

**To:** SPECIAL COUNCIL

**Meeting Date:** 6/7/2022

**Subject:** 91 Spring Street – Property Acquisition

**Submitted By:** Lisa Shields, City Solicitor

**Prepared By:** Paul Kan, Manager of Realty Services

**Report No.:** 22-021-OCM

**File No.:** RS-10-22

**Wards Affected:** Ward 2

### **RECOMMENDATION(S):**

THAT Report 22-021-OCM (91 Spring Street - Property Acquisition) be received;

AND THAT Council authorize the purchase of the property municipally known as 91 Spring Street, Cambridge, Ontario in accordance with the terms and conditions as set out in the Agreement of Purchase and Sale at a purchase price of \$500,000 and a total cost inclusive of applicable taxes and ancillary costs of approximately \$530,000;

AND FURTHER THAT a capital project be established for the property acquisition and be funded from the Core Areas Transformation Reserve Fund;

AND FURTHER THAT a transfer of \$530,000 from the Core Areas Transformation Reserve Fund 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**

The City has the opportunity to acquire 91 Spring Street (the “Property”). City staff has negotiated a conditional Agreement of Purchase and Sale (the “Agreement”) for the Property at a purchase price of \$500,000 plus applicable taxes. The Agreement is currently with the property owner’s solicitor and City staff expects that the Agreement will be signed and sent back shortly.

## **Key Findings**

### **91 Spring Street**

Property details are as follows:

- Location: Hespeler Village City Centre Core Area abutting Mill Pond
- Lot Size: .07 acres
- Building Size: 800 sf
- Building Condition: Initial inspection has determined the building components to be in fair to good condition.
- Levels: one and a half storeys
- Zoning: R5
- Current use: owner-occupied as residence

### **Key Business Terms of the Agreement of Purchase and Sale**

An Agreement of Purchase and Sale has been negotiated.

The key business terms are as follows:

- The purchase price is \$500,000 plus applicable taxes.
- The Agreement of Purchase and Sale is conditional on Council approval and City sign-back.
- The Agreement of Purchase and Sale is conditional on the City, at its sole discretion, undertaking and being satisfied with its due diligence investigations such as environmental site assessments, heritage and architectural assessments, building condition assessments, appraisal, and any other investigations that the City deems necessary. The City has 60 days from sign-back date to undertake due diligence investigations.
- Included as part of the Agreement of Purchase and Sale is a life tenancy lease agreement between the City and the vendor which will permit the vendor to reside at the Property under the follow terms and conditions:
  - The expiry date of the lease agreement is the earlier of the date that the vendor is deceased and the date the vendor no longer resides at the Property.
  - The vendor pays \$500 per month as rent.
  - The vendor is, at his own costs, responsible for the utilities, maintenance, and care of the Property.

### **Preliminary Due Diligence**

Preliminary due diligence findings include the following:

- Building Condition: Visual onsite inspection indicates that the condition of the building components range from fair to good.
- Encumbrances: There are no material encumbrances registered on title.
- Environmental: The Property is located within the Grand River Conservation Authority's engineered flood-plain.
- Heritage: The Property is not identified in the Cambridge Heritage Register.
- Leases: The Property is currently owner-occupied.

## Financial Implications

The acquisition of 91 Spring Street will have the following estimated financial impacts:

- Funding of approximately \$530,000 is required for the initial acquisition costs.
- The Property will generate surplus funds of \$6,000 per year (\$500 per month) from rent revenue.

## STRATEGIC ALIGNMENT:

- ☒ Strategic Action; or  
☐ Core Service

**Objective(s):** PLACEMAKING - Promote and create a wide range of destinations and activities that capitalize on the beauty of the rivers and heritage buildings

**Strategic Action:** Create and activate spaces that offer things for people to do

**Program:** Not Applicable

**Core Service:** Not Applicable

Located in the Hespeler Village City Centre Core Area and backing on to the Mill Pond, the acquisition of 91 Spring Street by the City creates an opportunity for further placemaking in Hespeler Village. Furthermore, the Property is located between two City owned properties (Little Riverside Park and the parking lot next to St. Andrew's Church) and its acquisition fills out the City's land holdings along the Mill Pond waterfront.

