

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JULY 23, 2013
FROM:	BILL WARNER MANAGER, REALTY SERVICES
SUBJECT:	REQUEST FROM BROSE CANADA INC. TO EXTEND THE RECONVEYANCE PERIOD OVER PARTS 5 & 6 OF PLAN 33R-15347 AND TO NEGOTIATE A NEW OPTION AGREEMENT ON PARTS 7 & 8 OF PLAN 33R-15347 FOREST CITY INDUSTRIAL PARK

RECOMMENDATION

That, on the recommendation of the Manager Realty Services, the following actions be taken with respect to property on Max Brose Drive and described as Parts 5, 6, 7 & 8 on Plan 33R-15347:

- a) the request submitted by Brose Canada Inc. for an extension of the reconveyance period until August 1, 2016, over Parts 5 and 6 of Plan 33R-15347, on approximately 12 acres of land located on the north side of Max Brose Drive, as outlined on the location map attached as Parcel 2 on Schedule "A" to this report, **BE APPROVED**; and
- b) Civic Administration **BE DIRECTED** to negotiate an Option Agreement with Brose Canada Inc. to Option (Parts 7 & 8 of Plan 33R-15347) approximately 3.22 acres of land located on the north side of Max Brose Drive, as outlined on the location map attached as Parcel 3 on Schedule "A" to this report.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Board of Control Report - February 26, 2003 (Offer to Purchase – Brose North America, Inc.)

BACKGROUND

On March 24, 2003, Municipal Council accepted an offer from Brose North America Inc. to purchase 31.63 acres of land in Forest City Industrial Park at a purchase price of \$48,308.57 per acre. Brose's plan for this location was to develop in three phases. Phase 1 would involve the construction of an initial 180,193 square foot automotive parts manufacturing facility, Phase 2 an additional 161,400 square feet, and Phase 3 adding a final 53,800 square feet.

The City of London is the home of Brose's first Canadian facility. Worldwide, Brose delivers its mechatronic systems and electric drives to about 80 automotive manufacturers and more than 30 suppliers. Approximately 21,000 employees work for Brose at 59 locations in 23 countries on all major automotive markets worldwide. Corporately, the company expects sales of 4.6 billion euros in 2013. Currently, Brose is among the top 100 automotive suppliers worldwide and is the fourth largest family-owned company. In London, the company employs approximately 650 full-time employees.

The land purchased by Brose on July 18, 2003, consisted of two parcels. Parcel 1 is 19.63 acres and is the location of their current facility. Parcel 2 is 12 acres, and is to be the location of future expansions.

Reconveyance Extension Request:

On July 4, 2013, Realty Services Division received a written request from Brose Canada Inc. requesting an extension on their ten year reconveyance covenant for a period of three years.

At present, in regard to Parcel 2, the following covenant exists:

Reconveyance

The Purchaser shall commence construction of Phase 2 of its manufacturing facility within ten years of the registration of the deed or transfer and shall diligently complete construction of the building or structure, in default of which the purchaser shall in the sole discretion of the Vendor reconvey Parcel 2 to the Vendor in accordance with Section 19 and free and clear of all encumbrances, easements, restrictions or covenants except as to those originally assumed by the Purchaser from the Vendor.

Price on Reconveyance

Notwithstanding the provisions of Paragraph 19 of Schedule B to this Agreement, the amount payable on any reconveyance therein referred to shall be 100 % of the fair market value of the property reconveyed, determined as of the date of the reconveyance. The fair market value shall be such amount as is agreed upon by the Vendor and the Purchaser or, failing such agreement, such amount as may be as determined by a qualified appraiser selected by agreement of the Vendor and the Purchaser or, failing agreement as to an appraiser, the average of the amounts determined by three qualified appraisers, one of whom shall be selected by the Purchaser, one of whom shall be selected by the Vendor and the third of whom shall be selected by the other two appraisers.

There has been no other expression of interest for the purchase of these lands. Civic Administration is in support of this request.

Request for New Option Agreement:

On July 4, 2013, Brose Canada Inc. also requested a new five-year option on Parts 7 & 8 of Plan 33R-15347 (Parcel 3).

