



## **Staff Report CAO2021-072**

**Title of Report:** Eco Park Phase II Land Development Proposals Comparison Report

**Department:** Administration and Economic Development

**Council Date:** November 3, 2021

### **Council Recommendation:**

**Be it resolved that** Council receive staff report CAO2021-072 as information; and

**That** Council direct staff to draft a development agreement with Flato Developments to partner with the Township of Southgate in the construction of a roadway and the installation of servicing in the Eco Park Phase II property to access Hwy #10, the Hwy #10 commercial property Service Road and the development of remainder of the property to connect to the existing Eco Park Way road from Ida Street to consider and approve at a future Council meeting; and

**That** Council direct staff to create a draft purchase and sale agreement to sell 90 acres of lands in the Eco Park Phase II to a Flato Green Inc. for Council to consider at a future Council Meeting following the development agreement approval or as part of that agreement authorization process.

### **Background:**

The purpose of this report is to provide Council with a staff discussion and recommendation related to the proposals received from Flato Developments and JLL Industrial Services Group.

### **Staff Comments:**

#### **JLL Proposal**

On October 6<sup>th</sup>, 2021 JLL Industrial Services Group presented to Council on their services as a real estate service provider to market and sell our commercial and industrial lands in Eco Park Phase II. The strength of JLL as a company and the services they provide is their contacts, experience and knowledge they have as a marketing company to sell properties.

With that said JLL is a marketing company, that makes their money from real estate commission, with a clearly defined goal to sell the properties take their commission (5% or 6%) in an 18 month window and not provide ongoing service beyond that point in time. They have referred to industrial land in Ontario as high demand by users and investors. This is concerning as we will want conditions that the land will be developed as soon as possible and create jobs in our community.

JLL has proposed the selling price for Highway commercial land at between \$150,000 per acre for 4 or more acres, 2 to 4 acres at \$175,000 per acre and \$200,000 per acre for sales of less than 2 acres with about 20 acres of available land for this use. They propose the industrial land selling price at between \$50,000 per acre for 4 or more acres, 2 to 4 acres at \$65,000 per acre and \$75,000 per acre for sales of less than 2 acres with about 110 acres of available land for sale. Based on this assessment JLL would generate the following sales revenue if they sell the entire property at the medium selling prices and commission they propose.

<b>Description</b>	<b>Amount</b>	<b>Rate</b>	<b>Revenue</b>
Commercial lands	20 acres	\$175,000/acre	\$3,500,000.00
Industrial lands	110 acres	\$ 65,000/acre	\$7,150,000.00
Total			\$10,650,000.00
JLL Sale commission		5.5%	-\$ 585,750.00
<b>Total JLL Revenue from sale of all Eco Pk Phase II lands</b>			<b>\$10,064,425.00</b>

**Note:** A copy of JLL's property evaluation proposal is attached as Attachment #1 to this staff report

### **Flato Proposal**

Flato Green Inc. has made a property development proposal for the Eco Park Phase II lands that was presented to Council at a August, 2021 meeting. They are interested in purchasing 90 acres of the 140 acre Hwy #10 municipal property. The Flato proposal has offered to pay \$5,000,000.00 for the 90 acres and pay 50% of the road and servicing construction cost from Hwy #10 to the west boundary of the Hwy #10 property and north along the rail trail line. Triton has provided a report (Attachment #2) on the servicing and road construction costs to complete the project work from the present end of Eco Park Way to Hwy #10 and Road #240 intersection. A more detailed reporting of the property revenue potential, the Southgate part of the construction costs and the Flato shared pricing of the project is presented later in this report.

Southgate is retaining 50 acres of the 140 acres to use approximately 10 acres for road construction and 40 acres for Township commitments we are working on for future industrial projects. One is a 25 acre request for a trucking logistic and shipping company to expand their present business in the Township. The remaining 15 acres will be easily sold to others on our waiting list or ongoing inquiries for industrial lands. We also have some lands we feel that can be developed off of new Eco Park Way extension to Hwy #10 that is part of the concession 2 (lands on the east side of Ida

Street) property fabric. The lot fabric and aerial maps for these properties have been included in the report as Attachment #3, #4 and #5.

Staff feel the advantages with the Flato proposal are the following:

- The financial part of the Flato project plan is comparable to the revenue Southgate would realize.
- Flato's proposal upfronts money to partner with and support 50 percent of the road construction and servicing costs in the Eco Park Phase II development.
- This proposal will allow for Southgate to be part of discussions and decision process in the types of businesses to be located on the Hwy#10 commercial lands by working with Flato and their commercial business team.
- Southgate's past experience with Flato as a developer and their track record in our community has been very positive.
- Flato's commitment to community building through contributions to the New Dundalk Medical Clinic, New Markdale Hospital, GTR Transit Service Dundalk to Orangeville, Southgate Fire Department Rehab Trailer, sponsor support for community events and local sports teams.
- Flato will be presenting at the November 3, 2021 Council meeting to expand on their proposal/development planning for Eco Park Phase II and other commercial, industrial and residential, including affordable housing and apartment rental projects.