## BACKGROUND:

91 Spring Street is located in the Hespeler Village City Centre Core Area backing on to the Mill Pond and between two City owned properties (Little Riverside Park and the parking lot next to St. Andrew's Church). The Property is approximately .07 acres and is improved with a residential house of approximately 800 sf. See the aerial location map below identifying the Property shaded in yellow.



Note: The aerial map identifies the location of the Property shaded in yellow.

The Property has been under the same ownership since 1972, and there have been attempts in the past by the City to purchase the Property.

## ANALYSIS:

### Strategic Land Acquisition

The opportunity for the City to acquire 91 Spring Street is rare and will not happen often. As noted earlier, the Property has been under the same ownership since 1972. City ownership of the Property will enable the City to expand and fill out its waterfront land holdings at Mill Pond for the purposes of land-banking and land-assembly to achieve City goals and objectives of placemaking.

In recent years, the City has made several property acquisitions considered to be strategic land acquisitions.

In these instances, the properties became available, and were either:

- (a) Located between two city-owned properties in which the acquisition of the available property would fill out City land-holdings thereby increasing land value as well as optimizing land use opportunities; OR
- (b) Located next to an important city-owned property in which the acquisition of the available property would complement the city-owned property as well as optimize land use opportunities.

The acquisition of the property at 91 Spring Street would be considered both a scenario “a” and scenario “b” acquisition.

### **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 \$530,000 consisting of the cost items outlined in Table A. It is recommended that the acquisition costs be funded from the Core Area Transformation Reserve Fund.

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

**Table A**

**Acquisition Costs (estimate)**

|                                       |                   |
|---------------------------------------|-------------------|
| Purchase Price                        | 500,000           |
| Land Transfer Tax                     | 6,500             |
| Non-refundable HST                    | 9,000             |
| Appraisal                             | 2,500             |
| Phase 1 Environmental Site Assessment | -                 |
| Designated Substance Assessment       | 6,000             |
| Legal                                 | 2,500             |
| Contingency                           | 3,500             |
| <b>Total Acquisition Cost</b>         | <b>\$ 530,000</b> |

Note: The Table A identifies items associated with the initial acquisition cost.

#### **Operating Budget Impact**

As part of the terms of a lease agreement between the City and the vendor, the vendor will be responsible for all costs associated with utilities, operating, maintaining, and

repairing of the building. In addition, the vendor will pay rent of \$6,000 per year (\$500 per month).

Major repairs will be the responsibility of the City. Therefore, it is recommended that the surplus funds generated be allocated to the City's Facility Capital Reserve Fund for future capital repairs. As such, there will be no impact on the operating budget.

### **Capital Budget Impact**

As part of the terms of a lease agreement between the City and the vendor, the vendor will be responsible for all costs associated with minor repairs and replacements of the building. The City will be responsible for funding major repairs and replacements. Funding for major repairs and replacement will come from the City's facility maintenance reserve fund.

### **PUBLIC VALUE:**

#### **Leadership:**

City acquisition of 91 Spring Street secures a key property linking Little Riverside Park to the parking lot at St. Andrew's Church along the waterfront at Mill Pond, and will enable the City to further enhance amenities at Mill Pond and Little Riverside Park.

### **ADVISORY COMMITTEE INPUT:**

No advisory committees were consulted at this point in time.

### **PUBLIC INPUT:**

Posted publicly as part of the report process.

### **INTERNAL / EXTERNAL CONSULTATION:**

#### **External Stakeholders**

Veracity Real Estate Solutions 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 has the opportunity to acquire 91 Spring Street in what would be considered a strategic land acquisition. The opportunity is rare and unexpected, and enables the City to land-bank and land-assemble for the City's future plans for growth, development, and offerings of new amenities to the community as part of the City's placemaking initiative. It is recommended that Council authorize and approve the recommendations outlined in this report.

#### **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**

#### **ATTACHMENTS:**

There are no attachments as part of this report.