

To: David Creery, Chief Administrative Officer
From: Brad Hammond, Development Officer
Re: Request to Waive Right of Repurchase Armor Pro Audio Visual Inc.

AIM

To seek City Council's direction to waive the City's right of repurchase on 1.2 acres of industrial land in the Bysham Business Park.

BACKGROUND

Armor Pro Audio Visual Inc. purchased 1.2 acres of land on Houser's Lane in the Bysham Business Park in the spring of 2019. At the time of purchase, the company planned to build a 2-unit industrial building in which they would occupy one half of the building and lease the second half to an unrelated tenant.

The agreement of purchase and sale contained all the City's standard sales conditions including timing to construct, lot coverage, façade materials and rights of repurchase in favour of the City. The agreement required Armor Pro to build a minimum 10% coverage (approximately 485 m² / 5,227 sqft.) by March of 2021.

Upon purchase of the land the company began discussions with contractors and completed some initial grading as the property required significant work. The company's original plan was to build their new building in the fall of 2020.

Prior to the start of the COVID-19 pandemic much of Armor Pro's business was based on providing products and services related to in-person events. Not surprisingly the pandemic had a significant impact on Armor Pro's cash flow as most events were cancelled for 1 – 2 years.

The company was successful in developing new business opportunities during the worst of COVID and has now regained in-person events. In July of 2022 City Council approved an 18-month extension to the company's required time to complete.

COMMENTS

The owners of Armor Pro have remained in close contact with Development staff and provided frequent updates as they move to develop the subject property. Although the business is again back on solid footing they have been significantly impacted by soaring construction costs and rising interest rates. These two factors have pushed the Armor Pro project beyond the company's financial capabilities and the company has now had to involve a partner in order to complete construction of the building. The partner is a local businessperson who has already developed one other building in the Bysham Business Park.

Bucholtz Holdings Inc. has agreed to partner with Armor Pro in the construction of 12,000 sqft. of new industrial space on the property. The space will be comprised of 2 6,000 sqft. buildings. Each building will have two 2,000 sq ft units and two 1,000 sq ft units for a total of 8 units. Shares in the company will be split 70/30 between Bucholtz and Armor Pro with each partner maintaining 50% of decision-making. Construction of the buildings is planned to begin this fall with the building's shell completed by the end of the year.

As Council is aware, the City's standard agreement of purchase and sale contains a number of restrictive covenants in favour of the City. Included in these restrictions is a right of repurchase on the sale of any undeveloped land. Under the definition of a "sale" in the agreement is included a change in controlling interest in the company that purchased the land from the City. Because the land is currently undeveloped, and because the new partnership represents a change in control of the company, the City's right of repurchase will be triggered.

Development staff are prepared to recommend that Council waive it's right to repurchase based on the information provided above. The new partnership between Armor Pro and Bucholtz helps to maintain Armor Pro's physical presence in Woodstock and creates 7 additional leasable units in the Bysham Business Park. In addition, the proposed new construction represents more than twice the lot coverage required under the original agreement of purchase and sale.

RECOMMENDATION

That the Council direct staff from the Development Department to waive the City's right of repurchase of the subject site based on the information provided in this report.

Authored by: Brad Hammond, Development Officer

Approved by: Len Magyar, Development Commissioner

Approved by: David Creery, M.B.A., P. Eng., Chief Administrative Officer