



TOWN OF HINTON DIRECTION REQUEST

DATE: December 4, 2015

TO: **STANDING COMMITTEE MEETING OF December 8, 2015**

FROM: Denise Parent, Director of Corporate Services

APPROVED BY: Mike Schwirtz, Chief Administrative Officer

RE: **Innovista Industrial Park Financial Overview and Next Steps**

Purpose

This item is before Council to provide an update on the Innovista project and to seek direction on a strategy to recover the Land Sales Reserve shortfall of \$300,000.

Issue

The Innovista Industrial Park is expected to be fully sold by the end of 2015.

In 2006, the Town had entered into an agreement with the Federation of Canadian Municipalities (FCM) to help fund an Eco-Industrial Park and secured a \$3.3 million grant fund with the possibility of accessing up to \$2.2 million in loan proceeds to support planning and construction. As with any new initiatives, there were many learnings and challenges to bring this project to a closure.

Four lots were sold between 2007 and 2009. The remaining 6 lots in Phase I, all of Phase II and all of Phase III remained unsold until late 2014.

A price adjustment earlier this year to prompt sales and the completion of a water line in 2015 to service the lots in Phase II and III assisted administration in securing sales and to spur development on the lots that had remained vacant within the industrial area for years. The water line installation also provides fire flow to service current and future light industrial and commercial activity, as well as the residential area of Thompson Lake and future growth east of Town. The planned upgrade eliminated the need for a booster station with an anticipated annual operating and maintenance costs of approximately \$80,000. When future development occurs, it will allow for the recovery of some of the construction costs through future growth and development (offsite levies).

In September 2015, after many conversations and reports between FCM and the Town, the file with FCM was closed. The Town retained the grant of \$3.3 million and confirmed that it would no longer require access to the loan of \$2.2 million. The latter decision to not take the loan meant that the town would fund from its own reserves all costs that were not covered from grants and sales.

The total cost to complete the Innovista Industrial Park amounted to \$14 million, including the water line upgrade of \$4.6 million. Funds were secured through grants, town investment from the land sales

reserve and Innovista lot sales. After closure of the final Innovista lot sales, the Town land sales reserve will be at a negative \$300,000.

The total expenses and funding for Innovista can be summarized as follows:

Note: the final numbers may vary slightly once the year-end entries have been finalized.

Expenses	\$ 9,370,000
Water Line upgrade	<u>4,600,000</u>
Total Expenses	<u>\$13,970,000</u>

Funding Sources	
Grants applied towards the project (FCM, BMTG, FGT)	\$ 4,795,500
Innovista Lot Sales (excludes offsite levies ¹)	3,132,600
Town Land Inventory (ISB, right of ways, etc.)	977,200
Offsite Levies - Water line & Drinnan Intersection	990,000
Town investment ²	<u>4,074,700</u>
Total	<u>\$13,970,000</u>

¹ The sale of Innovista lots generated \$1,330,000 in offsite levies that will be used towards future applicable growth requirements.

² The majority of the Town Investment was incurred at the beginning stages of the project from 2005-2009.

Council's direction is being sought on how to fund the current reserve shortfall of \$300,000. Options to consider are:

- 1) Apply non-Innovista land sales in 2015 (~\$130,000) and all future "non-designated" land sales towards the shortfall until it has been fully recovered.
- 2) Apply the property tax collected from Innovista towards the shortfall until it has been fully recovered. For 2016, this is estimated to be \$100,000.
- 3) Apply future "non-designated" land sales and property taxes from Innovista towards the shortfall until it has been fully recovered.
- 4) Fund the shortfall from another reserve

Administration's Conclusion / Proposed Direction

Administration's recommendation is to proceed with option 2, as within three years the anticipated property taxes from Innovista will have offset the shortfall of \$300,000.

Chief Administrative Officer

Decisions made by Council this year have prompted movement in a project that has not seen any in years. Since Council was elected in 2013 the remaining 6 lots in Phase I and all of Phase II and III have been sold, totaling more than 50 acres. Development is underway on many of the purchased lots.

I agree that option 2 is worthy of consideration, as this way Innovista revenue will pay for the reserve shortfall incurred and will not be reflected in municipal tax increases.

Attachment 1: Water Line Map

Attachment 1 - Water Line Map

