

Acquisition of 3815 Wanuskewin Road and 3802 Arthur Rose Avenue for Future City Operations North District Yard

ISSUE

As the population and built form of Saskatoon expands and evolves, so must the City of Saskatoon's (City) facilities evolve to support the operational aspects of a growing city. The current central City Yards is nearing capacity, and there has been an identified civic interest in relocating many services out of the downtown core to allow for the redevelopment of the North Downtown. The Civic Operations Centre (COC) will serve as a yard site for the southwest area of Saskatoon, while a north operations yard is needed to improve efficiencies in City operations and better serve residents in the long term.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the Administration be authorized to purchase 3815 Wanuskewin Road, Parcel CC, Plan No. 102102725, Extension 1 (ISC Surface Parcel No. 203244386), comprised of approximately 20.03 acres with approximately 156,400 square feet of buildings from Norseman Group Ltd., at a purchase price of \$15 million for a future north operations yard;
2. That a leaseback agreement for eight years between the City of Saskatoon and Norseman Group Ltd. with an annual lease payment to the City of Saskatoon of \$1.125 million be approved;
3. That the Administration be authorized to purchase 3802 Arthur Rose Avenue, Lot 3, Block 280, Plan No. 102031186, (ISC Surface Parcel No. 164957653), comprised of approximately 3.81 acres from Riverbend Holdings Inc., at a purchase price of \$1.799 million; and
4. That the City Solicitor be requested to prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

BACKGROUND

The City Yards located in North Downtown have been the central civic operations hub for the City since the 1940s. The physical size of the City Yards has expanded over the years as various parcels have been purchased as they became available, such as the former Saskatchewan Transportation Company's maintenance property when operations ceased in 2017. The current size of City Yards is approximately 30 acres, with 9.7 acres being south of Queen Street.

City Yards is the current hub for a number of highly specialized key assets that support everyday municipal maintenance operation activities of the City. It is also the point of origin and storage for staff, equipment, and materials that the City relies on for maintaining roads (summer and winter functionality), water and sewer infrastructure, garbage collection, fleet maintenance services, and primary support to the City's radio system. Over 500 civic employees, 400 civic vehicles and equipment dispatch daily

from City Yards, and an additional 100 civic vehicles utilize it as a central hub for fueling and maintenance.

The COC site was purchased in late 2010, and in 2016, the 170.48-acre site became home to Saskatoon Transit and the snow storage/melt pond facilities. The proximity of the COC to the Saskatoon Regional Waste Management Facility and Recovery Park further add to the site's strategic location in the southwest.

In addition to city growth increasing demand on civic operations, planning for a Saskatoon population of 375,000 to 500,000+ over the next few decades, and the physical limitations on expanding the current City Yards, there is a need to relocate some of these civic operations and begin to make the land available for future redevelopment. North Downtown redevelopment would help to achieve infill targets in the approved Growth Plan.

DISCUSSION/ANALYSIS

Acquisition of Satellite Yards Location

Given the location of the current centrally-located City Yards, the COC being located in the southwest, significant growth occurring in northeast/northwest Saskatoon, and the planned redevelopment of the North Downtown, an operations yard located in the north needs to be planned for and secured.

A north district yard would also improve efficiencies in operations and better serve residents, as back-and-forth commuting from work zones in the northern portion of Saskatoon to City Yards and COC would be significantly reduced. One of the operational efficiencies identified is that slow-moving vehicles would not need to be trailer hauled to work sites and the need for additional hauling equipment would be reduced.

With this proposed north district yard being close to 24 acres in size, the site would provide adequate storage capacity for a wide variety of materials which would reduce costs associated with just-in-time delivery methods. Stockpiling both summer and winter materials allows for improvement in the quality of the materials being sourced and reduces the risk of service disruptions associated with sourcing materials with just-in-time delivery. Material testing would also be completed on larger quantities of materials thus reducing the risk and cost of materials not meeting specifications/standards.

