	Report Title	Offer to Purchase – 31 Earle Street
	Report No.	Report DCS 19-28
	Author	Cephas Panschow
	Meeting Type	Council Meeting
	Council Date	September 12, 2019
	Attachments	Offer to Purchase – peopleCare Inc

RECOMMENDATION

THAT Council receive Report DCS 19-28 Offer to Purchase – 31 Earle Street;

AND THAT a by-law be brought forward to declare the lands surplus and to authorize the Mayor and Clerk to enter into an agreement of purchase and sale with peopleCare Inc for the property known 31 Earle Street, and more particularly described as Lots 25 and 26 Plan 966; Part WILLOW ST, Plan 966.

EXECUTIVE SUMMARY

The purpose of this report is to seek Council approval to enter into an agreement of purchase and sale with peopleCare Inc for the purchase of the 31 Earle Street property (the Elliott Fairbairn building). The Town of Tillsonburg entered into a Letter of Interest with peopleCare Communities Inc following the direction Council provided at their February 11, 2019 meeting. They are interested in purchasing the property to develop a 128 to 192 bed Long Term Care facility and an approximately 100 unit Retirement Living Home. Total investment is estimated at \$60 Million.

BACKGROUND

At their February 11, 2019 meeting, Council directed the Chief Administrative Officer to enter into a non-binding Letter of Interest with peopleCare Inc with the intent to bring back an agreement of purchase and sale for Council's consideration.

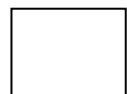
Subsequent to this, staff has been working with representatives from peopleCare Inc to explore this opportunity further.

One of the key issues identified is the status of the current building lease with Her Majesty in right of Ontario as represented by the Minister of Government and Consumer Services and used by the Ontario Provincial Police. As advised at that time, the Town does not have a termination right within the agreement although the lease agreement can be assigned with approval of the tenant.

Staff has had discussions with the tenant representative regarding the potential for them to vacate the lease and premises prior to 2029 and those discussions are ongoing. Notwithstanding the current lease in place, peopleCare has indicated that they would like to proceed with a conditional agreement on the 31 Earle Street property as that will enable them to move forward with their application for Long Term Care beds to the Ontario Ministry of Long Term Care as well as expediting the approval process. peopleCare Inc would have to satisfy themselves as to their ability to move forward prior to the end of the conditional period.

The general terms of their offer are:

Item	Offer Terms	Staff Comment
Property	Includes the existing building, the former school yard and the woodlot	Any development of the woodlot would require an Environmental Impact Study
Purchase Price	\$1,000,000 or \$194,000 per acre	Increase from initial proposed amount of \$750,000
Land Acreage Size and Adjustment	Subject to a recent survey	Subject to a recent survey but if the Purchaser deems that they do not need all of the woodlot, the area will be reduced but to not less than 4.5 acres
Initial Deposit	\$25,000 refundable deposit provided within 5 days of an accepted agreement	Per Town staff, deposit has been changed to a single deposit in the amount of \$20,000
Second Deposit	\$50,000 refundable deposit provided within five days of the Purchaser waiving their due diligence conditions	
Due Diligence Period	180 days from Council acceptance to conduct due diligence	
Closing Date	Take place within 90 days of the Purchaser satisfying their conditions	
Purchaser Conditions	<ul style="list-style-type: none"> Physical inspection of the site Town's provision of "Deliverables" information Purchaser obtaining/being satisfied as to the zoning, site plan approval, development agreements, building permits, etc Purchaser being satisfied that there are no existing contamination of the site Purchaser securing the necessary approvals from the 	



	Ministry of Health to develop a new Long Term Care Home <ul style="list-style-type: none"> Purchaser securing approval from its Board of Directors 	
Purchaser Conditions (Additional)	<ul style="list-style-type: none"> Agreement conditional upon review of either parties' solicitor for fourteen days following acceptance First Right of Refusal on an alternative site should the Town obtain such a site 	
Vendor Conditions	Purchaser agrees to accept assignment of the lease currently in place with Her Majesty in right of Ontario (Minister of Government and Consumer Services)	

The conditions included by the Purchaser allow it to conduct its own due diligence on the 31 Earle Street property while seeking municipal approvals and approvals from the Ontario Ministry of Health and Ministry of Long Term Care.

Based on the land sale revenue, size of the development, the need being met, jobs being created and the future tax revenue, staff is recommending that Council enter into an agreement with peopleCare Inc for the proposed development.

CONSULTATION/COMMUNICATION

The building tenant representative has been advised of the interest of the Town in obtaining a release from the Town's lease obligations.

Should Council support moving forward, the public would be notified through the surplus lands declaration process as outlined in the Sale of Land Policy as well as the Planning process once applications are made.

