

	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON AUGUST 26, 2014
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	OFFER TO PURCHASE INDUSTRIAL LANDS IO INDUSTRIES INC. SKYWAY INDUSTRIAL PARK, PHASE II

RECOMMENDATION

- a) That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, on the advice of the Manager of Realty Services, the offer submitted by IO Industries Inc. to purchase 3 acres, on the southwest corner of Robin’s Hill Road and Huron Street, in Skyway Industrial Park, being comprised of the northerly portion of Lot 15, Plan 33R-17397, as outlined on the sketch attached hereto as Schedule “A”, at a purchase price of \$195,000.00 (reflecting a price of \$65,000.00 per acre), **BE ACCEPTED**, subject to the following conditions:
- i) the City completing and depositing a reference plan of the subject lands prior to closing, at the City’s expense;
 - ii) the City completing a Phase I Environmental Assessment of the subject lands, prior to closing, at the City’s expense;
 - iii) the City permitting an initial building coverage of 8.2 percent in place of the required 15 percent, as prescribed by Clause 5(2) of the Industrial Land Sale Policy;
 - iv) the Purchaser satisfying itself that it can qualify to receive a tax grant available to an aerospace-related industry located within the Airport Area Community Improvement Plan boundary;
 - v) the Purchaser Optioning an additional 1.65 acres directly west of the subject site for a period of two (2) years; and
- b) the attached proposed By-law (Appendix “B”) **BE INTRODUCED** at the Municipal Council meeting to be held on September 2, 2014, to approve the sale to IO Industries Inc., and **TO AUTHORIZE** the Mayor and the City Clerk to execute the Agreement of Purchase and Sale.

BACKGROUND

Prospective Purchaser

This Offer to Purchase is from IO Industries Inc. a local company formed in 1991 to design and manufactures digital video cameras and digital video recorders. Their products are principally used in aerospace defense and scientific imaging applications. In recent years, the company has diversified into other markets including machine vision in manufacturing, medical imaging, broadcast and cinema.

This manufacturing and sales operation is export driven, with annual exports accounting for approximately 90 percent of all sales.

Over the past several months, IO Industries has been reviewing possible building sites in southwestern Ontario, including London, St. Thomas, Strathroy, and Woodstock. They have also been working with London Economic Development Corporation, who introduced them to the City's Airport Area Community Improvement Plan (Airport CIP). This tax incentive program elevated Skyway Industrial Park to the top of their list for prospective building sites. It should be noted that this is the only City-owned industrial park located within the Airport CIP boundary.

Although the initial 10,660 square foot building footprint represents only 8.2 % coverage, plans are already underway for an expansion of an additional 11,000 square feet and a second expansion within five years of a further 18,000 square feet, representing an ultimate 30% coverage.

Projected Employment & Taxes

The subject site would be home to IO Industries company headquarters. Company ownership is London based, with five of six members of the company management team being graduates of Western University & Richard Ivey School of Business.

This company currently employs 20 people, comprised of highly skilled electronics design engineers, software developers, and electronics technicians. The company plans to hire an additional 20 skilled employees over the next two years.

The assessed value of the land and initial building is \$1,101,100. The City portion of Municipal taxes will be approximately \$28,473. per year.

Land to be Purchased

In 2010, Skyway Industrial Park, Phase II was developed with funding assistance from the Governments of Canada and Ontario, under the Infrastructure Stimulus Fund (ISF) Program.

During their search for a new location, IO Industries extensively reviewed several options, including build to suit opportunities, a land lease of federally-owned airport land, and the purchase of an existing building in close proximity to the airport. After careful consideration, Skyway Industrial Park, Phase II was chosen to showcase their planned high-tech facility.

Land to be Optioned

The 1.65 acre parcel is heavily encumbered. A Sun Canadian high-pressure oil pipeline travels in a north/south direction through the site, and a 25 foot right of way exists on either side of the pipeline. Building within the right-of-way of a pipeline is prohibited, and construction within the limits of the right of way is at the discretion of Sun Canadian Pipeline Company, subject to a facility crossing agreement.

Immediately west of the optioned parcel is a Canadian National Railway line. The existing chain link fence and berming that exists next to the rail line will be the responsibility of the purchaser in perpetuity, when this option is exercised by IO Industries.

Prior to a submission of a site plan application, purchasers of lands abutting the Canadian National rail line are required to submit a noise and vibration report to CN Rail, if their proposed facilities are located within 246 feet (75 metres) of the railway right of way. The minimum building setback from a CN Railway right of way is 50 feet (15 metres).

Skyway Industrial Park Cost Breakdown

At its meeting on June 11, 2003, the Board of Control asked the General Manager of Legal Services and City Solicitor and the Manager of Realty Services to include in all future reports about the sale of industrial lands a recap of then current expenditures the City has incurred, with respect to the industrial park involved and an identification of the revenues that the City has realized at that point in time from land sales in the particular park involved. Schedule "B" contains a cost breakdown of estimated expenses and revenues to date, and has been reviewed by the Finance Department for reasonableness. We continue to work with Finance Department to confirm the accuracy of the cost accounting for the park.