In addition, 3815 Wanuskewin Road has been identified as a strategic property for a north district operations yard due to the following:

1. The property is situated in a central location in north Saskatoon, thus eliminating the need for a yard site in both the northeast and northwest.

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2. The property is situated on the southwest corner of Wanuskewin Road and Marquis Drive, with immediate access to the Chief Mistawasis Bridge and North Commuter Parkway. This location provides efficient access to a large catchment/service area by low-speed vehicles (e.g. sweepers and small equipment) via a number of arterial roads.
3. The site is adjacent to the City's new Liquid Waste Hauler Facility at 3706 Arthur Rose Avenue, a site which would be utilized daily by the City's hydrovac and flusher trucks.
4. In addition to the quick access to arterial roads, a Saskatoon Freeway interchange is planned to be constructed 2 km north of the site, which will provide efficient access to all areas of the city when completed.
5. The property consists of approximately 156,000 square feet (sf) of buildings, and, is readily useable and/or adaptable for civic operations.
6. An eight-year leaseback would allow the City time to finalize a detailed property utilization plan that would align with a phase-out plan for a number of the uses occurring at the City Yards in the North Downtown. The leaseback period allows for a transition time for Norseman to plan and develop another facility optimized for their future business needs.

Highlights of the 3815 Wanuskewin Road Property

The following property details summarize the proposed acquisition:

- 20.03-acre, fully serviced; fenced; lit; landscaped; gravelled/graded with 20 on site drainage catch basins;
- 156,400 sf of buildings comprised of:
 - 22,000 sf two-storey office, sprinklered, built in 2000;
 - 57,600 sf coverall (Fabric Plant), heated, sprinklered, built in 2000;
 - 64,800 sf coverall (Steel Plant), heated, sprinklered, built in 2000; and
 - 12,000 sf coverall (Heated Warehouse), built in 2008;
- right-in, right-out access on Marquis Drive and full access to Wanuskewin Road; and
- parking stalls – 120 paved and 95 gravelled.

Appendix 1 provides a visual of the property and surrounding properties. Appendix 2 shows additional photos of the buildings and improvements on the site.

Notable Terms for the Acquisition and Leaseback

In late 2019, the Administration became aware of the 3815 Wanuskewin Road property being listed and available for purchase. Following a number of internal discussions,

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negotiations with the property owner, and site tours, a conditional offer to purchase, with an eight-year leaseback, was entered into on March 18, 2020.

Noteworthy terms of the offer to purchase and leaseback are:

- Conditional upon a number of due diligence steps carried out by the City, as well as City Council approval by September 30, 2020.
- Purchase price of \$15 million payable on the closing date of October 30, 2020.
- Leaseback to Norseman Group Ltd. (Norseman) for eight years (November 1, 2020 to October 31, 2028) with annual rent payment of \$1.125 million to the City; \$9 million over the eight-year term.
- If needed, the City has the option to reduce the leaseback area by 3.9 acres after August 1, 2025, with a reduction in annual rent.
- A security deposit would be held by the City for the term of the lease.
- Norseman will insure the property for the term of the lease at their cost.

Since coming to agreement on the conditional purchase of the 3815 Wanuskewin Road property, the Administration has conducted external and internal due-diligence investigations/reviews, including:

- building code and change-of-use considerations;
- building and floor slab structural review;
- environmental/hazardous materials assessment;
- review of Norseman Group Ltd. 2019 consolidated financial statements;
- fire inspection review;
- geotechnical review;
- hazardous materials inspection;
- high-level utilization plan;
- mechanical and building systems review;
- transportation review;
- roof inspection; and
- zoning district review.

Further to the zoning review, the purpose of the Limited Intensity Light Industrial District (IL2) is to facilitate economic development through certain light industrial activities and related businesses that do not create land use conflicts or nuisance conditions during the normal course of operations, as well as to limit activities oriented to public assembly. Under Zoning Bylaw No. 8770, the proposed City operations yard would be considered a Municipal Public Works Yard - Type II, and would be a permitted use in the IL2

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District. Development standards for Municipal Public Works Yard - Type II specify that only those accessory office uses associated with a function performed on the site shall be permitted. The City is subject to the same zoning regulations, including land uses and development standards, as any other potential purchaser would be.

