

Date: 2023-09-12

Subject: Pending Acquisition of property at Ward 2, Brampton

Realty File #: AG-23-600

Contact: Gurmeet Singh, Senior Real Estate Coordinator, Realty Services

Report Number: CAO's Office-2023-796

Open Meeting exception under the Municipal Act, 2001:

Section 239 (2):

- (c) A proposed or pending acquisition or disposition of land by the municipality or local board;
- (k) A position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

Close Session Direction Recommendations:

1. That the Report titled "Pending Acquisition of property at Ward 2, Brampton , dated September 12, 2023, (Escribe #2023-786 and RS File# AG-23-600) Ward 2, to the City Council meeting of September 13, 2023, be received; and
2. That staff be directed to;
 - i) Reject the offer received from the property owner at a Purchase Price of \$79,000,000, continue the negotiations and present a revised offer of up to \$76,000,000 or provide an upset amount; or
 - ii) Accept the offer received from the property owner at a purchase price of \$79,000,000; or
 - iii) Council directs staff to terminate the negotiations at this point in time.

Open Session Recommendations:

1. That the CAO be authorized to execute any agreements and other documents necessary to carry out Council's direction resulting from this report in a form acceptable to the City Solicitor or designate.
2. That a budget amendment be approved and a capital project be established in the aggregate amount of \$82,000,000 (inclusive of all taxes, due diligence costs, legal fees, and other ancillary costs and applicable HST) for the acquisition of the subject property with funding to be transferred from Reserve #2 – Cash-In-Lieu of Parkland.

Overview:

- **Property (see attachment 1) is located in the Brampton Industrial sub-market, on the south side of Sandalwood Parkway West, just west of Hurontario Street and Highway 410 in Brampton. It adjoins the City-owned Orangeville line and is situated directly across from the City's Sandalwood facility.**
- **On May 24, 2023, the City's mandated Broker contacted the City's Realty Services Division with an off-market opportunity to acquire the property located at 175 Sandalwood Parkway West. The property has good access to local and regional thoroughfares such as Highway 410 and Hurontario Street. Approximately 7.84 acres land is improved with a 170,482 square feet office-and-industrial building and there is approximately 8 acres of excess land.**
- **On May 26, 2023, the Realty Services circulated the property amongst the City Departments and received a positive response to acquire this property. Realty Services subsequently arranged a tour of City staff on June 9, 2023, and there was heightened interest by them in acquiring the property.**
- **The property comprises of an area of approximately 7.84-acre parcel of land that is improved with a 170,482 square feet (SF) office-and-industrial building with an additional 8 acres of outside storage land which is non-contiguous. It is located within an Employment area and is zoned Industrial (M2 Zoning) as per the City of Brampton's Zoning By-Law 270-2004.**
- **Historically the property was owned by the City of Brampton until 2001. The Ontario Energy Board (OEB) in July 2001 had approved the sale to Hydro One, Brampton and this property was transferred as part of the sale (see attachment 2). In 2017, Hydro One Brampton sold to Alectra Utilities and the sale included the transfer of this property (see attachment 3).**
- **In 2020, Alectra Utilities carried out a limited bidding property disposal and BVD Group successfully acquired the subject property for \$32.5 Million,**

with an arrangement for Alectra to lease it back until November 2023. The CEO of the BVD Group, Mr. Bikram Dhillon (current property owner), is the Brampton's Citizen of the Year for 2023 and has also contributed \$10 Million to William Osler Health System (Osler) and William Osler Health System Foundation (Osler Foundation) last year.

- There is significant gap in the appraisal completed by the property owner (at \$85.18M) and the City's independent appraiser valued the property in the range of \$65 to 68 Million. The Opinion of Value completed by the Broker is in the range of \$ 72 to \$78 Million. As per the Staff's estimation the 5.5 acres outside storage lands should be valued at \$3 Million per acre, however, it was valued at 2.5 Million per acre. Staff is of the opinion that a more realistic total property value is \$71 Million. Based on the negotiations, the property owner has submitted an offer of \$79,000,000 for the City's consideration.
- The property owner wants to complete this sale before December 31, 2023, and has offered a Due Diligence Period of 45 days (against the City's standard 120 days). Also, the Completion Date is usually 30 days but they are able to offer 20 days.
- Property is primarily suitable for cricket fields, it can also be developed for future parks and the installation of various recreational assets which includes sport fields, with the option of covering the amenities for year-round programming that would benefit our residents. The property will also support winterization of Recreation amenities, other Park and associated uses. The office space of over 67,000 square feet, it may be suitable for 8 Nelson Street relocation. Once the acquisition is completed, further studies will be carried out to detail these plans.
- Parks Forestry and Maintenance could utilize the indoor and outdoor area for storage. The building would be ideal for all equipment that is currently stored outside in the elements year-round. Parks operations could utilize indoor space for deployment purposes if space permits.
- Given the heightened interest from the City Departments in this property, staff is seeking Council direction and requests them to select one of the options noted in this report.

