



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Strategic Partnerships and Revenue Generation Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 10, 2017
SUBJECT/REPORT NO:	Sale of Lands Proceeds Handling (CM17006) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Leah Macnamara 905-546-2424 ext. 1646 John Hertel 905-546-2424 ext. 2739
SUBMITTED BY:	John Hertel Director, Strategic Partnerships and Revenue Generation
SIGNATURE:	

RECOMMENDATIONS

- (a) All monies received by the City of Hamilton, as the proceeds of any sale of real property, shall be disbursed based on the Guidelines as illustrated in Appendix "A" attached to Report CM1006; and,
- (b) That the allocation of funds available to be disbursed, from the proceeds of any sale of real property, be considered during the annual capital budget process.

EXECUTIVE SUMMARY

This report is intended to apply as a guideline for all sales of property owned by the City of Hamilton. As identified in Council approved Emergency and Community Services Committee Report 15-010, the opportunity for disposition of City owned lands creates potential financial proceeds that could be maximized for City building and revenue generating opportunities.

Through consultation with City Staff and all members of Council, and in consideration of the existing Portfolio Management Strategy, base principles were established related to the original funding source(s) and purpose of the property being sold. In addition, priority funds and reserves were identified to help guide the allocation of funds.

The feedback collected formed the foundation on which the proposed guidelines were built and tested through various case study examples. The input collected also

identified that the optimal timing for decision making to be applied to the spending of any and all funds collected from the sale of City owned property would be during the annual capital budget process in order to review spending requests within the full and transparent review of City priorities. This timing is consistent with the multi-year budgeting process.

A series of guidelines were structured by the Land Development Task Force (LDTF) on behalf of the Corporation, to detail the disbursement of proceeds from the sale of City owned property, attached as Appendix "A".

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Not Applicable
Staffing: Not Applicable
Legal: Not Applicable

HISTORICAL BACKGROUND

On December 9, 2015 Council approved Item 10.1 of Emergency and Community Serviced Committee Report 15-010 directing staff to prepare a report as follows:

- a) That staff prepare a report for the consideration of the Emergency and Community Services Committee and thereafter Council that investigates dedicating the funds generated from the sale of City owned properties in the West Harbour area to the rehabilitation of the City's existing affordable housing stock, and/or the provision of new affordable housing units;
- b) That the report include an investment strategy referencing the City's Housing and Homelessness Action Plan strategies and targets; and
- c) That the report include an inventory of the aforementioned lands, with approximate current market values.

During a meeting of GIC in October of 2016, the City Manager and General Manager of Planning & Economic Development recommended that the scope of work for the CES Committee Report be expanded to a broader focus on all City owned property assets and each of the City's strategic initiatives. Responsibility for the broader focused report was subsequently assigned to the Land Development Task Force.

The Land Development Task Force was established as a result of Report CM16010 in March 2016. The intent of the Land Development Task Force is to focus on opportunities for the City to leverage its approximately 2000 properties for maximum city building and revenue generating opportunities.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable

RELEVANT CONSULTATION

The Land Development Task Force met with the following members of Council and City Staff soliciting their thoughts and opinions on this report:

- Mayor
- Ward Councillors
- City Manager
- General Manager, Finance and Corporate Services
- General Manager, Planning & Economic Development
- Director, Financial Planning & Policy
- Manager, Real Estate

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The City of Hamilton owns approximately 2,000 properties; some of which have the potential to be leveraged for broader community-building initiatives to achieve Council priorities for the City. Importantly, vacant and underutilized City properties may present opportunities for value maximization through strategic repurposing, consolidation, or disposition. The potential financial proceeds from the disposition of any City owned property creates an opportunity for reinvestment in future City needs.

The Land Development Task Force held consultations with City Staff and all members of Council to identify priority funds and reserves where potential financial proceeds should be distributed. Consultations also included the collection of input in regards to an optimal timing for decision making for the spending of any and all funds collected. All input collected was considered by the Land Development Task Force toward the development of a series of guidelines structured to detail the disbursement of proceeds from the sale of City owned property, attached as Appendix "A".

A number of initiatives were identified as suggested priorities for fund allocation within the City. The Land Development Task Force reviewed all input collected and consolidated the recommendations into a concise list of guidelines consistent with the majority of the suggestions received during consultations.

