



**CITY OF HAMILTON**

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
*Economic Development Division*

*And*

**PUBLIC WORKS DEPARTMENT**  
*Transportation, Energy & Facilities Division*

<b>TO:</b> Chair and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> June 6, 2012	
<b>SUBJECT/REPORT NO:</b> Interim Maintenance Measures: 52-56 Charlton Avenue West, Hamilton (also known as Charlton Hall) (PED12106) (PW12045) (City Wide)	
<b>SUBMITTED BY:</b> Tim McCabe General Manager Planning and Economic Development  Gerry Davis, CMA General Manager Public Works Department	<b>PREPARED BY:</b> Neil Everson (905) 546-2424 x2359  Bill Farkas (905) 546-2424, Extension 7019  Geoff Lupton (905) 546-2424, Extension 7372
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the General Manager of Public Works be authorized and directed to commence immediate capital improvements and maintenance to the City-owned 52–56 Charlton Avenue property, and that the required \$250,000.00 to complete these works be funded from the Unallocated Capital Reserve Fund #108020; and,

- (b) That the Corporate Facilities Management Section of Public Works continues on an interim basis to manage this non-core facility provided the capital infusion of \$250,000.00 is introduced to rehabilitate and renew critical components of the facility as identified in the Condition Assessment Report.

## **EXECUTIVE SUMMARY**

The City of Hamilton is owner of 52-56 Charlton Avenue West. The site is currently occupied and leased by the Lynwood Charlton Centre, a non-profit corporation. The Lynwood Hall Child & Family Centre and Charlton Hall & Family Centre merged into one non-profit corporation in October 2011. Prior to this merger, the former Charlton Hall & Family Centre has had a long standing relationship with the City of Hamilton since the early 1960's.

Lynwood Hall Child & Family Centre is an accredited children's mental health centre providing a range of residential and day treatment services for children and youth 6-21 years of age who are experiencing social, emotional or behavioural challenges. Of specific note, Charlton Hall is a residential treatment program providing a live-in therapeutic milieu for eight (8) adolescent students, aged 12-18. Day Treatment/School Programmes are operated in partnership with the Hamilton Wentworth District School Board, which focus on remediation of social, emotional and behavioural challenges which have interfered with the student's learning & functioning in a mainstream school setting.

The 52-56 Charlton Avenue property is now indirectly related to a recent City of Hamilton Planning decision to deny a rezoning of another Lynwood Charlton Centre property in the Corktown neighbourhood and the potential of a subsequent Ontario Municipal Board appeal. Consequently, in the interim, City staff is recommending the expenditure of \$250,000 to address priority maintenance items at the Charlton Avenue facility until such time as the Planning issue is resolved and the City can proceed with declaring 52-56 Charlton Avenue as surplus, and then divesting this non-core asset.

Today's leasing arrangement between the former tenant and the City of Hamilton is well below fair market value. The lease rate was established in 1979 and is still in effect today with the new corporation. The property at 52-56 Charlton Avenue West has been identified as a non-core facility within the City of Hamilton's corporate stock.

CityHousing (Hamilton Housing Corporation) was approached by the Corporate Facilities Management Section to determine if there was interest in exploring the opportunity of merging the property into the Housing stock with a condition of preserving the long standing relationship with Charlton Hall & Family Centre non-profit group. From a property management perspective CityHousing (Hamilton Housing Corporation) provide in-house and outsourced property management services and are far more equipped to handle the needs and requirements at 52-56 Charlton Avenue West. This

would significantly minimize the City's risks and liabilities associated with the Ontario Residential Tenancies Act. However, CityHousing informed the Portfolio Management Team that they had no interest in the property.

Finally, the City recently proposed to Lynwood Charlton Hall a transfer of ownership based on a City take back mortgage option similar to the arrangement made with the Carnegie Library in Dundas. The response from Lynwood Charlton was that the proposal was not financially viable for their organization to achieve its goal of establishing a long term functional location for the two programs in one facility. Further, their Board agreed that the liability and the risks to the organization were, unfortunately, too challenging for the Centre to accept this offer from the City of Hamilton.

