

THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

STAFF REPORT

DATE: August 25, 2020

TO: Committee of the Whole

FROM: Ken T. Kelly, Chief Administrative Officer

SUBJECT: Develop Final Phase of Business Park

RECOMMENDATION:

THAT the Committee of the Whole recommends to Council to direct staff to proceed with a tender for the development of the final phase of the Business Park to prepare the land for sale;

AND FURTHERMORE THAT Staff be directed to develop a report for Council's consideration on the sale price per lot and the conditions for immediate sale as per Option 2 of this report;

AND THAT Staff be directed to fund this work from any available business park reserves, development charges, if available and the balance from long term financing.

BACKGROUND:

The concept to develop a Business Park for Mississippi Mills took shape with the establishment of a Business Park Committee and the hiring of Novatech Engineers in 1998. The Business Park Demonstration Project completed in 1999 at a cost of \$340,000 included:

- the completion of Industrial Drive from Ottawa Street to R. Tait McKenzie School (including water, sewer and road paving),
- planting of trees,
- installation of streetlights, sidewalks, and
- formulation of "Design Guidelines".

In 2005, the Municipality installed servicing along Industrial Drive in the park. This servicing cost \$612,177 with \$498,177 of this amount being long-term financed over a 15 year period. For the most part, this servicing cost has been paid through land sales within the Business Park. By the summer of 2018 the last of the available lots was sold by the Municipality.

A number of lots within the Business Park remain undeveloped but there are no serviced lots still owned by the Municipality. The Municipality retains ownership of 8 lots that have been subdivided into approximately 4050 square meter (1 acre) lots with 2 additional lots of 5212 (1.3 acres) and 5756 (1.4 acres). For a total of 10 unserviced lots.

DISCUSSION:

Many communities believe that having an available supply of developable commercial lots is a key part of a Municipality's strategy of ensuring employment opportunities exist within the community. This often translates into guidelines pertaining to the type of development that is desired in these commercial parks such as avoiding commercial storage or other like uses that generate very little if any employment.

Each year when the financial statements for the Municipality are presented by the auditor there is a comment about the downward trend in the percentage of property tax assessment that is derived from industrial and commercial properties. The value of this assessment has been increasing modestly while the value of the residential portion of the Municipal tax base has been growing substantially.

The Municipality has engaged Novatech Engineers to continue the design of the last 10 lots. Novatech has provided an estimate of \$1,875,346 to develop the infrastructure for the remaining portion of the Business Park. This does not include funding for project management, legal fees or marketing costs associated with any sales.

OPTIONS:

Option 1:

Proceed to tender now for the servicing of the lots and long term finance the required work over a 10 - 15 year period with a goal of beginning sales in the Fall of 2021.

Option 2:

Offer the lots for sale immediately requiring the provision of a non-refundable deposit and the balance due on closing. The Municipality commits to having the lots serviced and ready for the Fall of 2021 regardless of the number of advance sales. In this way, the Municipality may be able to advance the cashflow of the project and require less long-term financing .

Option 3

Sell all 10 lots in a block, unserviced in the hope that they will be serviced and developed privately.

Option 4

Continue to hold the land in its current state and evaluate bringing them to market in the future.

FINANCIAL IMPLICATIONS:

The Municipality has not budgeted in 2020 to develop the Business Park. At the end of 2019 the Business Park reserve had a balance of \$685,165.44. The remaining debt from 2005 development activities is approximately \$114,589 less the value of the current work performed by Novatech of \$16,787 for an available balance of \$553,789.

There may be an unallocated amount of development charges to apply to the Business Park in the amount of \$20,170.

The estimated cost of the infrastructure work is \$1,875,346 less the available reserve balance of \$553,789 and development charges of \$20,170 for a remaining amount of \$1,301,387 plus other project management and administrative costs that will need to be long term financed in order to proceed with this project.

It is estimated that the Municipality will have to borrow at least \$1.4 million to complete this project. Before financing costs that would mean that each lot would have to be sold for an average price of \$130,000 per acre (10.7 acres in total that will be available for sale) in order to break even and that is before interest is taken into account. When long term financing is considered at 3.0% over 15 years, with semi-annual repayments, the actual cost per acre is approximately \$157,000.

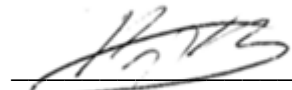
If the sale price of the land is determined to be less than \$157,000 per acre, or if the lots sell for less than \$157,000 per acre, then there is the possibility that funds would have to come from taxation to cover the annual financing costs.

As the land is sold and developed there will be building permit fees, development charges and eventually property taxes and utility fees that will be paid to the Municipality.

SUMMARY:

Council has a desire to increase the amount of light industrial and commercial activity in the Municipality. The development of the 10 remaining lots in the Business Park would provide an opportunity to add light industrial and commercial assessment. The servicing of these lots will require some level of long-term financing to fund the infrastructure work required. Staff recommends that Council proceed with issuing the tender and start immediate sales of the lots with a commitment to have them serviced for the Fall of 2021. Council commits to borrowing the funding to complete this work

Respectfully submitted by,



Ken T. Kelly,
Chief Administrative Officer

Reviewed by:



Rhonda Whitmarsh,
Treasurer

ATTACHMENTS:

1. Concept Map of the Business Park