At the time of purchase in 2003, Brose Canada Inc. was granted a seven-year option and first right of refusal to purchase approximately 3.22 acres (Parcel 3) at a price of \$48,308.57 per acre. The original offer states the following:

For a period of seven years from closing:

- (a) The Vendor shall be at liberty to offer Parcel 3 for sale, but shall not convey all or any portion of Parcel 3 by deed, transfer, grant, assignment, appointment, mortgage, charge, lease or sub-lease without first complying with the following provisions of this paragraph 10(a). If the Vendor receives a bona fide offer to purchase all or any portion of Parcel 3 which the Vendor is willing to accept, the Vendor shall provide the Purchaser with a copy of the offer to purchase (the "Offer") together with a written notice to the Purchaser stating that subject to the rights of the Purchaser herein contained the Vendor intends to accept the offer (such notice being herein referred to as a "Sale Notice"), and the Purchaser shall have 15 days following receipt of the Sale Notice to purchase all or part of Parcel 3 which is subject to the Offer by delivering to the Vendor a signed offer to purchase on the same terms and conditions as are contained in the Vendor's then current standard form of offer to purchase industrial lands in the Forest City Industrial Park at a purchase price of \$48,308.57 per acre. If the Purchaser has not delivered an offer to purchase as aforesaid to the Vendor within 15 days of receipt of the Sale Notice, the Purchaser shall be deemed to have waived its rights hereunder.*
- (b) The Purchaser shall have the option to purchase Parcel 3 from the Vendor at a purchase price of \$48,308.57 per acre on the terms hereinafter set forth. The option shall be exercisable at any time prior to the Purchaser's receipt of a Sale Notice by the delivery to the Vendor of written notice of such exercise signed by the Purchaser. On the delivery of such a notice of exercise, the Purchaser shall be obligated to purchase, and the Vendor shall be obligated to sell, Parcel 3 on and subject to the same terms and conditions as are contained in the Vendor's then current standard form of offer to purchase industrial lands in the Forest City Industrial Park, with the closing of the transaction to occur on the first business day which is at least 30 days after the date of exercise of the option..*

It should be noted that Brose's original seven-year option on Parcel 3 expired on July 18, 2010.

Brose's current 210,191 square foot facility has an assessed value of approximately 11 million dollars. The municipal portion of their 2013 taxes is \$330,500.

Brose's London facility has recently expanded, and with current production increases in the North American automotive industry, they anticipate further expansion to meet increasing customer demands.

A reference plans showing the subject property is attached as Schedule "A".

