



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	May 18, 2016
SUBJECT/REPORT NO:	Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) – 220 Cannon Street East, Hamilton (PED16114) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Hazel Milsome (905) 546-2424 Ext. 2755
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a conditional loan commitment totalling \$4,811,225 for 2452849 Ontario Inc. (Darko Vranich), the registered owner of the property at 220 Cannon Street East, Hamilton, be authorized and approved with the proviso that no more than \$18 M is outstanding at one-time for all of the loans approved for Darko Vranich under the Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) in accordance with the Program's terms and conditions;
- (b) That the Mayor and City Clerk be authorized and directed to execute a loan agreement together with any ancillary documentation required, to effect recommendation (a) of Report PED16114, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized to approve and execute any loan amending agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions of the Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP), as approved by City Council, are maintained.

EXECUTIVE SUMMARY

The Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) application for the redevelopment of 220 Cannon Street East, Hamilton was submitted

by 2452849 Ontario Inc. (Darko Vranich), the registered owner of the property. The applicant proposes to develop a 12-storey, 100-unit apartment building with underground parking on the former commercial vacant land.

The HDMRPIP offers a 0% interest loan for projects that result in predominantly residential development including converting existing commercial space into multiple dwelling units, renovations to existing multiple dwelling units and the creation of new multiple dwellings on vacant land. The maximum loan amount is 25% of the cost to construct budget to a maximum of \$5 M per development.

The loan is advanced in three stages: upon completion of 60%, 80% and substantial completion. As the development at 220 Cannon Street East is an apartment building, repayment of the loan will commence one-year after the substantial completion advance at which time 10% of the principle is to be repaid each year for four years and at the end of the fourth year of payment, a balloon payment is required to repay the balance of the loan.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The cost to fund the HDMRPIP is the interest lost to the City which is funded through Urban Renewal Section's operating budget contained in Account Number 52901-815010.

City Council, at its meeting held November 28, 2012, authorized an increase to the maximum loan amount that could be advanced at one time under the HDMRPIP from \$20 M to \$35 M (PED12220 / FCS12090); maximized the loan amount per development to \$5 M (*with City Council having the sole discretion to increase the maximum loan amount at the time of initially approving a loan*); limited the loan amount to a single developer or related group to \$18 M at one time; and, limited the amount advanced for the development of all-suite hotels to \$18 M at one time. City Council previously approved loan commitments to Darko Vranich under the HDMRPIP for 68 George Street, 40 Bay Street South and 150 Main Street West totalling \$18,639,143 (*with the proviso that no more than \$18 M in loans is not out at one time*). The loans for the aforementioned projects have been fully advanced. As at March 31, 2016 the total outstanding for the three projects is \$16,258,548. Monthly repayments continue for 68 George Street and 40 Bay Street South however because 150 Main Street West is a condominium project, repayment of the loan is based on 25% of the sale price of each unit being repaid upon sale of the unit until the City's loan is repaid in full. Sales / occupancy of units at 150 Main Street West are anticipated to commence the end of April / beginning of May, 2016.

It is important to note that the most recent proposed amendments to the HDMRPIP includes reducing the maximum loan amount to a single developer or related group to \$10 M however applications are processed in compliance with the terms and conditions of the HDMRPIP at the time the application is submitted. The application for 220 Cannon Street East for a loan under the HDMRPIP was submitted on December 24, 2015. Therefore, the maximum of \$18 M is relevant for the application.

As of March 31, 2015, \$19,256,340 was outstanding in loans under the HDMRPIP that are in various stages of repayment. There were no loans committed that had not been advanced. Therefore, based on a maximum of \$35, M in loans being out at one time, there is the potential of an additional \$15,743,660 in future loans being approved by City Council and advanced. Approval of Report PED16114 would result in the potential of \$10,932,435 in future loans being approved by City Council and advanced.

As per the terms of the HDMRPIP, the applicant paid an application fee of \$275 at the time of application, and an administration cost of \$452 per unit will be charged to the applicant at the first advance of the loan (at 60% completion). Therefore, the applicant will pay a total of \$45,475 in administration fees.

Staffing: Applications and loan payments under the HDMRPIP are processed by the Urban Renewal Section and Taxation Division. There are no additional staffing requirements.

Legal: Section 28 of the *Planning Act* permits a municipality, in accordance with a Community Improvement Plan, to make loans and grants which would otherwise be prohibited under Section 106(2) of the *Municipal Act*, to registered / assessed owners and tenants of lands and buildings. A Community Improvement Plan can only be adopted and come into effect within a designated Community Improvement Project Area. Changes to a Community Improvement Plan or Community Improvement Project Area require formal amendments, as dictated by the *Planning Act*.