### **FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

#### **Financial:**

#### **Leasing Arrangements:**

Since the early 1960's, the rent remained a nominal \$1.00 per year, until 1979, when the City initiated a formal one-year lease agreement at the rate of \$1,300 per month. The Association had applied for and received provincial designation as a "Children's Institution" in approximately 1970, and was, therefore, receiving provincial funding for the residential service by this time. Since the expiry of this lease in April 1980, there has been no lease agreement between Charlton Hall and Family Services Centre and the City of Hamilton. The rent has remained unchanged despite numerous efforts by the City to increase the rate in the mid-1990s, which were successfully forestalled. The City has continued to assume responsibility for the capital and maintenance costs to the facility.

#### **Property Appraisal:**

On May 4, 2011, an appraisal report was prepared by the City's Real Estate Section to estimate the fair market value of the subject property. It had been concluded that the estimated market value, as of May 4, 2011, was \$550,000.

#### **Capital Life Cycle:**

The Building Condition Assessment Report, prepared by Evans Consulting & Management Services, for 52-56 Charlton Avenue in October 2011, identified a future capital investment requirement of approximately \$1.2 million over the next ten year period. This estimate did not include soft costs such as, design fees, project management and inflation. With these costs included the overall 10-year capital investment required is projected at approximately \$1.5 million.

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The Building Condition Assessment report provided a breakdown of expenditures in five (5) priorities, noting that immediate expenditures and some of the items listed in year one are a combination of code compliant issues and life safety concerns. These costs are estimated at \$250,000 to meet the immediate repair needs of the buildings over the next year. Additional capital requirements over the next five (5) years are estimated at \$450,000.

**Recent Upgrades:**

In the Fall of 2007, the City replaced the roof system, the fascia, soffits and eaves troughs at 52-56 Charlton Avenue West, at approximately \$318,000. Although deemed a non-core facility and the roofing project was unaffordable within the current Capital Block Funding, the extensive deterioration and evidence of further damages internally (structural & aesthetically), along with the City's responsibilities and liabilities under the Ontario Residential Tenancies Act, the Facilities Section were left to reprioritize capital programs and defer roofing projects for core-facilities in order to attend to the much needed replacement of the roofing components at the subject property.

**Annual Operating Budget:**

The Corporate Facilities Management (CFM) Section oversees the day-to-day maintenance of the building and grounds, which includes but is not limited to the following; mechanical systems, electrical systems, plumbing, building envelope and grounds. Annual operating costs are funded from the Civic Properties Rented Account 791508. The annual operating cost for the Charlton Avenue properties ranges from \$10,000 - \$15,000.

**Interim Funding for Priority Maintenance and Repairs:**

Corporate Facilities Management Section of Public Works continues to manage this non-core facility provided a capital infusion of \$250,000.00 is approved from the Unallocated Capital Reserve Fund #108020 and is made available to rehabilitate and renew critical components of the facility as identified in the Condition Assessment Report

**Staffing:**

There are no staffing implications.

**Legal:**

City staff, acting as a property manager, has a legal responsibility to ensure the property is maintained to acceptable standards under the Ontario Residential Tenancies Act.

## **HISTORICAL BACKGROUND**

The information/recommendation contained within this Report has Ward 2 and City Wide implications.

In 1960, Edith Olmstead donated 56 Charlton Avenue West to the City of Hamilton. The City of Hamilton acquired the property for the Big Sister Association for the purpose of establishing a residence for girls as recommended by the Social Planning Council of the day. The City leased the property to the Association for a sum of \$2.00 per year until May 1979. In addition, the City assumed responsibility for property maintenance during this period.

In May 1967, the City of Hamilton acquired 52 Charlton Avenue West for the purpose of expanding the Big Sister Association's residential service. The City purchased the property from Ralph Cooper, whose wife was a member of the Association and Honorary President, until her death. The expansion was recommended and actively supported by the Social Planning Council. The City also undertook and completed substantial renovations to both houses including construction of a hallway to link the two homes and necessary renovations to meet provincial fire code and local building code.

### **Charlton Hall Child and Family Centre:**

Charlton Hall and Family Centre is a non-profit corporation with over 80 years of service to vulnerable, young women and their families. In 2003, the agency became an accredited children's mental health centre under the corporate name, Charlton Hall Child and Family Centre.