The guidelines for expenditures and allocations are structured in a four-tier format, as outlined in Appendix "A". Each tier addresses deductions and fund allocation in a priority sequence.

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Tier One:

The first tier accounts for all transaction related expenses broken down into three categories.

- (a) The first category addresses the transaction fees associated with the successful disposition of the property asset, and could include, but not limited to: real estate, land development task force, legal, appraisal, property management, heritage restoration consultant, environmental assessment, surveys, etc.
- (b) The second category of deductions addresses any overdue or unpaid taxes associated with the subject property asset. Repayment in full of any and all outstanding tax payments will be deducted from the Sale Price.
- (c) The third category of the first tier involves the repayment of any and all outstanding debt associated with the principle acquisition of the subject property.

The first tier concludes with a value representing the net sale proceeds of the transaction. The net sale proceeds are then guided through the following three tiers of the distribution guidelines for further allocation of funds, as appropriate.

Tier Two:

The second tier is focused on addressing the principle funding source based on three specific sub-tier categories.

- (a) The first sub-tier category addresses Parkland Reserves as regulated by the Planning Act. This sub-tier evaluates whether the Parkland Reserve was used in the acquisition of the subject property. If the Parkland Reserve was a principle funding source, the net proceeds from the sale of the property asset would be returned to the Parkland Reserve in the amount of the original contribution plus the increase in the time value of money as measured by the Consumer Price Index (CPI) since the acquisition. If the Parkland Reserve was not a principle funding source, the net sale proceeds would continue to the second sub-tier category for evaluation.
- (b) The second sub-tier category evaluates whether Divisional Program Specific funding was contributed as a principle funding source in the acquisition of the subject property asset. Divisional Program Specific funding is that which came from a Division specific program as a contribution toward the capital of a property asset at the time of acquisition. If Divisional Program Specific funding was a principle funding source toward the subject property asset, the value of the original contribution of funds plus the increase in the time value of money as

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measured by the CPI since the time of acquisition would be returned to the applicable Divisional Program Specific account. If Divisional Program Specific funding was not applicable in the acquisition of the subject property asset, the net sale proceeds would continue to the third sub-tier category for evaluation.

- (c) The third sub-tier category examines whether Area Rated Funds were used in the acquisition of the subject property asset. If Area Rated Funds were used as a principle funding source, the value of the original contribution of funds plus the increase in the time value of money as measured by the CPI from the time of acquisition would be returned to the applicable Area Rated Fund account. If Area Rated Funding was not applicable in the acquisition of the subject property asset, the remaining net sale proceeds would continue through the guidelines into the third tier.

Tier Three:

The third tier distributes funds based on the principle value in use.

- (a) As outlined in the Portfolio Management Strategy (2004), funds received from the sale of properties that are heritage in use are to be returned to the Heritage Reserve in full and allocated to the costs of maintenance and capital expenditures on other City-owned heritage-use properties.
- (b) The LDTF recommends the creation of a new reserve, specific to the value in use of the property asset in relation to the community interest of the area in which the subject property asset is located. This discretionary evaluation would consider the principle value in use of the subject property asset related to the impact on the community from the perspective of use and interest. Applicable properties based on this value in use are those which have a public care or use categorization, including (but not limited to):

- Arena
- Care Facility
- Cemetery
- Community Centre
- Community Garden
- Event Space
- Library
- Pool
- Recreation Centre
- Senior Living Building
- Tennis Courts

If it is identified that the principle value in use of the subject property asset was a community use, 50% of the net sale proceeds at Tier 3 are to be disbursed to the Ward Specific Fund for the Ward in which the property asset is located. The remaining 50% of the net sale proceeds at Tier 3 would continue to Tier 4 to be disbursed to the Capital Project Fund for City-wide use.

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Tier Four:

The fourth and final tier disburses all remaining net sale proceeds to the Capital Project Fund for City-wide use to be determined during the annual capital budget process.

Timing

The balance of proceeds allocated to the Capital Project Fund for city-wide use will be addressed for spending as approved during the annual capital budget process.

ALTERNATIVES FOR CONSIDERATION

Not Applicable

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

CM17006 – Appendix “A” - Guidelines

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