



**City of  
Peterborough**

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**TO: Members of the Committee of the Whole**

**FROM: Malcolm Hunt, Director of Planning and Development Services**

**MEETING DATE: October 31, 2011**

**SUBJECT: Report PLPD11-086  
Purchase of former Kawartha Lakes Flight Centre Facility**

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## **PURPOSE**

A report to recommend the purchase of the former Kawartha Lakes Flight Centre facility at the Peterborough Airport.

## **RECOMMENDATIONS**

That Council approve the recommendations outlined in Report PLPD11-086 dated October 31, 2011, of the Director of Planning and Development Services, as follows:

- a) That a bylaw be passed to authorize the purchase of the former Kawartha Lakes Flight Centre facility at the Peterborough Airport from 6717381 Canada Inc for a purchase price of \$850,000.
- b) That a capital budget of \$1,050,000 be established to purchase the property and complete the exterior of the unfinished building.
- c) That the CAO and City Clerk be authorized to execute and agreement to retain Bel-Con Construction to complete the work for a price of \$185,000 excluding HST, with a project contingency of \$15,000.
- d) That a by-law be enacted to finance the purchase and exterior finishing costs of the building through a loan from the Working Fund Reserve to be structured as follows:

- i) Term of a loan not to exceed 10 years
  - ii) Loan allows for pre-payment of principal at any time
  - iii) Annual interest rate over the term of the loan will be fixed at 3.25%
- e) That the facility be actively marketed on a purchase or lease basis for a purpose befitting its superior location.

## BUDGET AND FINANCIAL IMPLICATIONS

There are sufficient funds in the Working Fund Reserve to loan out the money to purchase the property and undertake the exterior work. When the property is subsequently sold, the loan can be repaid. If the property is leased, rather than sold, a payment schedule can be developed to pay the loan back over the ten year period.

## BACKGROUND

This report is provided for consideration in a meeting closed to the public, pursuant to Section 239(2)(c) of the Municipal Act, 2001 "a proposed or pending acquisition or disposition of land by the municipality." If Council supports the disposal of the property as outlined in this report, the recommendation is intended to be considered in open session as a report from closed session on October 31, 2011.

The former Kawartha Lakes Flight Centre is an unfinished building sitting in a high profile location at the Peterborough Airport. The construction site has been idle for more than 2 years and for some time the building was the subject of litigation. As it sits today, the unfinished building has become a wildlife refuge and an ongoing threat to air safety. The safety management plan for the airport has identified the existing structure as an attractor for birds and hence an incompatible use at an active airport.

In addition, the unfinished building occupies a one-of-a-kind site at the airport. No other site is available in such a prominent position that



allows a potentially high traffic use such as a flight training centre or fixed base operation to be in close proximity to the main apron and airfield **and** not conflict with the aerospace (industrial) complex on the east side of the Airport. The superior location suggests that it would be in the City's interests to obtain full control of the facility and to use that long-term opportunity to the marketing advantage of the airport. It is important to secure the right user befitting the locational qualities of the site.

Furthermore, with the airport expansion project now completed the unfinished building sits as a visual blight on the Terminal Area campus and due to its proximity to the air terminal is readily seen by all arrivals to the airport. The site condition is not consistent with the marketing objectives of the Airport at this critical juncture.



With little potential of the current owner being financially in a position to enclose the building in a timely fashion the City has negotiated a purchase price of \$850,000. The facility has been listed on MLS for months at \$1.2 million with no acceptable offers received. The list price reflects the appraised value of the development "as is" 2 years ago. A structural engineer (Rick Ksander) was engaged to inspect the building and the engineer reports that the building is as new. This was also validated by 2 contractors contacted to provide a cost estimate to enclose the building's exterior.

#### **Purchasing By-law:**

Under the City's Purchasing By-law 10-132 (section 32(4)) a non-competitive procurement process is permitted when it is necessary to ensure compatibility with existing products and or previous work or to avoid violating warranty/guarantee requirements. The building is a pre-engineered "Butler" building. For warranty purposes Butler buildings must be erected by qualified Butler installers. Accordingly the City contacted 2 qualified contractors to provide a cost estimate to enclose the building. Enclosure would include the installation of all siding, insulation and roof materials presently on site and the supply and delivery of all glazing (windows) on the office addition, as was approved by the City with the original building approval. The enclosure costs also provides for the supply and installation of the mezzanine floor slab in the office area as the floor slab needs to be placed before the roof is completed. All exterior doors making the facility fully secure to the elements will also be installed.

Enclosing the building in this manner will remedy the hazard to air safety and the visual blight on the airport. Enclosing the building only will also give flexibility for the first user to outfit the building in a manner that suits their requirements. Full enclosure also allows the fit-up costs to be carried out through the winter.

Bel-Con Construction, the original builders of the former Kawartha Flight Centre facility, and Gerr Construction, the builders of the Air Terminal and Operations Centre were requested to cost the project. The lowest price was submitted by Bel-Con at an upset cost of \$185,000 excluding HST. The recommendation also seeks to hold a small project contingency of \$15,000 for matters which may not be readily apparent.

### **Loans from Reserve and Reserve Funds:**

Regulation 438/97 under the Municipal Act provides the authority for a municipality to invest in itself, which is essentially what recommendation (d) proposes. Section 2.5.1 (a) of the City's investment policy, adopted October 2, 2000, also specifically allows the City to fund capital projects through borrowing from reserve and reserve funds. This project is ideally suited to financing through long term loans from reserve and reserve funds, as the intent is complete the work on the exterior of the building and then sell it. At that time, the loan to the working reserve fund could be paid off. That flexibility would not be an option if traditional debenture financing were selected. Another option would also be a bank loan, however, a further benefit is that the interest will be paid to the City's own reserves rather than the bank.

## **SUMMARY**

Acquisition of the unfinished hangar is a continuation of the City's investment to reposition the Peterborough Airport for ongoing job growth. This hangar and its superior location can be regarded as a marketing opportunity and therefore every effort should be made upon completion to place the hangar in the hands of a high traffic user either through a lease arrangement or sale.

Submitted by/



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