Charlton Hall is a residential treatment program available to ten girls, 12-17 years of age, who are experiencing serious emotional, mental health, behavioural problems or developmental difficulties. Anxiety, attachment, attention deficit, conduct and post traumatic stress disorders are common diagnostic features among the residential population. Charlton Hall is a structured, therapeutic environment, operating seven days a week, in a residential neighbourhood. Service components include individual, family and group counselling, life skills training, outdoor challenge programs, day treatment / Section 20 schooling, preparation for independence, and transitional after-care. Service is delivered by a multi-disciplinary team drawn from child and youth work and social work using a goal focused milieu treatment approach. Psychiatric and psychological resources are accessed as required. Service philosophy emphasizes the privacy and preservation of family, connectedness to community, and youth as active self-managers.

The Transitions Section 20 Classroom is operated in partnership with the Hamilton-Wentworth District School Board. This co-ed program serves a core group of eight (8) secondary level students between 12 and 17 years drawn from residential treatment

and the Board of Education. Eligible students are those whose serious socio-emotional difficulties have interfered with their abilities to function and progress within mainstream educational facilities. Less intrusive interventions through the education sector will have been exhausted. The program operates from a self-contained building on-site at the Charlton Hall residential facility (detached structure at rear of 52-56 Charlton Avenue West – school house). Professional resources include a special education teacher, child and youth work, social work and a range of Board consultants. The classroom is structured as a small group therapeutic milieu with a focus on skill building and cognitive development related to conflict resolution, problem-solving and social functioning. Individualized, goal-oriented treatment plans are developed with the participation of the student and the facility. Student's reintegration in community schools is facilitated through phased and supported re-entry.

In October 2011, the non-profit corporation Lynwood Hall Child & Family Centre merged with the Charlton Hall Child & Family Centre non-profit corporation. The Lynwood Charlton Centre has now assumed the delivery of the programs at 52-56 Charlton Avenue that were formerly the responsibility of the Charlton Hall Child & Family Centre.

Lynwood Hall, the owner of 121 Augusta Street, submitted an application to the City of Hamilton to amend the Hamilton Zoning By-law No. 6593 in order to permit the establishment of a residential care facility for the accommodation of eight (8) residents. The basis of the application was to relocate the residential component and day programming activities operated by Lynwood Charlton Centre, which are presently located at 52-56 Charlton Avenue West, to 121 Augusta Street. As noted in the staff report, a day treatment program and administrative area, currently operating at 121 Augusta Street by Lynwood Charlton Centre, will continue to operate on the first floor of the subject property, while the residential program for eight (8) adolescent females with medical needs will be located on the second floor, which is currently vacant. The said application was considered by the City's Planning Committee and denied on April 25, 2011. There now remains the potential of an Appeal to the Ontario Municipal Board on this rezoning involving the radial separation distance and the establishment of a residential care facility in a mixed use building.

## **POLICY IMPLICATIONS**

City Council, at its meeting of November 24, 2004, adopted the City's Portfolio Real Estate Strategy Plan, which established a formalized process to be consistently applied across all areas of the City to guide the management of the City's real property owned, leased, to be sold and acquired.

Section 4.5, "Other than Market Value", establishes criteria's and principles surrounding real property at other than market value.

Council's approved real estate management principles indicate that property must be leased or disposed of at fair market value, "even when the other party to the transaction is another level of government, public sector agency, or a non-profit organization providing services to City residents".

The policy further states "a property may be leased or sold for other than market value if such an arrangement is deemed by Council to be in the public interest. However, a below-market value arrangement must first be subjected to a business case analysis that will clearly identify the loss of revenue resulting from such an arrangement, to indicate the impact of this use of property to the overall corporation".

It is further noted that the subject properties are listed in the City's Inventory of Buildings of Architectural and/or Historical Interest. Accordingly, Section b) ii) of Proposed Protocol for Disposal of Heritage Properties, states: "if the property is listed on the Hamilton Inventory of Buildings or Architectural and/or Heritage Interest, Heritage staff will review the property in respect to its potential designation".