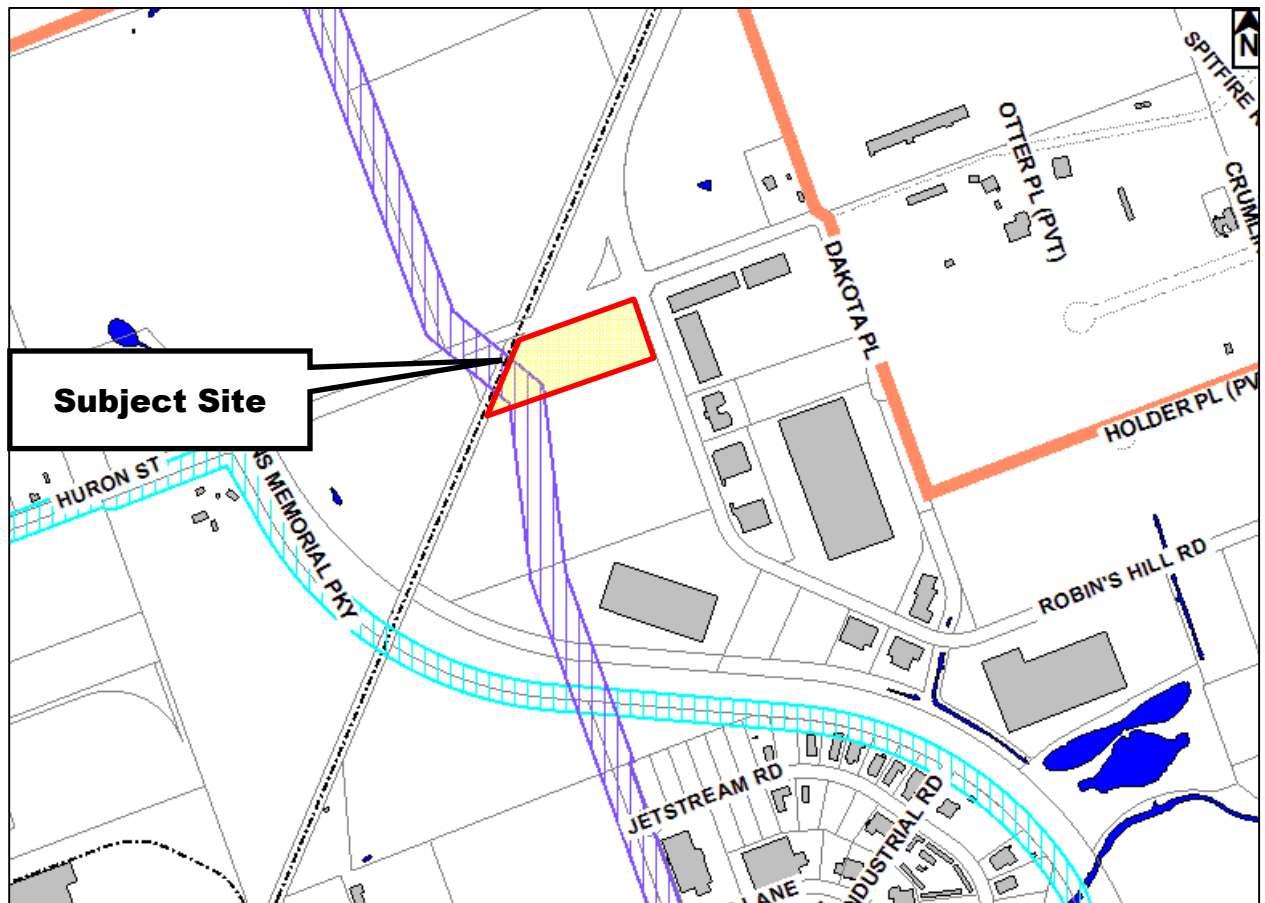
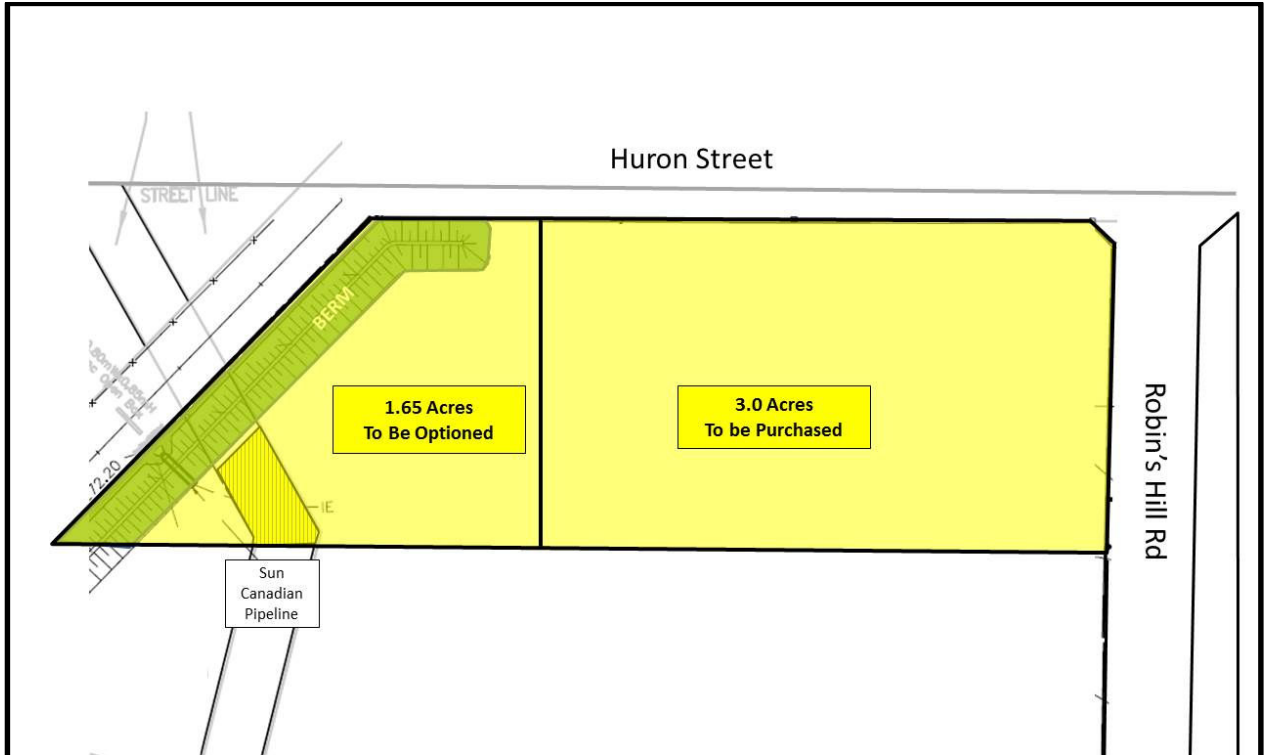
A plan showing the location of the subject property is attached as Schedule "A".

