

	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 2097800 ONTARIO INC. INNOVATION PARK, PHASE I

RECOMMENDATION

- a) That, on the recommendation of the Managing Director of Corporate Services and City Treasurer, Chief Financial Officer, on the advice of the Manager of Realty Services, the offer submitted by 2097800 Ontario Inc., to purchase from the City 2.45 acres on the north side of Innovation Drive, being comprised of Parts 5, 6 and 7, Plan 33R-17213, and the westerly 0.45 acres of Parts 3 and 4, Plan 33R-17213, as outlined on the sketch attached hereto as Schedule "A", at a purchase price of \$159,250.00 (reflecting a price of \$65,000.00 per acre), **BE ACCEPTED**, subject to the following condition:
- i) the Purchaser obtaining approval from O.C. Holdings Inc. to convey the westerly 30 feet (0.45 acres) of their optioned lands, identified as Parts 3 and 4, Plan 33R-17213, within sixty (60) days of acceptance of this offer; 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 2097800 Ontario Inc., and **TO AUTHORIZE** the Mayor and the City Clerk to execute the Agreements of Purchase and Sale.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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City Council Report dated November 1, 2010 – Offer to extend option on 2.0 acres of land.
City Council Report dated October 22, 2007 – Offer to option 2.0 acres of industrial land.
City Council Report dated March 6, 2006 – Offer to purchase 3.69 acres of industrial land.

BACKGROUND

Prospective Purchaser

CT Innovation (2097800 Ontario Inc.) is a manufacturer of high-volume tubular steel-oriented components and assemblies for the automotive industry. They utilize leading edge tube forming technologies and production methods to ensure operational excellence. In July, 2014, CT was recognized by Canadian Business Magazine as one of Canada's Fastest-Growing Companies.

The company produces over 10 million tubular components and welded assemblies annually for the automotive industry, and offers an extensive portfolio of tube forming technologies. Their products can be found in vehicles throughout the world including North America, Japan, China, Europe, and South America.

In 2006, CT Innovations purchased 3.69 acres of industrial land from the City of London in Innovation Park for the construction of a 28,201 square foot manufacturing plant. This facility was designed to promote innovative lean manufacturing principles. CT Innovations was the first company to build in Innovation Park.

In 2007, after completing their initial facility, the company felt that additional lands would be required to realize their long-term expansion plans, so they requested a 3-year option on two acres of land directly east of their existing facility.

In 2010, they received Council approval for a further 2-year extension to their land option.

In early, 2012, CT Innovations underwent an initial 6,157 square foot expansion of their manufacturing facility.

At the end of 2012, the company reported that it wasn't able to exercise their option on the two acres, due to the downfall in the automotive manufacturing industry.

At present, CT Innovations is planning a 21,043 square foot expansion. To facilitate these plans, they require an additional 2.46 acres of land along their easterly boundary, comprised of a two-acre parcel formerly under option, and an additional 0.46 acres of land currently under option by O.C. Holdings Inc. It should be noted that O.C. Holdings has a 10 acre parcel of land north of their existing facility under option until May 1, 2015.

Projected Employment Growth & Taxes

When CT Innovations opened their operation at 2879 Innovation Drive in 2007, they had 18 employees. Now, they have 52 full-time employees, and plan to hire an additional 8 people within the next year.

At present, the assessed value of their land is \$2,433,500. This land sale and proposed expansion will increase their assessed value by \$1,948,555., giving them a future assessed valuation of \$4,382,055.

The City portion of CT Innovations' municipal taxes is now \$62,398 per year. Once their planned expansion is complete, this portion will increase by \$50,387, increasing the overall City portion of their taxes to \$112,784 annually.

Innovation 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.