This proposed north district yard would be in proximity to the chemical plants along Wanuskewin Road. As with all City facilities, this location would follow the City of Saskatoon Emergency Preparedness Standards, including all shelter-in-place preparedness and exercise requirements. Prior to occupancy, the Administration would develop a shelter-in-place plan that would be tailored to the uses on the site as part of a civic operations yard. A shelter-in-place plan would be posted and the information made available to site occupants and visitors.

Results of the various due diligence investigations were satisfactory with no adverse issues being identified that would dissuade proceeding with the acquisition.

Highlights of the 3802 Arthur Rose Avenue Property

In addition to the purchase of 3815 Wanuskewin Road, it is recommended that 3802 Arthur Rose Avenue also be acquired. The subject site is a vacant, IL2-zoned, 3.81-acre interior site on Arthur Rose Avenue that would provide safer, more efficient access and egress to the site for civic equipment.

The 3802 Arthur Rose Avenue site is listed and available for purchase and a conditional offer to purchase was negotiated and entered into on July 14, 2020. Noteworthy terms of the offer to purchase are:

- Conditional upon City Council approval by September 30, 2020.
- Purchase price of \$1.799 million payable on the closing date of October 15, 2020.

The Administration is recommending that both properties be acquired, as the location and improvements are ideal to serve the City well into the future.

FINANCIAL IMPLICATIONS

A purchase price of \$15 million with a leaseback to Norseman for eight years with an annual rent payment of \$1.125 million to the City has been negotiated for 3815 Wanuskewin Road.

A market value appraisal report completed for the 3815 Wanuskewin Road property in 2017 estimated the market value to be \$17.3 million.

A purchase price of \$1.799 million has been negotiated for 3802 Arthur Rose Avenue. At 3.81 acres, the purchase price represents a land value of \$472,178 per acre. The funding plan for these acquisitions is shown below.

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Description	Amount (in millions)
Borrowing	\$ 6.35
Gas Tax Reallocation Funds	\$ 6.70
Proceeds from Sale of Surplus City-Owned Assets	\$ 3.75
TOTAL	\$16.80

If the purchase is approved by City Council, the Administration will report back with public notice on the internal borrowing and the applicable rate of interest.

The Gas Tax Reallocation Funds are reallocated from reserves that fund projects which receive eligible Gas Tax funding. The funds are then available to be used for other projects.

The sale of surplus City-owned assets include the current inventory stores building on Portage Avenue at some point in the future in which consolidation of civic operations will enable the building and site no longer being required.

ENVIRONMENTAL IMPLICATIONS

The environmental review determined the 3815 Wanuskewin Road property is considered to have a low environmental hazard potential; no further investigations are required.

The 3802 Arthur Rose Avenue property was sold by Saskatoon Land in 2011, and has since remained vacant. In consideration of this, the potential for environmental concern on this property is considered low.

OTHER IMPLICATIONS

There are no privacy, legal, or social implications identified.

NEXT STEPS

If approved, the 3815 Wanuskewin Road acquisition would close October 30, 2020, and the property would be leased to Norseman from November 1, 2020 to October 31, 2028. The 3802 Arthur Rose Avenue acquisition would close October 15, 2020.

During the leaseback period of 3815 Wanuskewin Road, the Administration would ensure the tenant is adhering to the terms and conditions of the lease agreement. With possession of the 3802 Arthur Rose Avenue property being October 15, 2020, the City would be able to utilize the property for material storage, which would improve logistics for civic infrastructure work occurring in north Saskatoon.

APPENDICES

1. Lands for Acquisition — 3815 Wanuskewin Road and 3802 Arthur Rose Avenue
2. Photos of 3815 Wanuskewin Road Property

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REPORT APPROVAL

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Admin Report - Acquisition of 3815 Wanuskewin Road and 3802 Arthur Rose Avenue for Future City Operations North District
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