Background:

On May 24, 2023, the City's mandated Broker contacted the City's Realty Services Division with an off-market opportunity to acquire the property located at 175 Sandalwood Parkway West.

The property (see attachment 1) is located in the Brampton Industrial sub-market, on the south side of Sandalwood Parkway West, just west of Hurontario Street and Highway 410 in Brampton. It adjoins the City-owned Orangeville line and is situated directly across from the City's Sandalwood facility. The immediate surrounding area is dominated by service commercial and industrial uses. It has two access points, one through Sandalwood Parkway West and another through Railside Drive located to the south of the property.

The property comprises of an area of approximately 7.84-acre parcel of land that is improved with a 170,482 square feet (SF) office-and-industrial building with additional 8 acres of outside storage land; out of this approximately 5.5 acres is contiguous land.

- Out of the total 170,482 SF - Office area is 67,554 SF and industrial area is 84,228 SF.
- There is an additional 18,700 SF for truck recharge use.
- Out of total industrial area, 66,428 SF has a 32-foot clear ceiling height and 17,800 SF has a clear ceiling height of 15 feet.
- Truck recharging area has a clear ceiling height of approx. 20 feet.

The property is within an Employment area and is zoned Industrial (M2 Zoning) as per the City of Brampton's Zoning By-Law 270-2004.

Property Details

GeoWarehouse Address:

175 SANDALWOOD PKY W
BRAMPTON
L7A1J6



PIN: 142490053

Land Registry Office: PEEL (43)

Land Registry Status: Active

Registration Type: Certified (Land Titles)

Ownership Type: Freehold

Ownership

Owner Name:

2779927 ONTARIO INC.

Historically, the property was owned by the City of Brampton till 2001.

In July 2001, Ontario Energy Board (OEB) had approved the sale to Hydro One, Brampton and this property was transferred as part of the sale (see attachment 2).

In 2017, Hydro One Brampton sold to Alectra Utilities and the sale included the transfer of this property (see attachment 3).

In 2020, Alectra Utilities didn't list this property on Multiple Listing Service but carried out a limited bidding property disposal and BVD Group successfully acquired the subject property for \$32.50 Million, with an arrangement for Alectra to lease it back till November 2023.

The CEO of the BVD Group, Mr. Bikram Dhillon (current property owner), is the Brampton's Citizen of the Year for 2023 and has also contributed \$10 Million to William Osler Health System (Osler) and William Osler Health System Foundation (Osler Foundation) last year.

Current Situation:

Based on internal circulation with the City Departments and further site inspection, the Staff showed a lot of interest, details are given below:

Parks Planning, Community Services: the property is primarily suitable for cricket fields, it can also be developed for future parks and the installation of various recreational assets which includes sport fields, with the option of covering the amenities for year-round programming that would benefit our residents. The property will also support winterization of Recreation, other Park and associated uses. The office space of over 67,000 square feet, it may be suitable for 8 Nelson Street relocation. Once the acquisition is completed, further studies will be carried out to detail these plans.

Parks Forestry and Maintenance could utilize the indoor and outdoor area for storage. The building would be ideal for all equipment that is currently stored outside in the elements year-round. Parks operations could utilize indoor space for deployment purposes if space permits.

Legislative Services: noted that the property might be suitable for red-light camera processing centre/ Administrative Penalty (AP) System Processing Centre. It has been noted that the office area will be suitable for meeting the office space needs for setting up the processing centre. It was mentioned that bringing the processing in-house will allow Brampton to significantly increase the number of infractions, which will generate millions more in ticket revenue.

