

Subject: Acquisition of 170 Colonnade Road

File Number: ACS2023-PRE-CRO-0028

Report to Finance and Corporate Services Committee on 7 November 2023

and Council on 22 November 2023

Submitted on 20 October 2023 by Peter Radke, Director, Corporate Real Estate Office; Planning, Real Estate and Economic Development Department

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Ward: Knoxdale-Merivale (9)

Objet: Acquisition du 170, chemin Colonnade

Dossier : ACS2023-PRE-CRO-0028

Rapport au Comité des finances et des services organisationnels le 7 novembre 2023

et au Conseil le 22 novembre 2023

Soumis 20 octobre 2023 par Peter Radke, Directeur, Bureau des biens immobiliers municipal, Services de la planification, des biens immobiliers et du développement économique

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Quartier: Knoxdale-Merivale (9)

REPORT RECOMMENDATIONS

That the Finance and Corporate Services Committee recommend City Council:

- 1. Approve the acquisition as described in the report for the purchase of the fee simple interest in lands known municipally as 170 Colonnade Road, shown as Parcel 1 on Document 1 attached from William Tomlinson Enterprises Inc. for \$7.4 million plus applicable taxes and closing costs.**
- 2. Delegate authority to the Director, Corporate Real Estate Office to enter into, conclude, execute, amend, and implement on behalf of the City, the Purchase Agreement for the acquisition of the 170 Colonnade Road as described in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil municipal:

- 1. d'approuver, conformément à ce qui est prévu dans le rapport, l'acquisition en fief simple des terrains ayant pour désignation municipale le 170, chemin Colonnade, illustrés comme parcelle 1 dans le document 1 ci-joint, de William Tomlinson Enterprises Inc., pour 7,4 millions de dollars (taxes applicables et frais de clôture en sus);**
- 2. de déléguer au directeur du Bureau des biens immobiliers municipaux le pouvoir de conclure, de signer, de modifier et de mettre en œuvre, au nom de la Ville, l'accord pour l'acquisition des terrains du 170, chemin Colonnade, comme le décrit le présent rapport.**

BACKGROUND

OC Transpo is in need of additional facility space, primarily due to the transition of conventional diesel buses to battery electric buses. As orders of new buses arrive in Ottawa, OC Transpo must maintain space for both current buses and for the new buses that are undergoing their commissioning activities. The transition to zero emission buses is a multi-year program. There are also spatial needs for training facilities, both for drivable surfaces and for in-office activities.

DISCUSSION

In the summer of 2022, the Real Estate Broker, Avison Young advised the City of

Ottawa that William Tomlinson Enterprises Inc. (the Owner) had engaged them to market and sell the property municipally known as 170 Colonnade Road. The property is being offered for sale confidentially (off-market) at an asking price of \$9,950,000 dollars.

The property comprises a 2.65-acre parcel of land improved with a light industrial/warehouse building that has been converted and is currently operating as a conference/event centre. The building has a ground floor/floorplate of 22,900 square feet with 4,000 square feet of offices and meeting rooms on a second level. The clear height for the building is otherwise 24 feet. The large lot area containing over 250 parking spaces would allow for the potential of additional development and abuts the west side of the OC Transpo Merivale Garage property at 164 Colonnade Road in the Colonnade Business Park. The subject parcel is zoned IG5, a General Industrial zone that permits a wide range of industrial uses including heavy equipment and vehicle sales, rental and servicing, light industrial uses, office, parking garage, service and repair shop, storage yard, training centre and warehouse, amongst other uses.

The opportunity to acquire a facility through a market sale directly adjacent an existing City facility is not one that often exists. Acquiring a facility directly adjacent to an existing facility is a benefit to the City, as it provides quick short-term exterior space with quick connections to existing buildings. It also contains the overall site to one larger area, which can be simpler and more cost effective to manage and maintain. Traffic flow also has the potential for improvement by having a larger site on two adjacent properties.

The additional opportunity that this property provides is building space, which can be used for OC Transpo and/or for other City departments. Other operational opportunities may present themselves in the coming years.

At the request of Transit Services (TS), negotiations with the owner were undertaken to acquire the 2.65 acre improved property which was listed at an asking price of \$9,950,000 dollars. The market value compensation in the offer was supported by both an internal City appraisal as well as a third-party independent appraisal. Both appraisal reports concluded that the highest and best use of the property was for re-purposing the existing structure to permit its use for industrial purposes. This would include the addition of drive-in bay doors as well as removal of some or all of the interior finish to allow for OC Transpo's intended use of the space. Any potential user of an industrial building would typically undertake renovations to facilitate their own use of the building. A building condition audit of the structure (overseen by the City's Facilities Asset Management Unit) and environmental investigations (overseen by the City's

Environmental Remediation Unit) of the property are being completed as conditions of the sale.