The offer to purchase received from peopleCare Inc is on a new Agreement of Purchase and Sale template that has been developed in conjunction with the Town's solicitor, Duncan, Linton LLP and upon their recommendation. The new template combines the Town's standard conditions with increased protection for the municipality. Significant changes are summarized in the below table.

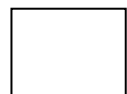
Clause	Comment
Deposit	Held by the solicitor instead of the Town as this is more typical for land sale transactions and was recommended by the solicitor
Irrevocable Date (Acceptance)	Additional clarification around the Town's process

	including making clear that approval is by Council bylaw and that any negotiated agreement by the Chief Administrative Officer or his/her designate is subject to approval by Council
"As is" Condition	Standard physical environmental conditions, but addition of text that they acknowledge the Vendor (Town) is not responsible for any deficiencies or past, present and future environmental liabilities. Further, the Purchaser has to sign a release and indemnity on or before closing.
Letters and Reports from Officials of the Vendor	Vendor (Town) to provide confirmation, if requested, as to the status of the property's compliance with all laws/bylaws.
Schedule C – Easement	Included in the template but only to be used if there is an easement requirement
Schedule D – Development Covenants	<p>Standard clause of starting construction of a building that covers a minimum 20% of the lot within one year and completing within two years but with addition of:</p> <ul style="list-style-type: none"> • Performance Deposit if an extension in the time to start construction is requested • Repurchase of the property if the Purchaser does not start construction at 90% of the purchase price and with other costs deducted • Option for the Town to repurchase any vacant portions of the property if not used by the Purchaser for 10 years • Building materials for the portion of the building that fronts on a municipal street frontages must include some glass, stone, etc, products other than metal cladding

FINANCIAL IMPACT/FUNDING SOURCE

The 31 Earle St property was appraised at a value of \$275,000 effective on July 18, 2007. The property was re-appraised at a value of \$529,000 as of March 29, 2012. As the value of the property doubled in the five years from 2007 to 2012, it is reasonable to assume that the land value has increased significantly since 2012.

The offer has been submitted at a price of \$1,000,000. The Purchaser has indicated that this is the maximum value they are able to pay due to the significant cost premium required to develop Long Term Care buildings. In addition to this, there would be additional costs for demolition of the building, including possible asbestos abatement.



CAO

From 2005 to 2018, the property has generated total net revenue of \$235,320 to the Town with annual surpluses ranging from a low of \$11,531 in 2009 to \$45,840 in 2015 and \$45,720 in 2018.

The capital costs incurred to date is as follows:

- 2005 Purchase Price – \$248,196
- 2006 Roof Rehabilitation – \$103,750
- 2015 Roof Rehabilitation – \$56,884
- **Total Capital – \$408,830**

The estimated debenture amounts remaining at the end of 2019 are \$185,625 (original purchase and roof) and \$36,000 (2015 roof rehabilitation) for a total of \$221,625. The debentures are scheduled to be paid in full by 2031 and 2025, respectively.

Should the Town sell the property at a price of \$1,000,000, the proceeds, net of debenture amounts, and not including future interest payments, would be \$778,375.

COMMUNITY STRATEGIC PLAN (CSP) IMPACT

1. Excellence in Local Government
 - ☐ Demonstrate strong leadership in Town initiatives
 - ☐ Streamline communication and effectively collaborate within local government
 - ☐ Demonstrate accountability
2. Economic Sustainability
 - ☒ Support new and existing businesses and provide a variety of employment opportunities
 - ☐ Provide diverse retail services in the downtown core
 - ☐ Provide appropriate education and training opportunities in line with Tillsonburg's economy
3. Demographic Balance
 - ☐ Make Tillsonburg an attractive place to live for youth and young professionals
 - ☐ Provide opportunities for families to thrive
 - ☒ Support the aging population and an active senior citizenship
4. Culture and Community
 - ☐ Promote Tillsonburg as a unique and welcoming community
 - ☐ Provide a variety of leisure and cultural opportunities to suit all interests
 - ☒ Improve mobility and promote environmentally sustainable living



Report Approval Details

Document Title:	Report DCS 19-28 Offer to Purchase - 31 Earle Street.docx
Attachments:	- Offer_to_Purchase-peopleCare_Inc.pdf
Final Approval Date:	Sep 6, 2019

This report and all of its attachments were approved and signed as outlined below:

Dave Rushton - Sep 6, 2019 - 9:30 AM

**No Signature - Task assigned to David Calder was completed by workflow administrator
Donna Wilson**

David Calder - Sep 6, 2019 - 9:39 AM

Donna Wilson - Sep 6, 2019 - 9:41 AM