- Real Estate Strategy Plan, adopted by City Council on November 24, 2004
- Real Property Sale Procedural By-law 04-299
- City of Hamilton Lease Financing Policy, adopted by City Council on Feb. 25, 2004
- Delegation of Authority to staff for routine real estate matters; item 21 of Report 01-029 as amended by item 9 of Report 05-091 of the Corporate Administration Committee, on June 29, 2005.

#### **RELEVANT CONSULTATION**

- Real Estate Portfolio Management Committee
- Real Estate Section – Economic Development Division
- Hamilton Housing Corporation
- Heritage Planning
- City Managers Office
- Corporate Facilities Management - Public Works

#### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

As part of Real Estate staff's due diligence in managing the City's real estate portfolio, staff must determine the present value cost of doing nothing (continue to own/operate the property); the present value of disposal; identify all deficiencies to be remedied and their costs; identify all cost reductions, savings, or quantifiable benefits associated with the property; identify whether the use is a mandated program of the City of Hamilton and if there is a need for the City of Hamilton to maintain the municipal asset.

On May 4, 2011 an appraisal report was prepared by the City's Real Estate Section to estimate the fair market value of the subject property. It had been concluded that the estimated market value, as of May 4, 2011, was \$550,000, taking into account the estimated costs associated with the certain capital repairs and upgrades from an owner/investors perspective. Although the City's assessment has identified future capital expenditures of \$1.5 million in which the City, as a Landlord, would be required to carry out, discretion had been used in the valuation to discount some items that an owner or purchaser may not consider as immediate/urgent capital improvements, i.e.) floor finishing, installing a ceiling in a storage room, replacement of all doors and windows, annual inspection costs, and contingencies. It should be noted that those items of immediate capital repairs, such as foundation wall repairs, roof, facia, etc., had been taken into consideration to arrive at the estimated market value.

From a business case perspective, by the City opting to dispose of the lands, this action will reduce future capital expenditures estimated at \$1.5 million (\$1.25 million, less the current funding request). As the building is not currently in use for a mandated municipal program, nor earmarked for a future municipal facility that has been identified in the long term capital plan, the sale of the subject property will eliminate the financial burden, long term capital costs, and liability associated with the City owning this asset.

In the event Council elects to retain the facility in the City's ownership, staff recommends that the terms and conditions under which the City should consider leasing of the real property asset be at fair market rent, plus operating costs. If Council deems it to be in the best public interest to lease the premises at below-market rent value, the impact of such a decision will result in the loss of revenue of approximately \$60,000 per annum. In addition to the lost revenue, and based on the information contained within the Facility Condition Assessment report, immediate capital improvements must be included within the City's Capital Budget, estimated at \$250,000, in order to carry out items that pertain to building code compliance, and health and safety items.

## **ALTERNATIVES FOR CONSIDERATION**

### **Option 1:**

That the Corporate Facilities Management Section of Public Works continues to manage this non-core facility.

This alternative is not recommended by staff, whereas the City of Hamilton's main focus is on city-owned facilities in which core services are being delivered. As well, the annual capital block funding is unable to sustain the current needs of the City's core facilities due to the backlog in maintenance, rehabilitation and life cycle replacement which will furthermore overshadow the needs of the non-core facilities. This scenario has burdened City staff and put the City of Hamilton at risk because of the requirements



and demands under the Ontario Residential Tenancies Act, and will continue to do so. This option is not recommended.

**Option 2:**

That staff be authorized to renegotiate a new lease agreement with the Lynwood Charlton Centre at fair market value. This alternative is not recommended by staff because the Facilities Section is not properly set up as an accredited Property Manager similar to the CityHousing (Hamilton Housing Corporation). Further, there is concern whether the Lynwood Charlton Centre would be able to financially sustain the added expenditures related to rent. This option is not recommended.

**Option 3:**

That the Real Estate Section of the Planning and Economic Development Department declare the property surplus and be authorized and directed to offer the property for sale on the open market in accordance with the "Procedural By-law for the Sale of Land", being By-law No. 04-299. This option is not recommended.

**CORPORATE STRATEGIC PLAN**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- ◆ Address infrastructure deficiencies and unfunded liabilities

**APPENDICES / SCHEDULES**

None.

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