

ITEM 25

MANAGER'S REPORT NO. 35

COUNCIL MEETING May 12/75

Re: Land Exchange and Development Agreement  
D.L.'s 15 and 100  
Subdivision Reference #131/74 - Community Builders Ltd.  
(Item 1, Report No. 19, March 17, 1975)  
(Item 21, Report No. 21, March 24, 1975)  
(Item 1, Report No. 29, April 21, 1975)

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On April 21, 1975, Council in connection with the subject land exchange and development agreement adopted the following recommendations:

- "1. THAT the Municipality accept Lots 16 to 21 inclusive, plus Lots 29, 30 and 31 within the subject subdivision; and
2. THAT Municipal properties in the subdivision be serviced at the same time as those of the developer; and
3. THAT the Municipality pay 9/62 of the actual costs of development not exceeding \$79,417.74, plus 9/62 of actual engineering inspection costs not exceeding \$3,176.71."

The following motion was then passed:

"That with reference to land exchange and development agreement, D.L.'s 15 and 100, Subdivision Reference #131/74, Community Builders Ltd., being Item 1, Municipal Manager's Report No. 29/7, the Municipal Manager bring forward a report clarifying what the Municipality would have realized under the sale of the land to Community Builders Ltd. as was proposed for \$127,090.00 whereas the Council recommended co-development which would mean the sale of the lots for about \$270,000.00 of which the municipal costs would appear to be \$82,500.00 meaning a profit of at least \$187,000.00 as compared to the original sale price of \$127,000.00 which is \$60,000.00 difference and that if that is the case then the Council should look at who made the initial report to sell for \$127,000.00."

Comments regarding this inquiry are contained in the attached report from the Land Agent.

This is for the information of Council.

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S.D. Ref. #131/74 - D.L. 15 and 100, Broadway & North Road

COMPARISON OF DIRECT SALE AND PARTICIPATION

DIRECT SALE OF MUNICIPAL LAND

Sale Price: \$127,090.  
 Value of \$127,090. used for estimated time of  
 construction @ 9% interest per annum \$138,528.00

LAND EXCHANGE AND PARTICIPATION

Market value of 9 serviced lots \$270,000.00

Direct Costs:

Land	\$127,090.00	
Servicing	79,417.74	
Inspection Charges	3,176.68	
Overhead - 13% of \$79,417.74	10,324.30	

Indirect Costs:

Land - 9 months construction time @ 9% per annum	8,674.00	
- 9 months inspection fees @ 9% per annum	217.00	
- 6 months servicing costs @ 9% per annum	3,573.80	
- legal	1,800.00	
- advertising & promotions	250.00	\$234,523.52

Holding costs on fully serviced lots  
 having a capital investment of  
 \$234,523.52 for a period of 3 months  
 for sales and administration 5,218.61

TOTAL COST TO MUNICIPALITY \$239,742.00

PROFIT TO MUNICIPALITY \$ 30,258.00

Additional Costs a Private Developer would be  
 subject to:-

Real Estate Sales Commission - 5% of \$270,000.	\$13,500.00
Builders Profit - 15% of \$270,000.	40,500.00
Total:	<u>\$54,000.00</u>

This is \$23,742. less than would be reasonably expected by a  
 developer.

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(S.D. Ref. #131/74 - D.L. 15 & 100, Broadway & North Rd.)

COMPARISON OF DIRECT SALE AND PARTICIPATION

Direct sale - interest on capital	\$11,438.
By participation anticipated profit	30,258. or 11% of gross
Difference in favour of participation	\$18,820.

Council must relate to our sequence of negotiations and our decisions as of that time.

Our original appraisal of the 25th July, 1974 took into consideration the value of plottage increment to the developer. This amounted to two additional lots, making his purchase a viable proposition at \$127,090.

On March 20th of this year we submitted a report explaining our reasons for making a recommendation to sell the municipal land for \$127,090. Please note: Had Community Builders insisted on a proportionate dedication of comparable area for the Stoney Creek improvements we would only have 8 lots. We considered this factor and made our recommendations accordingly. Fortunately Community Builders failed to make this request and we have come out ahead by one lot, value \$30,000. less servicing costs of approximately \$11,180. leaving a residual to land of \$18,820.

CONCLUSION

As a result of Community Builders not requiring a proportionate dedication for the Stoney Creek improvements the Municipality gained one lot.

It is the realization of the extra profit on one lot that makes our participation more desirable. Without that extra lot we would have to recommend a cash sale.