

To: SPECIAL COUNCIL

Meeting Date: 5/31/2022

Subject: 3850 King Street East (Kitchener, ON) Property Acquisition

Submitted By: Lisa Shields, City Solicitor

Prepared By: Paul Kan, Manager of Realty Services

Report No.: 22-015-OCM

File No.: RS-07-22

Wards Affected: Ward 1

RECOMMENDATION(S):

THAT Report 22-015-OCM (3850 King Street E, Kitchener ON – Property Acquisition) be received as information;

AND THAT Council authorize the purchase of the property municipally known as 3850 King Street East, Kitchener, Ontario in accordance with the terms and conditions as set out in the agreement of purchase and sale at a purchase price of \$950,000, and at a total cost inclusive of applicable taxes and ancillary costs of approximately \$1,000,000;

AND FURTHER THAT a capital project be established for the property acquisition and be funded from project number A/00431-40;

AND FURTHER THAT a transfer of \$1,000,000 from project number A/00431-40 be approved;

AND FURTHER THAT the Mayor and Clerk be authorized to execute all documentation required to implement and give effect to the adopted recommendations as set out in this report, subject to the satisfaction of the City Solicitor.

EXECUTIVE SUMMARY:

Purpose

3850 King Street East (the “Property”) is a critical path to the successful completion of the extension of Boychuk Drive through the North Cambridge Business Park connecting Intermarket Road to King Street in the City of Kitchener. City staff has negotiated a conditional agreement of purchase and sale (the “Agreement”) to acquire the Property at a purchase price of \$950,000 plus applicable taxes. Upon the City executing the

Agreement, the Ministry of Transportation will commence processing the Agreement for signing and completion of the acquisition.

Key Findings

3850 King Street East (Kitchener, ON)

Property details are as follows:

- Location: City of Kitchener, ON
- Lot size: 2.83 acres
- Ownership: Province of Ontario (Ministry of Transportation)
- Zoning: Commercial (COM-3)
- Current Use: vacant land
- Proposed Use: The City of Cambridge requires approximately 1 acre as part of the Boychuk Drive extension and rail underpass work and infrastructure.
- Current listing price: not applicable

Key Business Terms of the Agreement of Purchase and Sale

An agreement of purchase and sale has been negotiated, subject to Council approval.

The key business terms are as follows:

- The purchase price is \$950,000 plus applicable taxes.
- The Agreement is to be signed by the City, and then processed by the Ministry of Transportation for conveyance.
- Once acquired by the City, should the City enter into an agreement of purchase and sale with a third party for all or any part of the Property prior to June 30, 2027 at a sale price above what the City paid for, the City shall pay that differential to the Ministry of Transportation.
- The purchase of the Property is on an as-is where-is basis.

Due Diligence

Due diligence findings include the following:

- Appraisal: The purchase price of \$950,000 is supported by an appraisal.
- Encumbrances: There are easements registered on title in favour of the Region of Waterloo, and Hydro One.

Financial Implications

The acquisition of 3850 King Street East will have the following financial implications:

- The total acquisition cost is estimated to be \$1,000,000 comprised of a purchase price of \$950,000 plus applicable taxes and ancillary expenditures. The funding source is project number A/00431-40 (East-West Collector Road Construction) and is within budget.
- There is the potential to sell the surplus lands to recover up to \$615,000 of the initial acquisition costs.
- There are no impacts to the operating and capital budgets.

STRATEGIC ALIGNMENT:

☒ Strategic Action; or

☐ Core Service

Objective(s): PLANNING FOR GROWTH - Provide for a mix of development, uses and amenities in order to meet the needs of a changing and diverse population.

Strategic Action: Lay the foundation for future community-building

Program: Not Applicable

Core Service: Not Applicable

The acquisition of 3850 King Street East supports the ongoing planning, servicing, and development of the North Cambridge Business Park (the “Business Park”). The Property is required for the extension of Boychuk Drive through the Business Park thereby unlocking lands for commercial development and assisting with the creation of high quality and diverse employment opportunities.

BACKGROUND:

The North Cambridge Business Park

The City has identified the development of the North Cambridge Business Park as a corporate priority. The Business Park is expected to attract industry leaders to invest and operate in Cambridge generating employment opportunities for the region and tax revenue for the City. As part of the development of the Business Park, the City is leading the design and construction of service infrastructure and roads including the extension of Boychuk Drive through to King Street East in Kitchener.

Boychuk Drive Extension

Development of the North Cambridge Business Park includes constructing an east-west collector road (now known as Boychuk Drive) through the Business Park. The extension of Boychuk Drive is a key component of creating a transportation network within the

Business Park, linking Intermarket Road, located off of Allendale Road, to King Street East in Kitchener. This extension will also include a grade separated rail crossing at the CP rail corridor to improve traffic flow.

