 121 Ontario Street between the Town and Wildwood Homes. This report also serves as a full public disclosure of the land sale process.

RECOMMENDATION

THAT report CAO 29-2017 regarding the 121 Ontario Street agreement of purchase and sale be received; and

THAT the CAO be delegated authority to negotiate any final terms of the agreement of purchase and sale with Wildwood Homes for 121 Ontario Street; and

THAT by-law 60-2017 authorizing the Mayor and the Clerk to sign the agreement of purchase and sale be approved.

BACKGROUND

121 Ontario Street served as the Town of St. Marys Early Learning Centre (now Child Care Centre) from the late 1970s until December 2016. The property became surplus to the Town's needs when Council formally decided to relocate the Child Care Centre to the Holy Name of Mary school after negotiating a partnership with the Huron-Perth Catholic District School Board.

The process of relocating the Child Care Centre to Holy Name began on November 24, 2015, when Council directed staff to begin formal discussions with the school board. The results of these discussions were shared with Council on March 1, 2016. Staff reported that the school board had vacant space in the upper south wing of the school and had received \$483,000 in grant funds from the province to retrofit the space into child care spaces. Council also learned that the existing Town Child Care Centre located at 121 Ontario Street was in need of an estimated \$275,000 in capital repairs over the next 5 years and that the Centre was operating with a grandfathered child care license from the province. Because of the grandfathered status, the staff were concerned that this license could be withdrawn if regulatory changes occurred and there was a risk that the Town would no longer receive provincial funding for the program. The report also suggested that relocating the Child Care Centre to the Holy Name site could save the Town an approximate \$26,000/year in operating costs. [The full report can be found at the following LINK.](#)

After receiving this report on March 1, 2016 Council provided the following direction to staff:

2016-03-01-18 *THAT the Town proceed with the relocation of the Early Learning Centre to the Holy Name of Mary site; and*

THAT staff be directed to negotiate an agreement with the Huron-Perth Catholic School Board to relocate the Early Learning Centre services to Holy Name of Mary School; and

THAT staff report back on the options for selling 121 Ontario Street South as an option to fund the Town's portion of capital costs associated with the relocation, and include a discussion of the Heritage implications.

The relocation of the Child Care Centre is now complete, and the Town has been operating its programs from the Holy Name school site since January 2, 2017. The Town has secured a 20-year lease of the space from the school board. The Town's share of the project costs are in the order of \$605,000.

As resolution above indicates, divestment of the 121 Ontario Street property was viewed as one part of the strategy to fund these capital costs. Council's Strategic Priorities Committee received a report on potential future uses and the possible sale of 121 Ontario Street on October 18, 2016. This report provided Council with options to: retain the property for a Town-operated cultural centre; retain the property for a Town-delivered housing project; sell the property for a commercial use; and sell the property for a residential use. The staff report also presented a recommendation from Heritage St. Marys to place a heritage designation on the property. [The full report can be found at the following LINK.](#) The Committee's recommendations to Council are provided below. These recommendations were approved by Council on November 8, 2016:

2016-11-08-06 *THAT Council proceed with the sale of 121 Ontario Street South for a residential purpose, using an RFP process with the following stipulations:*

- *That rental units be developed, and*
- *That a certain affordable price point be achieved, and finally*
- *That the green space may be used for further residential use*

2016-11-08-08 *THAT Council not designate 121 Ontario Street at this time.*

Upon this direction, the CAO initiated the land sale process for 121 Ontario Street. Because this involved the pending disposal of municipal land, the sale process was carried out in confidential session under the exemption provided in *Municipal Act* Section 232 (2).c "a proposed or pending acquisition or disposition of land by the municipality or local board".

To initiate the sale process, the CAO developed a Request or Proposal (RFP) to solicit proposals from interested persons or companies willing to redevelop the property for a residential use that was consistent with Council's vision for the site. More specifically, the vision outlined in the first version of the RFP was that the redevelopment would provide:

- Residential units, preferably rentals, with the ability to develop on the green space that exists at the site to achieve appropriate densities for the site.
- "Attainable" price points for the residential units. This is not to be confused with "social housing" as social housing is rental housing subsidized by the government which is intended for households at or below the 30th income percentile.