Public Works & Engineering which includes Fleet Services, Contracts, Operations Planning and Projects, Transportation Right of Way and Safety: noted that they would benefit from this space by utilizing it for small engine and light duty vehicle maintenance shop. The storage building would be great for all equipment that is currently stored in the elements year-round, including large winter equipment as the area includes a power supply for equipment to plug in. Yard can be used to store a minimum supply of lighting and signal poles. This would help to ensure that there would be a constant supply that are easily accessible in the event of an emergency.

Economic Development noted that the space can be considered by Rogers for their Temporary campus space needs in Brampton while the CFI is being built.

If the property is acquired, then a multidepartment effort will be needed to collocate the various potential uses identified for this property.

The property owner has completed an appraisal study through an independent property appraiser in May 2023 as per which the highest and best use is identified as Industrial and the value is noted as \$85.18 Million.

The City of Brampton is in the process of completing a peer review of their appraisal and had also commissioned an independent third-party appraisal study. Based on their feedback the property is valued as \$65 to \$68 Million. The third party valued the 5 acres of vacant land at 2.5 million an acre.

City staff completed an opinion of value at \$71 Million and valued the 5.5 acres vacant land at 3 million an acre.

Interim comments from the peer review indicated that there were three (3) main areas of concern found within the property owner's appraisal report that had a major impact on the value conclusion established.

These areas are:

1. Deficiencies within the Income Approach
2. Deficiencies within Direct Comparison Approach: Sales Analysis and Adjustments
3. Application of Excess Land Valuation.

The actual written content to explain and justify the estimate of value developed is lacking. The narrative presented within the report is not sufficient to result in analyses, opinions, and conclusions that are credible in the context of the Intended Use of the Report.

An additional area of concern within the report was the valuation conclusion reached with no reference made to the 2021 sale of the Subject at \$32,500,000. The challenging question that needs to be addressed is how a market sale from 2 years ago resulted in the value of the Subject almost tripling over this period. While land value have greatly appreciated there is no market evidence to support this level appreciation in value.

The appraiser reviewing the report noted that based on our review of the report, it can be concluded that the opinions presented within the appraisal report were "inadequate, inappropriate and unreasonable" and the conclusions are, therefore, "unreliable".

Staff have observed that there is significant gap in the appraisal completed by the property owner (at \$85.18M) and the City's independent appraiser valued the property in the range of \$65 to 68 Million. The Opinion of Value completed by the Broker is in the range of \$ 72 to \$78 Million. Based on the negotiations, the property owner has submitted an offer of \$79,000,000 for the City's consideration.

Given the heightened interest from the City Departments in this property, staff is seeking council direction and requests them to select one of the following options:

- 1- Reject the offer received from the property owner at a Purchase Price of \$79,000,000; continue the negotiations and present a revised offer of up to \$76,000,000 or provide an upset amount; or
- 2- Accept the offer received from the property owner at a purchase price of \$79,000,000; or
- 3- Council directs staff to terminate the negotiations at this point in time.

Staff is seeking council direction on this high-value transaction, and given the property size, previous usage and conditions, concluding a satisfactory building condition analysis, designated substance survey and environmental studies will be significant at the due diligence stage.

The property owner wants to complete this sale before December 31, 2023, and has offered a Due Diligence Period of 45 days (against the City's standard 120 days). Also, the Completion Date is usually 30 days but they are able to offer 20 days.

Corporate Implications:

Financial Implications:

If Council directs staff to proceed with option ii) under Recommendation 2), a new Capital Project would need to be established for the acquisition of this property in the aggregate amount of \$82,000,000, which includes land transfer tax, estimated due diligence costs, staff recoveries, legal fees, other ancillary costs and non-recoverable HST, with funding to be transferred from Reserve #2 - Cash in Lieu of Parkland, subject to Council approval.

If the intended use is for parks and various sport fields, sufficient funding is available in Reserve #2 for this initiative. This drawdown represents approximately 96% of the reserve balance as at July 31, 2023.

Reserve #2 – Cash in Lieu Parkland

Balance as at July 31, 2023	\$85,588,277
Less: Budget Amendment, subject to Council Approval	-\$82,000,000
Ending Balance	3,588,277

If the intended use of this parcel of land changes at a future time, the recommended funding sources will be reevaluated and adjusted as required.

Other Implications:

Legal Services will review and approve as to form any agreements and documents necessary to complete the acquisition of subject property.

