



**Subject: City Real Estate – Phase 1 – Net Proceeds**

**To: Council**

**From: Chief Administrative Office**

Report Number: 2022-13

Meeting Date: January 25, 2022

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**Recommendation:**

That Chief Administrative Office Report 2022-13 be received for information.

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**Purpose:**

The purpose of this staff report is to update Council on the net proceeds from Phase 1 of the City Real Estate initiative.

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**Background:**

In the fall of 2020, the Economic Development and Tourism Services Division created a City Real Estate initiative focused on identifying property that could be declared surplus and marketed for residential, commercial, or industrial development.

The goal of the City Real Estate initiative is to attract investment and new residents to Port Colborne; have vacant properties redeveloped and revitalized; facilitate public-private partnerships to create more affordable housing units; expand the municipal tax base to maintain core programs and services; and maximize value of City properties while achieving social, economic, and environmental benefits.

Phase 1 of the project, which included one commercial lot and five residential lots, was implemented on Monday November 23, 2020 with a news release, property information added to the City's website, and listing information posted to the Multiple Listing Service (MLS) by the City's real estate agent at Royal LePage.

The six surplus properties were reviewed by City departments and the sale process complied with Council's Sale and Disposition of Land By-law.

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## Discussion:

This project delivers on a commitment in the City's 2020-2023 Strategic Plan "Attracting Business Investment and Tourists" pillar and implementing a City Real Estate initiative is an action item.

The chart below lists the City properties that were sold, the costs of completing the sales, and the net proceeds. The costs include legal and real estate commission.

Property Address	Listing Price	Sale Price	Costs	Net Proceeds
142 Fraser St.	\$59,900	\$50,000	\$3,586.90	\$46,413.10
133 Durham St.	\$64,900	\$67,000	\$4,269.75	\$62,730.25
Lot - Catherine St.	\$229,900	\$230,000	\$7,988.29	\$222,011.71
130 Rodney St.	\$64,900	\$45,000	\$2,978.78	\$42,021.22
80 Nickel St.	\$95,000	\$150,000	\$8,064.30	\$141,935.70
90 Fraser St.	\$104,900	\$90,000	\$2,826.56	\$87,173.44
<b>Total</b>				<b>\$602,285.42</b>

The financial legacy from the sale of these properties is not necessarily in the net proceeds of sale but rather the future contribution to the tax, water, wastewater and storm sewer base.

- Prior to development, staff estimate the municipal value to be \$9,500 annually. The net present value of this contribution over 50 years is approximately \$467,000.
- Following development, staff estimate the municipal value to be \$38,900 annually. The net present value of this contribution over 50 years is approximately \$1,400,000 plus contributions to the water and wastewater budget in the form of usage and fixed charges.

The calculations above were made using the following key assumptions:

- All properties were considered residential with a  $\frac{3}{4}$ " water meter for the purpose of the calculations above. Staff identify not all properties are residential and/or will be fully residential once developed. The approach of assessing all as residential was done for purposes of conservatism, recognizing the split is currently unknown. For the purpose of the storm sewer, once developed, the properties have been assessed as single-family properties for the purpose of this illustrative calculation only.
- The taxes grow by 2%, water/wastewater by 5% and storm sewer by 5%. These figures will vary based on factors such as inflation, defined service levels, growth and density of growth.
- A 4.45% discount rate (2.45% Bank Rate + 2% Risk)

Once developed, these properties will be re-assessed by the Municipal Property Assessment Corporation (MPAC). Staff will recalibrate the economic value of these sales at that time.

It is also noteworthy that these developments will create eighteen new dwelling units in the City as well as new users on the City's water and wastewater systems.

A second phase of the City Real Estate initiative is underway and includes the redevelopment of 235-241 Welland Street and two infill development opportunities on Borden Avenue that will be marketed through MLS sometime in Q1/2022. Staff are continuing to review other development opportunities that will be brought forward to Council in 2022.

Staff are also working on Phase 3 that focuses on reviewing small irregular shaped parcels owned by the City that are surplus to operational needs but may have value to adjoining landowners. There are several that will be brought to Council in 2022 for review.

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### **Internal Consultations:**

Economic Development and Tourism Services consult with Clerks, Planning and Development, Fire Department, Public Works/Engineering, Parks, Corporate Services, and Office of the CAO on the disposition of City Real Estate.

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### **Financial Implications:**

The net proceeds from Phase 1 of the City Real Estate initiative were \$602,285.42. These funds were directed to the Economic Development Land Reserve which provides a source of non-tax levy funds to be used for studies, assessments and pre-development work related to the disposition and acquisition of City real estate.

As identified above, once these properties are developed, the net present value of future contributions from these properties over 50 years is estimated at approximately \$1,400,000 based on the assumptions highlighted above.

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### **Public Engagement:**

City land for sale is posted on the City's website, promoted on MLS, and shared with a database of investors maintained and updated regularly by the Economic Development and Tourism Services Division.

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## Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Attracting Business Investment and Tourists to Port Colborne
  - Value: Financial Management to Achieve Financial Sustainability
  - Governance: Communications, Engagement, and Decision-Making
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## Conclusion:

Phase 1 of the City Real Estate initiative generated \$602,285.42 in net proceeds. Economic Development and Tourism Services staff, with support from other City departments, are moving forward with Phase 2 and Phase 3 of the project. Staff will report to Council in 2022 with information for further direction.

This project delivers on a commitment in the City's 2020-2023 Strategic Plan "Attracting Business Investment and Tourists" pillar and implementing a City Real Estate initiative is an action item.

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Respectfully submitted,

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## Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.