PREPARED BY:	RECOMMENDED BY:
BILL WARNER MANAGER OF REALTY SERVICES	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER

August 11, 2014

cc: Kapil Lakhotia, General Manager, LEDC
David G. Munteer, Solicitor II
Mark Henderson, Director of Business Liaison

SCHEDULE "A"



SCHEDULE "B"

**SKYWAY INDUSTRIAL PARK
Estimated Revenue and Expense Breakdown as of August, 2014**

ACTUAL REVENUE AND PROJECTED REVENUE:

Land Sales

TOTAL LAND SALES REVENUE TO DATE (including this sale)	\$4,403,428
Acreage Sold to Date	87.1 Acres
Average Price Per Acre (based on actual sales to date)	\$50,556 /ac
Estimated Sales Revenue on Balance of Park (25 acres @ \$65,000 per acre plus 11.87 acres @ \$45,000 per acre)	<u>\$2,159,150</u>
TOTAL ACTUAL AND ESTIMATED SALES REVENUE	\$6,562,578

Annual Municipal Tax Estimate – On Land Sales to Date

TOTAL ANNUAL MUNICIPAL TAX ESTIMATE	\$1,282,923
Average Estimated Annual Taxes Per Acre	\$14,729 /ac

BUDGETED EXPENSES:

Budgeted Acquisition, Design & Construction Costs:

A) Land Costs: Total Land Acquisition Cost (123 net acres)	\$3,527,517
B) Servicing Costs: Design & Construction Costs	\$12,425,298
Less: Estimated Oversizing Component *	<u>- \$2,663,892</u>
TOTAL LOCAL SERVICES	\$9,761,406
Net Acreage of City-owned Land	123 Acres
C) TOTAL COST (A + B) Land plus Local Servicing Cost	\$13,288,923
Average Expenditures Per Net Acre	\$108,040 /ac
D) SuperBuild Funding (Provincial) & ISF Funding (Federal)	<u>- \$4,531,616</u>
E) TOTAL COST (A + B) Land plus Local Servicing cost - Net of Superbuild & ISF Funding	\$8,757,307
Average Expenditures Per Net Acre (after deducting senior Government Funding)	\$71,198 /ac

* It should be noted that Oversizing costs are ultimately borne by the City.

Note: Estimates are based on Current Approved Budget Allocation as reported in JD Edwards

APPENDIX “B”

Bill No.

By-law No.

A By-law to authorize an Agreement of Purchase and Sale between The Corporation of the City of London and IO Industries Inc., to authorize the Mayor and City Clerk to execute the Agreement.

WHEREAS section 5(3) of the *Municipal Act, 2001* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS it is deemed expedient for The Corporation of the City of London (the “City”) to enter into an Agreement of Purchase and Sale with IO Industries Inc., (the “Agreement”);

AND WHEREAS it is appropriate to authorize the Mayor and City Clerk to execute the Agreement on behalf of the City;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Agreement attached as Schedule “A” to this By-law, being an amended Agreement of Purchase and Sale between the City and IO Industries Inc. is hereby AUTHORIZED AND APPROVED.
2. The Mayor and City Clerk are authorized to execute the Agreement authorized and approved under section 1 of this by-law.
3. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council

J. Baechler, Mayor

Catharine Saunders
City Clerk

First reading -
Second reading –
Third reading –