Prior to the advance of funding from the City, the applicant will be required to execute a loan agreement and provide security for the loan by way of a second mortgage registered against the property. The loan will also be secured by a personal guarantee by Darko Vranich and a corporate guarantee from Vrancor Hotels Group Inc. the parent company for 2452849 Ontario Inc. The loan is not advanced until the project is 60% complete, at which time 60% of the loan amount will be advanced. Additional advances will be made at 80% and substantial completion of the project. All

documents and required searches will be developed and undertaken in consultation with Legal Services.

As construction projects move forward, it is sometimes necessary to amend previously approved loan agreements and any ancillary documentation. Therefore, staff recommends that the General Manager of Planning and Economic Development be authorized to amend loan agreements and any ancillary documentation, provided that the terms and conditions of the HDMRPIP are maintained.

HISTORICAL BACKGROUND

The HDMRPIP (formerly titled the Hamilton Downtown Residential Loan Program) was approved by City Council at its meeting held September 25, 2002. Since that time, a number of Program refinements have been made and are explained under the Financial Implications Section of Report PED16114.

The HDMRPIP applies to properties within the Downtown Hamilton Community Improvement Project Area. The Program is intended to provide 0% interest loans for residential development and uses accessory to the residential development such as parking. Terms of the Program offer a 0% interest loan to a maximum of 25% of the cost to construct budget.

The HDMRPIP was developed as a catalyst for stimulating residential development within Downtown Hamilton. Projects that are funded under the Program assist in achieving an increased Downtown density that brings more people and more activity into the Downtown and an increased demand for shops, restaurants and nightlife.

Report PED16050(a) with respect to proposed amendments to the financial incentives resulting from the five-year review of the Downtown and Community Renewal Community Improvement Plan includes amendments to the terms of the HDMRPIP. The Report is to be considered at a formal public hearing of the Planning Committee at its meeting scheduled May 3, 2016 and subsequently City Council at its meeting scheduled May 11, 2016. If the amendments are approved, and there are no appeals filed with the Ontario Municipal Board (OMB) within the 20 day appeal period, staff anticipate the amendments will come into effect the beginning to the middle of June 2016.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report PED16114 relates to the processing of an application under the HDMRPIP which is contained within the Downtown and Community Renewal Community Improvement Plan.

On November 11, 2015, Council approved Amendment No. 41 (By-law No. 15-256) to the Urban Hamilton Official Plan which re-designated the lands at 220 Cannon Street East, from “Low Density Residential” to “Mixed Used” and established a Site Specific Policy Area in order to permit the development of the lands for a 100 unit mixed use commercial / residential building, with a maximum height of 12-storeys and maximum residential density of 705 units per hectare. The “Mixed Use” designation permits the residential use as proposed.

On November 11, 2015, Council also approved a Zoning By-law 05-200 amendment (By-law No. 15-257) for the lands located at 220 Cannon Street East. The rezoning modifications involved a change in zoning from the Downtown Residential (D5) Zone to the site-specific Downtown Mixed Use (D3, 470) Zone to allow the mixed used development proposal and to also address other matters relating to parking, visual barrier and height.

RELEVANT CONSULTATION

Staff from the Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager’s Office was consulted, and the advice received is incorporated into Report PED16114.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Due diligence involved in assessing whether an applicant meets the terms and conditions of the HDMRPIP includes two staff evaluation committees comprising staff from Urban Renewal, Development Planning, Community Planning and Design and Financial Planning and Policy. The committee responsible for reviewing the project from a planning perspective met on April 12, 2016, and, the committee responsible for reviewing the applicant’s capacity to repay the loan met on April 14, 2016.

Supporting documentation to the application included an appraisal of the completed project prepared by an accredited appraiser, a cost-to-construct budget prepared by a quantity surveyor, details of construction financing, and documentation to support the applicant’s capacity for loan repayment. Upon review of the documentation, staff is satisfied that the applicant has the financial capacity and business track record to complete the project and repay the loan.

Staff also undertook due diligence with respect to undertaking a search to determine if the applicant or shareholder of the corporation is in litigation with the City of Hamilton; if property taxes were paid current, and whether there were any Building Code, Fire Code or Property Standard violations outstanding on the property. There were no issues with the aforementioned.



Existing conditions – 220 Cannon Street East



Rendering of proposed development – 220 Cannon Street East

Appendix “A” to Report PED16114 identifies the location of the property within the Downtown Hamilton Community Improvement Project Area.

ALTERNATIVES FOR CONSIDERATION

Decline the Loan

Declining the loan could terminate or delay the project. This alternative is not recommended.

Approve a Reduced Amount

Council may decide to approve a reduced loan amount. This would compromise the intent of the HDMRPIP, as well as undermine downtown renewal efforts in general. This alternative is not recommended.

Financial: A loan totalling approximately \$4,811,225 would not be issued.

Staffing: Not applicable.

Legal: Not applicable.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.3 Enhance customer service satisfaction.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED16114 - Location Map

HM/dt