3850 King Street East (Kitchener, ON)

3850 King Street East (the “Property”) is located in the City of Kitchener abutting the CP rail corridor at the municipal boundary of the City of Kitchener and the City of Cambridge. The Property is identified in yellow in the aerial map below. Ownership of the Property is registered to the Province of Ontario represented by the Ministry of Transportation (“MTO”). The Property is approximately 2.83 acres of vacant land zoned for commercial use. Approximately one acre of the Property is required as part of the Boychuk Drive extension to King Street East in Kitchener, as well as is required for the grade separation work and infrastructure for the planned road underpass at the CP rail corridor. Negotiations have been ongoing with MTO since June 2021 for the City to acquire only that portion of the Property that is needed. However, MTO is only agreeable to selling the entire Property. The terms and conditions, subject to Council approval, have now been agreed upon for the City to acquire the entire Property. Funding for the acquisition is in place and approved.



Note: The Property is outlined and shaded yellow in the aerial map.

ANALYSIS:

The Property is required as part of the Boychuk Drive extension from the CP rail corridor to King Street East in Kitchener. A conditional agreement of purchase and sale has been negotiated, subject to Council approval, for the City to acquire the Property. Upon Council approval and the City signing the Agreement, MTO will commence processing the conveyance of the Property to the City. It will take between 75 and 90

days from the date the City provides MTO a signed copy of the Agreement to complete the conveyance.

EXISTING POLICY / BY-LAW(S):

By-Law 74-95 sets out provisions, procedures, and guidelines with respect to authority and due diligence for property acquisitions.

FINANCIAL IMPACT:

Initial Acquisition Costs

The acquisition of the Property will require initial funding of approximately \$1,000,000 consisting of the cost items outlined in Table A. It is recommended that the acquisition costs be funded from project number A/00431-40. Funds for the acquisition have been approved by Council through Council report number 21-266(CD) submitted by the Director of Engineering on October 19, 2021.

An appraisal was commissioned for the Property, and the valuation supports the purchase price.

Table A - Acquisition Costs	
Expenditure Item	Cost
Purchase Price	950,000
Land Transfer Tax	15,500
Non-refundable HST	17,000
Appraisal	3,000
Legal	500
Holding Cost – Property Tax (2022)	5,000
Contingency	9,000
Total Acquisition Costs	\$1,000,000

Note: Table A outlines the cost items which comprise the initial acquisition costs.

Potential Cost Recovery

As noted earlier, the Boychuk Drive extension requires approximately 1 acre of the 2.83 acres that comprise the entire Property. There is the potential for the remaining 1.83 acres to be declared surplus and sold to recover up to \$615,000 of the initial purchase price of \$950,000. If this is achieved, the net cost to the City will be approximately \$335,000.

Operating Budget Impact

There will be no impacts to the operating budget(s).

Capital Budget Impact

Outside of the initial acquisition costs, there will be no further impacts to the capital budget(s).

PUBLIC VALUE:

Leadership

The City is leading the design and construction of key transportation and municipal works to support the development of the north Cambridge area, and the North Cambridge Business Park in particular. The acquisition of the Property is necessary for the successful delivery of the Boychuk Drive extension which is a key component of the transportation network planned for the area.

ADVISORY COMMITTEE INPUT:

Advisory Committees Consulted:

No advisory committees were consulted.

PUBLIC INPUT:

Posted publicly as part of the report process.

INTERNAL / EXTERNAL CONSULTATION:

Internal Stakeholders

City Engineering was consulted pertaining to the property requirements for the Boychuk Drive extension including 3850 King Street East.

External Stakeholders

Veracity Real Estate Solutions Inc. was consulted and commissioned to prepare a valuation report for the Property. A site visit was arranged for inspection of the Property. It was determined that the valuation supports the purchase price.

CONCLUSION:

The City is leading the design and construction of key transportation and municipal works to support the development of the North Cambridge Business Park. These infrastructure works will assist in unlocking the Business Park's development potential and attract industry leaders to set up operations in the City of Cambridge creating employment opportunities for the community and generating tax revenue for the City.

The detailed design of the Boychuk Drive extension and the associated grade separated rail crossing has identified requirements for property acquisition from MTO including 3850 King Street East in the City of Kitchener. The acquisition of the Property is necessary for the successful delivery of the Boychuk Drive extension which is a key component of the transportation network planned for the area.

REPORT IMPACTS:

Agreement: **No**

By-law: **No**

Budget Amendment: **No**

Policy: **No**

APPROVALS:

This report has gone through the appropriate workflow and has been reviewed and or approved by the following as required:

Director

Deputy City Manager

Chief Financial Officer

City Solicitor

City Manager