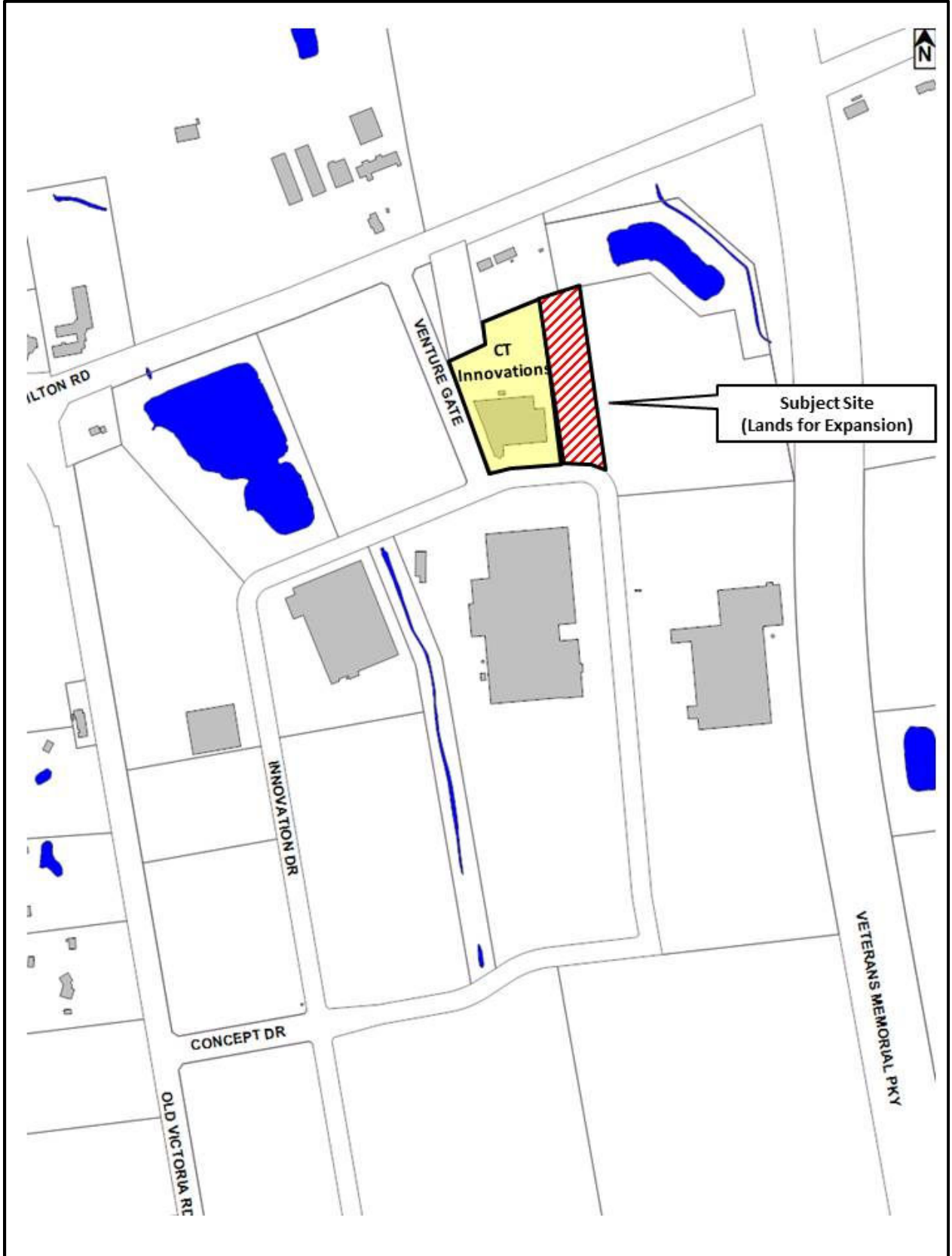
A plan showing the location of the subject property is attached as Schedule "A".

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

August 14, 2014

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

SCHEDULE "A"



SCHEDULE "B"

**INNOVATION PARK – PHASES I TO IV
Estimated Revenue and Expense Breakdown As of August, 2014**

ACTUAL REVENUE AND PROJECTED REVENUE:

Land Sales

1.	TOTAL LAND SALES REVENUE TO DATE (including this sale)	\$9,731,337
2.	Acreage Sold to Date	200.71 Acres
3.	Average Price Per Acre (based on actual sales to date)	\$48,484 /ac
4.	Estimated Sales Revenue on Balance of Park (202 acres @ \$65,000 per acre) (32 acres @ \$56,500 per acre)	<u>\$14,938,000</u>
5.	TOTAL ACTUAL AND ESTIMATED SALES REVENUE	\$24,669,337

Annual Municipal Tax Estimate – On Land Sales to Date

6.	TOTAL ANNUAL MUNICIPAL TAX ESTIMATE	\$2,883,860
7.	Average Estimated Annual Taxes Per Acre	\$14,368 /ac

BUDGETED EXPENSES:

Budgeted Acquisition, Design & Construction Costs:

8.	A) Land Costs: Total Land Acquisition Cost (477 net acres)	\$12,222,016
9.	B) Servicing Costs: Design & Construction Costs	\$60,013,987
10.	Less: Estimated Oversizing Component *	<u>- \$23,317,350</u>
11.	TOTAL LOCAL SERVICES	\$36,696,637
12.	Net Acreage of City-owned Land	477 Acres
13.	C) TOTAL COST (A + B) Land plus Local Servicing Cost	\$48,918,653
14.	Average Expenditures Per Net Acre	\$102,555 /ac
15.	D) SuperBuild, MIII & ISF Funding	- \$17,448,457
16.	E) TOTAL COST (A + B) Land plus Local Servicing Cost - Net of Superbuild, MIII & ISF Funding	\$31,470,196
17.	Average Expenditures Per Net Acre (after deducting senior Government Funding)	\$65,975 /ac

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

Note: Finance Department has reviewed the above for reasonableness.

APPENDIX "B"

Bill No.

By-law No.

A By-law to authorize an Agreement between The Corporation of the City of London and 2097800 Ontario Inc., and 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 2097800 Ontario 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 2097800 Ontario 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 –