Fleet Services, PWE: Fleet area could set up the shop for small engine as well as light duty vehicle maintenance. The storage building would be great for all equipment that is currently stored outside in the element year-round.

Contracts, Operations Planning & Projects, PWE: In addition to small equipment storage benefits, there is sufficient space to store some large winter equipment with a power supply available for equipment plug in. It was mentioned that in case of towing operations in winter getting implemented, this facility will be an ideal location, with its abundant outdoor, fenced and gated space, and would also facilitate the administration of the storage component of towed vehicles, with its abundant office space. The facility is conveniently located directly across from our current Sandalwood facility, which will keep operations in concentrated area, geographically. The facility contains significant office space, training room space, lunch common space for employees, and Alectra employees had fitness centre and abundance of meeting rooms.

Transportation Right of Way & Safety, PWE: it was noted that they could use the yard to keep a minimum supply of lighting and signal poles on hand to ensure that there is a constant supply that are easily accessible in the event of an emergency. There is ample indoor storage space for a supply of common signal and lighting materials as well as larger Signal shop.

Term of Council Priorities:

This report supports the Term of Council Priorities and the 2040 Vision:

Through stewardship of assets and services, and a focus on service excellence, this report demonstrates that Brampton is a Well-Run City.

Conclusion:

Given the heightened interest from the City Departments in this property, staff is seeking council direction and requests them to select one of the options noted in this report to acquire the property for the development of Cricket, enhancement of Recreation and Parks usage.

Authored by:

Reviewed by:

Gurmeet Singh, Senior Real Estate
Coordinator

Rajat Gulati, Senior Manager, Realty
Services

Nivenpreet Pannu, Coordinator Real
Estate

Approved by:

Approved by:

Bill Boyes, Commissioner of
Community Services

Marlon Kallideen,
Chief Administrative Officer

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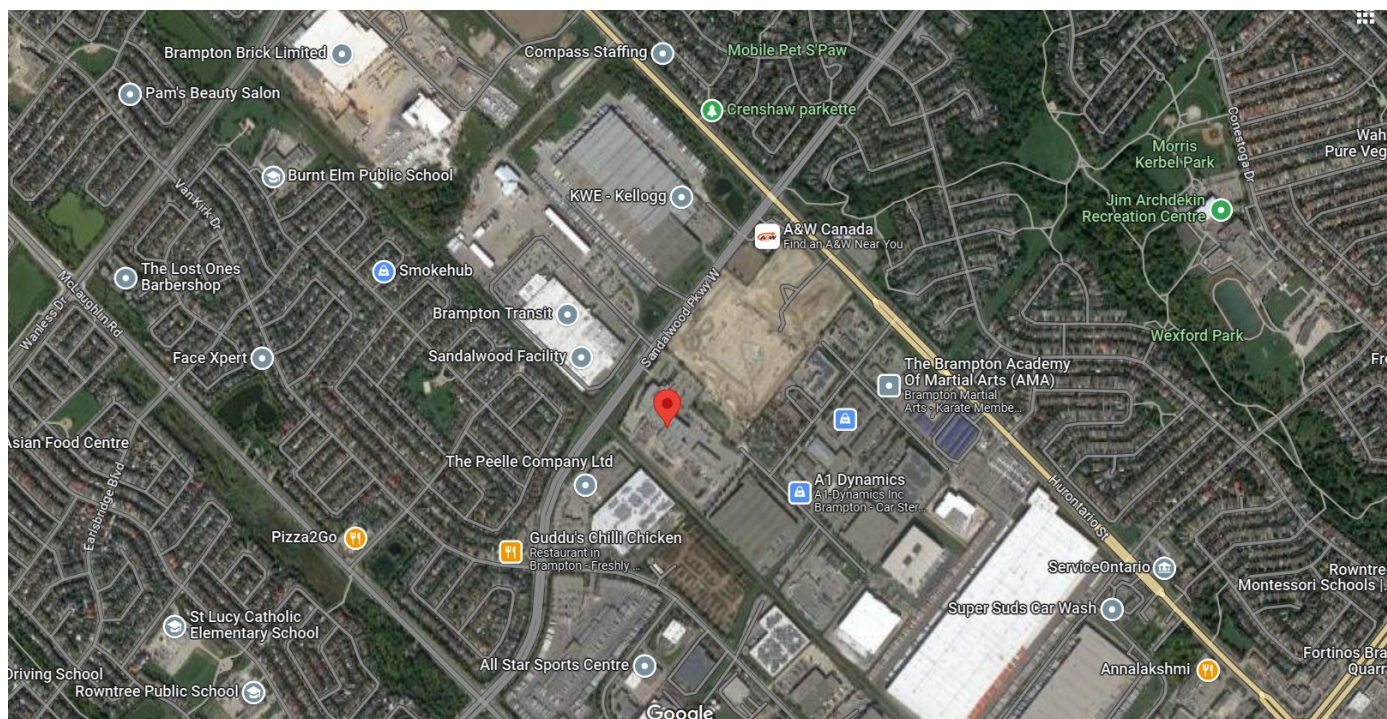
Attachment 1 – Location map of 175 Sandalwood Parkway West, Brampton