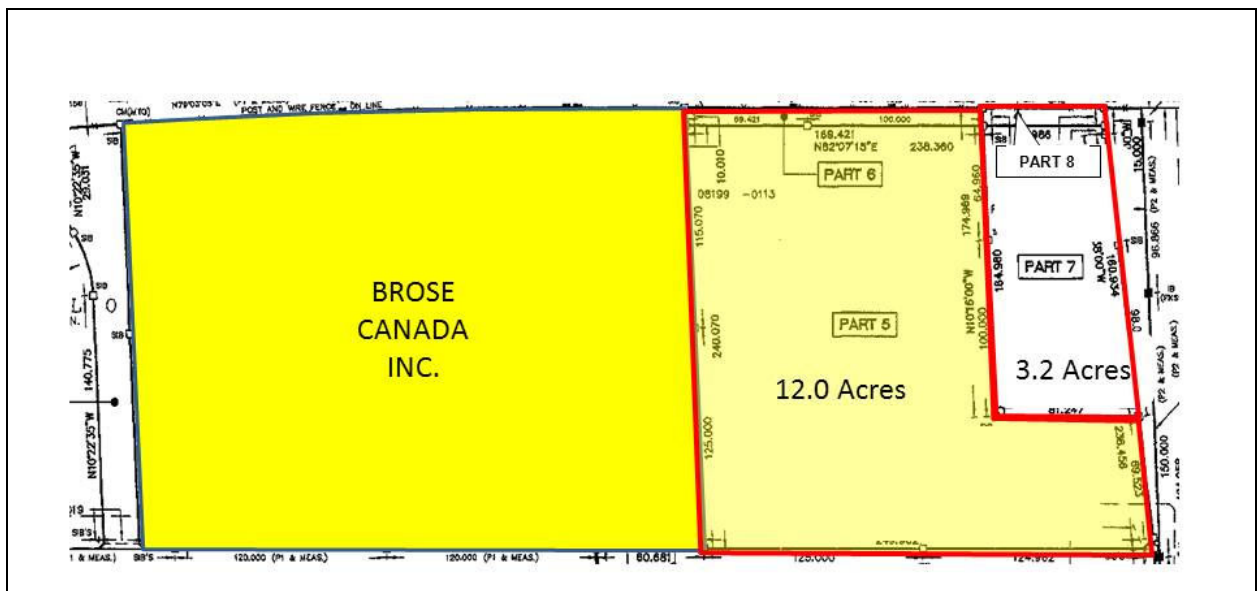
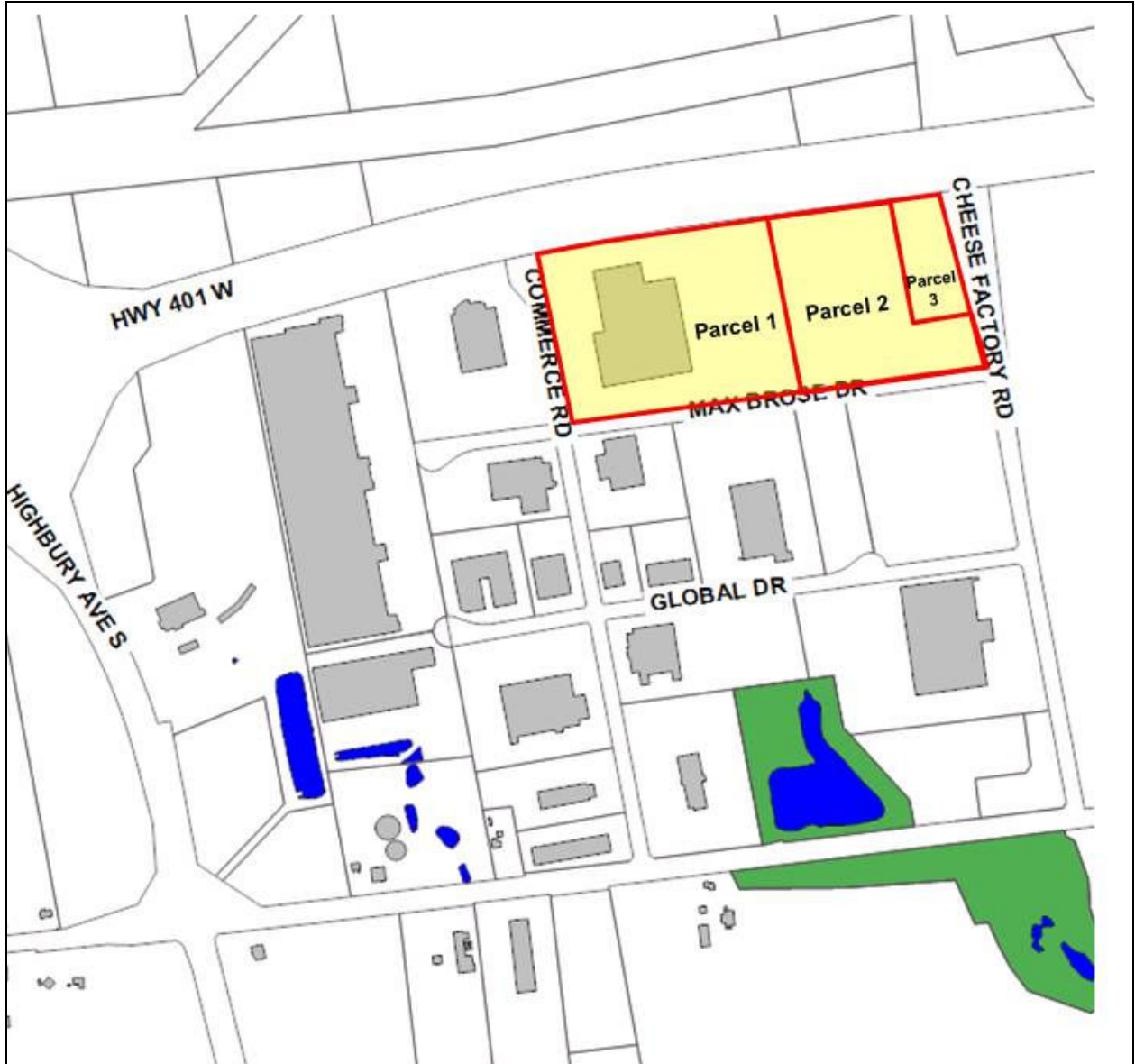
A plan showing the location within the City of London of the subject property is attached as Schedule "B".

PREPARED BY:	RECOMMENDED BY:
DIANE COFFIN INDUSTRIAL LAND OFFICER	BILL WARNER MANAGER REALTY SERVICES

July 10, 2013

cc: Harvey Filger, Director of Corporate Investments & Partnerships
David G. Munteer, Solicitor II
Mark Henderson, Director of Business Liaison

SCHEDULE "A"
REFERENCE PLAN



SCHEDULE "B"

LOCATION PLAN