"Attainable" housing is a much broader definition that encompasses all dwelling types. For rental units, the Provincial Policy Statement defines the target market for "attainable" housing as families whose total annual income falls at or below the 60th income percentile for the regional market area. According to Statistic Canada's National Household Survey (2011), the 60th income percentile for "tenant" households in Ontario is \$45,272.

Council's stipulation for "attainable" price points was an effort to advance the priorities and tactics in the Town's Strategic Plan related to ensuring there is a flexible and diversified housing market in St. Marys to attract and retain youth as well as skilled workers in the "blue

collar” sector. To make this clear in the RFP process, the Town included the following direction to interested bidders:

As a useful definition, the Town’s goal for “attainable housing” is that individuals who work in the Town and who make a “living wage” (\$16.47/hour as defined by the Perth Huron United Way) should be able to afford to live in the Town. Alternatively, the definition of attainable housing as defined by the Canada Mortgage and Housing Corporation may be used: “In Canada, housing is considered affordable if shelter costs account for less than 30 per cent of before-tax household income.

Council provided direction to release the RFP on January 10, 2017 and it closed on February 10, 2017 with a total of 6 submissions received from 5 different companies. The RFP register was as follows:

Proponent Name	Company Location
Wildwood Homes	St. Marys, ON
Pol Quality Homes Proposal #1	Stratford, ON
Pol Quality Homes Proposal #2	Stratford, ON
JDR Property Development	Stratford, ON
HeyBolt Ontario Ltd	St. Marys, ON
Escalade Property Corp	Lambeth, ON

Council met on March 2, 2017 to interview the bidders and to evaluate the RFPs that were received. The evaluation process was designed as “two envelope” whereby bidders submitted their redevelopment concept in Phase 1 of the process, and financial proposals were submitted in Phase 2 of the process after the proposed development concepts were evaluated. The concept proposals were evaluated on the basis of meeting the future objectives of the Town with the “Quality of the Development Concept” being provided with 50% of the points. The process was designed so that only shortlisted proposals would be invited to submit financial proposals, including the proposed offer price and conditions of sale. The evaluation process was also designed to ensure that price alone could not win the bidding process after scoring the development concepts as price was provided only 30% of the points in the evaluation process.

After reviewing the initial development concept submissions, Council shortlisted the proposals received from Wildwood Homes and Escalade Property Corp to move on to the submission of financial proposals. Council met on March 21, 2017 to complete the final evaluation of the Wildwood Homes and Escalade Property Corp RFP submissions. Ultimately Council decided against opening the financial proposals and rose from confidential session to provide the following direction to staff:

2017-03-21-51 *THAT the CAO be directed to cancel the RFP process for 121 Ontario Street South; and,*

THAT the CAO be directed to report back to Council at an upcoming closed session of Council regarding amending conditions of the RFP for 121 Ontario Street South.

With this direction the CAO returned the financial proposal and made various revisions to the RFP document. Council reviewed these revisions on April 11, 2017. The revisions requested by Council were to ensure a more robust and clearer articulation of the heritage preservation requirements for the property after sale. More specifically, Council established terms in the revised RFP to ensure that the original 1865 building and the 1874 addition would be incorporated into the redevelopment of the property and would not be demolished. The revisions also included the addition of language about the appropriate residential unit density for the property to ensure that the redevelopment would fit into the existing neighborhood. Council wrote terms into the RFP to stipulate that the minimum density for the

property, as identified in the Town's Official Plan, would be met considering the site specific conditions of the property (i.e. flood plan and conservation authority regulated areas). Council also added the stipulation that no more than 50 dwelling units would be approved for the redeveloped property. Finally, Council established a reserve bid of \$250,000 for the property and shifted the RFP evaluation criteria to further favour development concept over price by proving development concept with 60% of the available points.