Attachment 2 - Ontario Energy Board Approves the Sale of Brampton Hydro (*News from 2001*)

Attachment 3 - Ontario moves ahead with sale of Hydro One Brampton (*News from March 27, 2016*)

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Attachment 1 – Location map of 175 Sandalwood Parkway West, Brampton



Ontario Energy Board Approves The Sale of Brampton Hydro

(News from 2001)

BRAMPTON, ON -- - The Ontario Energy Board (OEB) has approved the sale of Brampton Hydro to Hydro One with the deal taking full effect by the end of September. While a stand-alone operating subsidiary of Hydro One will assume operation of the local hydro utility on Aug. 1, the city will not have full use of the money until after a closing/adjustment period.

The OEB approval was issued on Wednesday, July 11. The agreement with Hydro One includes a 75-day closing/adjustment period before the transaction is finalized. City council will then establish a Hydro Stewardship Strategy as part of its 2002 budget process. The stewardship strategy will determine how the money from the sale will be reinvested to provide a legacy for future generations.

"When council approved this deal we were was steadfastly committed to three key principles," said Brampton Mayor Susan Fennell. The OEB decision stated that the Brampton Hydro sale was in the best interest of the consumer, to protect consumers from spiraling electricity costs, protect the jobs of Brampton Hydro employees and make sure service levels and reliability did not suffer.

The OEB decision stated: "The board finds that, based on the evidence, approval of the acquisition by Hydro One of an interest in Brampton Hydro Networks through the acquisition of securities of Brampton Hydro Corporation is in the public interest."

"Overall, the provincial government initiative to restructure the electrical utility industry in Ontario has set the stage for this important transaction for the benefit of the City of Brampton and the public," said Lorne McCool, Chairman of Brampton Hydro and Brampton City Manager.



Ontario moves ahead with sale of Hydro One Brampton

By Brampton Guardian

Sunday, March 27, 2016

Ontario is moving forward with the sale of Hydro One Brampton.

Mississauga Mayor Bonnie Crombie joined mayors from Markham, Vaughan, Barrie, Hamilton and St. Catharines March 24 for a signing ceremony to mark a utilities merger that will culminate in the purchase of Hydro One Brampton from the provincial government.

When PowerStream, Enersource and Horizon merge to buy Hydro One Brampton, the amalgamation will create the second largest electricity distributor in Ontario.

It would serve customers in Peel, York, Hamilton, St. Catharines and Simcoe County.

Mississauga, Barrie, Markham, Vaughan, Hamilton and St. Catharines municipal councils have already approved the merger and purchase.

The City of Mississauga is the majority shareholder of Enersource. Markham is the principle shareholder of PowerStream and Hamilton and St. Catharines jointly own Horizon.

Ontario has now executed a Share Purchase Agreement with PowerStream, Enersource, and Horizon.

The purchasers have agreed to pay \$607 million for Hydro One Brampton. MergeCo is the temporary name of the new utility company that will have head offices in Mississauga.

"This new utility company will provide the residents of Mississauga with cost savings, new efficiencies, and improved customer service, along with safer, reliable and clean electricity," Crombie said in a statement.

Crombie will sit on the Transitional Committee and Board of MergeCo.

The transaction and the creation of the new company are subject to certain closing conditions, including Competition Bureau and Ontario Energy Board (OEB) approval, expected later in 2016.

The new company has forecast a downward pressure on electricity rates of \$40 per year for an average customer, according to the provincial government.

Hydro One acquired Hydro One Brampton from the City of Brampton in 2001.