The estimated value range of the City's two appraisals was between \$7.4 and \$8.0 million based on recent sales of similar industrial buildings in the area. Negotiations, which included discussions on chattels and fixtures to be removed from the building and to the extent of a deposit amount (~1 per cent of the purchase price), resulted in an agreement to purchase the property for \$7.4 million.

Recommendation 1 of this report is to approve the acquisition of the property for \$7.4 million plus applicable taxes and closing costs.

The City's offer was made subject to a set of conditions, which expire 90 days from City Council approval, each of which if not completed to the satisfaction of the City would render the offer null and void. The conditions are:

- The City to have time to review and satisfy itself with the title to the Lands and all related encumbrances.
- The City to have time to review and satisfy itself with the environmental condition of the Lands. In that regard, a qualified consultant has been retained to complete Phase One and Two Environmental Site Assessments to ensure that the acquisition of the Property does not pose an environmental liability to the City.
- The City to have time to review and satisfy itself with the results of a Building Condition Audit (BCA). In that regard, a qualified consultant has been retained to complete a BCA to determine the condition of the building, and high-level financial implications of work required to assess adequacy for future use. The report will inform the City on the life span of the building's elements and systems, identifying recommended repairs/renovations in the short and long-term.

The purchase agreement has been negotiated subject to approval by City Council or its Delegated Authority. To complete the transaction in a timely and efficient manner, Recommendation Two is for Council to delegate authority to the Director, Corporate Real Estate Office to execute and conclude the Agreement on behalf of the City.

As part of the agreement a deposit in the amount of \$75,000 dollars was agreed to and is payable by the City within 20 business days of approval of the agreement by City Council.

The acquisition of 170 Colonnade Road is a rare opportunity for the City to acquire

property to expand on OC Transpo's abutting Merivale Garage property. The negotiated price of \$7.4 million is considered fair and reasonable. Staff recommend that Council approve the Agreement of Purchase and Sale as described in this report for the acquisition of 170 Colonnade Road.

The recommendations of this report and the actions of staff comply with the City's Real Property Acquisition Policy

FINANCIAL IMPLICATIONS

Funding for the acquisition costs of \$7.4 million plus applicable taxes and closing costs is available in 911039.

LEGAL IMPLICATIONS

There are no legal implications associated with implementing the report recommendations.

COMMENTS BY THE WARD COUNCILLOR(S)

The Councillor for Ward 9, Sean Devine, has received a copy of this report and is in support of the staff recommendation. As staff have not finalized plans for the use of the substantial building currently on this property, the Councillor has requested that he be part of discussions of possible civic or community uses of this space.

CONSULTATION

No public consultation was undertaken. CREO consulted with TS on these recommendations and concurrence has been provided.

ASSET MANAGEMENT IMPLICATIONS

The Building and Park Assets Unit within the Facility Asset Management Branch was tasked with completing due diligence for the subject building in the form of a Building Condition Audit (BCA).

The purchase agreement is conditional for 90 days from the date of the City Council's approval to give the City time to review and satisfy itself with the results of the BCA. In that regard, a qualified consultant has been retained to complete a BCA to determine the condition of the building. The report will inform the City on the life span of the buildings elements and systems, identifying recommended capital investments in the short and long-term.

ENVIRONMENTAL IMPLICATIONS

The Environmental Remediation Unit within the Corporate Real Estate Office (CREO) was tasked with completing environmental due diligence for the subject lands in accordance with the City's property acquisition policy.

The Agreement is conditional for 90 days from the date of the City Council's approval to give the City time to review and satisfy itself with the environmental condition of the Lands. In that regard, a qualified Consultant will be retained to complete Phase One and Two Environmental Site Assessments to ensure that the acquisition of the Property does not pose an environmental liability to the City.

DELEGATION OF AUTHORITY IMPLICATIONS

The purchase agreement has been negotiated subject to approval by City Council or its Delegated Authority. To complete the transaction in a timely and efficient manner, Recommendation Two is for Council to delegate authority to the Director, Corporate Real Estate Office to execute and conclude the Agreement on behalf of the City.

SUPPORTING DOCUMENTATION

Document 1 – Property Sketch

DISPOSITION

Following approval by Council, Legal Services, and Corporate Real Estate Office staff will implement the recommendations in this report.

Document 1 – Property Sketch of 170 Colonnade Road