Council approved the release of the revised RFP document on April 11, 2017. This second call for proposals closed on May 18, 2017 with only one submission from Wildwood Homes (St. Marys, ON). Council met on May 30, 2017 to interview the owners of Wildwood Homes and to review the proposed development concept for the property. In summary, the key points of the proposal received were:

- Offered price: \$300,000.
- Closing date: September 8, 2017.
- Conditions attached: All outbuildings at the site to remain.
- Redevelopment concept:
 - Renovation of the existing building into 3 – 5 rental units.
 - Construction of 3 – 4 additional standalone three-story 6 unit buildings.
 - Preservation of existing tree line on Thomas Street with an acknowledgment of redeveloping the floodplain greenspace into a landscaped common area for tenants.
- Heritage conservation: At a minimum, the original 1865 limestone building and 1874 limestone addition will be renovated into rental units.
- Density: The proposed number of units for the property ranges from 23 – 27. The density targets in the Official Plan for the property can range from 25 – 75 units depending on which target is applied (townhouse vs. low-rise apartment). The proposed development is below the minimum density target if the low-rise apartment target is applied. The matter of density will still need to be confirmed throughout the Planning approval process.

The Town's Official Plan does allow for Council to moderately increase or decrease these densities dependent upon specific site circumstances, provision of on-site amenities and capabilities of municipal servicing systems to accommodate any increase. In this circumstance, the site is impacted both by the flood plain and the UTRCA regulation limit. Additionally, the topography of the site is not conducive to construction. These site-specific conditions will be considered during the Planning approvals for the site-specific density requirements and may affect the number of dwelling units that can be constructed at the property.

- Timeline: Planning applications for the renovation of the existing building will occur after the formal transfer of title to ownership. Actual renovation work will begin within Council's 18-month deadline, subject to Planning approvals.

NOTE: The proposal and redevelopment summary presented above is conceptual only and has not been approved. The development concept will be refined by Wildwood Homes after the property title has been transferred and after they have completed the necessary engineering and planning reviews as a part of the creation of their Planning approval applications.

After review of the Wildwood Home proposal, Council found that the proposal met the heritage conservation requirements of the sale process and that the offered price exceeded the reserve bid amount with only one condition of sale. Although the proposed density for the redevelopment of the site was found to be below the Official Plan's target for a low-rise development, the density for the property is affected by site-specific conditions and would be reviewed through the Planning approval process.

On May 30, 2017 Council provided direction to the CAO to negotiate an agreement of purchase and sale with Wildwood Homes for 121 Ontario Street. The remainder of this report provides an overview of the negotiated agreement.

REPORT

Attachment #1 to this report presents the draft agreement of purchase and sale for 121 Ontario Street. The agreement was drafted by the municipal lawyer, Strong MacDougall Oudekerk, and presented to Wildwood Homes for review. The agreement as attached can be considered substantially complete with the minor administrative terms (i.e. closing date) to be confirmed.

In addition to the standard terms and conditions of the Town's land sale agreement, the key points of 121 Ontario Street agreement are as follows:

- Purchase price: Agreed to \$300,000.
- Deadline for purchaser to examine title: August 25, 2017 at 5:00 p.m.
- Closing date: September 8, 2017 at 5:00 p.m.
- Heritage conservation:
 - Purchaser agrees to maintain and keep in good repair the portions of the building identified as historically significant (the original 1865 limestone building/gable entrance and the 1874 limestone addition).
 - Town approval is required before either of these limestone portions of the building can be demolished.
 - Town approval is required before there can be any changes to the limestone façade or roofline of the limestone portions of the building.
 - All heritage preservation stipulations and restrictions run with the land and the agreement will be registered on title to encumber the property.
- The purchaser agrees to incorporate the limestone portions of the building into the redevelopment and to redevelop the property in accordance with the development concepts submitted OR in accordance with any other redevelopment plan approved by the Town (i.e. the site plan that is approved through the Planning process).
- The purchaser is buying the lands as is, and the Town is not liable for any hazards that may exist on the property after land title is transferred.
- The Town is granted first right of refusal to purchase the property should the purchaser wish to sell the property in the future.
- The Purchaser will transfer the lands back to the Town if they are not able to commence redevelopment of the property within the 18-month timeline stipulated by the Town, so long as the Town and the Purchaser have not agreed upon an extended timeline.
- The purchase price is inclusive of the application fee for the re-zoning of the property. The site plan approval process is an additional cost to the Purchaser. The agreement of purchase and sale is conditional upon the Purchaser successfully achieving Planning approvals for the property (approved re-zoning and approved site plan agreement). If the re-zoning or the site plan approval fails, the Town agrees to buy back the property.
- There is a former easement that was registered by the Town on the property in 1971 for Park Lane. After investigation, Park Lane has never been properly opened as public road allowance. The agreement recognizes that the Town will retain Park Lane and pay for surveying and registration of the road allowance.

For clarity, in no way does the agreement of purchase and sale approve the redevelopment of the 121 Ontario Street Property. Residential redevelopment of the site will require a further zoning by-law

amendment and a site plan agreement after Wildwood Homes is in possession of the lands. Both the zoning by-law amendment and the site plan agreement processes will have to follow the prescriptive steps laid out in the Planning Act. This includes full public participation and comment. Not until after the Planning Act approvals have been received will the redevelopment be considered approved and able to proceed.

SUMMARY

Sale of the 121 Ontario Street property was pursued after the decision to relocate the Child Care Centre to the Holy Name of Mary School. The proceeds of the sale were identified as one part of the strategy to fund the estimated \$605,000 in capital costs of the Child Care Centre relocation project.

The process of selling 121 Ontario Street began in January 2017 and finished on May 30, 2017 with Council providing direction to the CAO to negotiate an agreement of purchase and sale with Wildwood Homes (St. Marys, ON). This report has presented the negotiated sales agreement as drafted by the Town's lawyer.

It is staff's recommendation that Council finalize the land sale process by authorizing the Mayor and the CAO/Clerk to sign the agreement.

The closing date for the land title transfer is September 8, 2017. Once Wildwood Homes is in possession of the lands they plan to complete the necessary work to finalize their concept for the redevelopment of the property and to apply for the Planning approvals required for their proposed residential development. The redevelopment of the property cannot proceed until the Planning approvals are received.

FINANCIAL IMPLICATIONS

The sale price of 121 Ontario Street is \$300,000. The Town has incurred costs in the process for legal review of the agreement of purchase and sale, and will pay for the registration of the agreement on title.

OTHERS CONSULTED

Ms. Tara Oudekerk, Strong MacDougall Oudekerk.

Rick Murphy, Wildwood Homes.

Strategic Plan: this initiative is supported by the following priorities, outcomes, and tactics in the Plan:

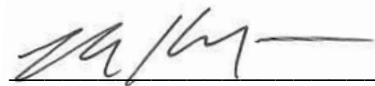
- Pillar #6 Housing: Strategic Priority for "Attainable & Mixed Use Housing"
 - Outcome: in order to get the "right demographic mix" for St. Marys, it will be essential to ensure housing stock is flexible and attractive for youth, workers, immigrants and persons of all abilities.
- Pillar #6, Housing: Strategic Priority for "Prioritizing Town-owned Property Assets"
 - Tactics: Develop a short-list of essential versus non-essential Town-owned assets and make key decisions about their future; Explore options for those assets deemed non-essential (sale, lease, partnerships, etc.).

ATTACHMENTS

1. Agreement of Purchase and Sale (121 Ontario Street).

REVIEWED BY

Recommended by the CAO

A handwritten signature in black ink, appearing to read 'Brent Kittmer', is written over a light gray rectangular background.

Brent Kittmer
CAO / Clerk