**Flato Proposal for Eco Park Phase II** (Revenue Potential comparison to JLL):

Flato Green Inc. – 90 acre land sale (\$55,555.00/acre)	\$5,000,000.00
Flato contribution to Eco Park Way Road Construction	\$2,882,520.00
Southgate – 40 acre land sale @ \$65,000.00 per acre	\$2,6000,000.00

<b>Total Flato &amp; Southgate Revenue for sale of all of the Eco Park Phase II property</b>	<b>\$10,482,520.00</b>
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**Financial Implications:**

There are no financial implications with the report other than the generation of revenue from lands sales, cost of property surveys, legal costs to close on the purchase and sale agreements and the servicing costs.

**Eco Park Phase I Revenues:**

Eco Park Land Sales Reserve	\$ 88,866.01
Casa Terre Corp. Property Sale	\$ 245,000.00
Havana Caste Cigars Property Sale	\$ 208,500.00
Nicola Rago Property Sale	\$ 46,000.00

Petawawa Biofuels	\$ 137,160.00
Green Lid land Property Sale (20 acres)	\$ 700,000.00
Pending Property Sale (12 acres)	\$ 420,000.00
<b>Total</b>	<b>\$1,845,526.01</b>

#### **Other Development Land for Sale**

- 10 acres of land for potential development with Phase II on the west side of rail trail & east of Wastewater lands property for sale @ \$50,000.00 per acre \$ 500,000.00
- 5.6 acres of land for sale next to Lystek Property for sale @ \$40,000 per acre \$ 224,000.00

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#### **Eco Park Phase II Development Costs:**

##### **1. Eco Park Phase II Road Shared Construction Costs with Developer**

Highway 10 Intersection Improvement	\$ 850,000.00
Eco Park Way Service Round-About	\$ 550,000.00
Highway 10 to Eco Park Way Road Construction	\$1,600,000.00
Watermain Servicing	\$ 983,240.00
Sanitary Sewer Servicing	\$ 707,800.00

<b>Sub-Total</b>	<b>\$4,691,040.00</b>
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Engineering	\$ 397,000.00
Contingency	\$ 397,000.00
Bonding & Construction Layout	\$ 280,000.00

<b>Total</b>	<b>\$5,765,040.00</b>
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<b>Southgate's Portion of Shared Construction Costs (50%)</b>	<b>\$2,882,520.00</b>
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##### **2. Southgate Non-shared Construction Costs**

Eco Park Way Road along Rail Trail	\$ 856,000.00
Existing Eco Park Way Construction	\$ 477,000.00
Watermain Servicing	\$ 983,240.00

<b>Sub-Total</b>	<b>\$2,316,240.00</b>
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Engineering	\$ 91,000.00
Contingency	\$ 71,000.00
Bonding & Construction Layout	\$ 107,000.00

<b>Southgate's Non-Shared Total</b>	<b>\$2,582,240.00</b>
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<b>Southgate's Construction Costs Shared &amp; Non-Shared</b>	<b>\$5,464,760.00</b>
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### 3. Southgate Project Costs Supported by Development Charges

Sewage Pumping Station and Forcemain (DC Funded Project)	\$2,773,250.00
Engineering	\$ 280,000.00
Contingency	\$ 280,000.00
Bonding & Construction Layout	\$ 100,000.00
<b>Total</b>	<b>\$3,433,250.00</b>

**Note:** Development costs to be inserted into 2022 DC Study for growth funding cost recovery.

#### Communications & Community Action Plan Impact:

This report has been written and presented to Council to communicate information related to land sale negotiations and progress. Southgate CAP

Goals: **Goal 1-Attracting New and Supporting Existing Businesses & Farms**

**Action 1:** The residents and businesses of Southgate envision a growing and diverse local economy, which respects our agricultural background while also attracting new businesses and new employment opportunities in keeping with the renewed growth of our population.

**Strategic Initiatives 1-B (2019-2023):** By 2023, the Township will have completed a bypass road between Hwy 10 and the industrial park.

**Strategic Initiatives 1-C (2019-2023):** By 2023, the Township will have entered into an appropriate agreement to sell its Hwy 10 frontage for the purposes of commercial development, and development will be underway.

#### Concluding Comments:

1. Staff will work with Flato Green Inc. to create a draft property development agreement for the Eco Park Phase II cost sharing of the road construction and servicing for Council consideration at a future meeting.
2. Staff create a draft purchase and sale agreement to sell 90 acres of Eco Park Phase II lands to Flato Green Inc. for Council to consider and approve at a future meeting.
3. That staff will explore planning for the additional development lands with the Planning Department along the new Eco Pak Roadway being Development Lands 1 (Attachment #3), Development Lands 2 (Attachment #4) and Development Lands 3 (Attachment #5) as an opportunity sell more industrial land for development and to generate increased revenue from industrial land property sales.

Respectfully Submitted,

**CAO Approval:** Original Signed By  
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- Attachment #1 – JLL Proposed Southgate Land Sale Valuation
- Attachment #2 – Triton Report on Eco Park Way Road Extension Construction  
Cost Estimate Report
- Attachment #3 – Development Property 1
- Attachment #4 – Development Property 2
- Attachment #5 – Development Property 3