



**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning and Policy Division**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> Ward 1
<b>COMMITTEE DATE:</b> July 09, 2012	
<b>SUBJECT/REPORT NO:</b> Good Shepherd Centre's Request for a Loan from the City of Hamilton (FCS12035) (Ward 1)	
<b>SUBMITTED BY:</b> Roberto Rossini, General Manager Finance & Corporate Services	<b>PREPARED BY:</b> Joseph Spiler (905) 546-2424 ext. 4519 Bartek Lasota (905) 546-2424 ext. 2790
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That the loan requested by the Good Shepherd Centre ("Good Shepherd") in the amount of \$5 million at 0% interest for a term of 5 years be denied.

**EXECUTIVE SUMMARY**

In February 2012, the Good Shepherd approached the City of Hamilton requesting a loan in the amount of \$5 million. Refer to Appendix B to Report FCS12035 "Letter to the City Manager by Brother Richard MacPhee, Executive Director, Good Shepherd" outlining the Good Shepherd's equity position and ability to secure the loan with its newly completed development at 398 King Street West, Hamilton, Ontario, as well as, an overview of the various grants and contributions received. This letter indicated that the Good Shepherd has approximately \$7 million available in equity in the development to secure the loan request.

Since the development in question was substantially completed when the loan request was received, staff requested additional information surrounding the need for the loan. Alan Whittle, Director of Community Relations & Planning, Good Shepherd, responded (refer to Appendix C to Report FCS12035), indicating that the purpose of the loan is to

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provide a bridge for the Good Shepherd's Capital Campaign between when pledges are made and when payments are received.

Further clarification was requested by staff surrounding why a financing bridge was necessary. Questions were posed as to the need for the funding; whether the loan would finance construction costs, whether a funding shortfall would result if the loan is not received and any other repercussions should the loan not be provided.

A response was provided by Alan Whittle (refer to Appendix C to Report FCS12035), indicating that financing provided by Infrastructure Ontario to complete construction was already in place. It was also indicated that the Capital Campaign was developed to recover the equity contribution made by the Good Shepherd, of which, commitments have already been made and will be collected over the next 5 years. Short-term financing has already been arranged from a variety of sources to account for this gap between when pledges are made and receipt of donations; however, the Good Shepherd was seeking to consolidate these short-term borrowings with the loan requested from the City that would better match cash flow. The most significant impact of not receiving such a loan, according to Alan Whittle, would be impairment to the Good Shepherd's operating resources.

A formal loan request was made to Council on June 13, 2012; refer to Appendix G to Report FCS12035 for request details.

After review and evaluation of the request and the above circumstances, staff is recommending that the loan requested by the Good Shepherd in the amount of \$5 million at a 0% interest rate for a term of 5 years be denied for the following reasons:

- Construction Substantially Completed
- Not Eligible under the Hamilton Downtown Multi-Residential Property Investment Program
- Construction Financing in Place
- Not Eligible under the City's External Loan Guidelines
- City of Hamilton Cost
- City has already provided significant financial assistance towards the projects (\$1.2M City initiated housing grant and \$1.6M development charges relief)
- Complex Registration on Title and Property

Refer to "Analysis / Rationale for Recommendation" (pages 7-11 of Report FCS12035) for more detail.

Should Council decide to provide a loan to the Good Shepherd, staff then recommend that the \$5 million be provided, at existing City borrowing rates, as detailed in the alternatives on pages 11-12 of Report FCS12035.

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**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** The loan request by the Good Shepherd in the amount of \$5 million is seeking terms similar to that offered under the Hamilton Downtown Multi-Residential Property Investment Program.

Under this program, developers are provided financial assistance through a 5 year term loan (extendable at Council’s discretion), at a 0% interest rate, for projects in the Downtown Hamilton Community Improvement Project Area (“CIPA”) which result in predominantly multi-residential development (refer to Appendix A to Report FCS12035). Therefore, the City would forfeit the interest earned on \$5 million for the term of the loan. The total forgone investment income over the 5 year term is estimated to be \$1.1 million at current rates of return (refer to Table 1 to Report FCS12035).

**Table 1 - Forfeited Interest Earned Estimate**

Loan Amount:                      \$                      5,000,000

Period	Interest Rate*	Compounded Interest***
Year 1	4%	200,000
Year 2	4%	208,000
Year 3	4%	216,320
Year 4	4%	224,973
Year 5	4%	233,972
<b>TOTAL INTEREST</b>	<b>\$</b>	<b>1,083,265</b>

\* Assumes current rate of return on investments throughout all 5 years  
\*\*\*Compounds annually

Additionally, extending the requested loan would divert \$5 million of available funding from the City, which may require the City to defer capital projects or borrow at the City’s current borrowing rate. Assuming the City was required to borrow for the term of the loan (5 years) at its current borrowing rate of 2.20% (as of March 2012), the interest cost associated with replacing the \$5 million funding amounts to approximately \$0.6 million (refer to Table 2 to Report FCS12035 for details).

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**Table 2 - Interest Cost to Borrow \$5 million**

**Loan Amount: \$ 5,000,000**

<b>Period</b>	<b>Interest Rate*</b>	<b>Compounded Interest**</b>
Year 1	2.20%	110,605
Year 2	2.20%	113,052
Year 3	2.20%	115,553
Year 4	2.20%	118,109
Year 5	2.20%	120,721
<b>TOTAL INTEREST</b>	<b>\$</b>	<b>578,039</b>

\* City's 5-year borrowing rate as of March 2012

\*\*Compounded semi-annually

Therefore, the total cost to the City of providing a \$5 million loan to Good Shepherd at a 0% interest rate, over a five year term, ranges between approximately \$0.6 million – \$1.1 million:

- Assuming external financing, \$0.6 million will be incurred if the City is required to borrow to fund the loan request, or;
- Assuming internal financing, \$1.1 million of forgone investment income.

**Staffing:** None

**Legal:** An appropriate legal contract would need to be drafted and executed in order to provide the requested loan.

**HISTORICAL BACKGROUND** (Chronology of events)

In February 2012, the Good Shepherd approached the City of Hamilton requesting a loan in the amount of \$5 million (refer to Appendix B of Report FCS12035). Various discussions were held between City staff and the Good Shepherd surrounding the nature of the loan. Numerous concerns were raised among staff surrounding past experiences with providing such loans. In response, Brother Richard MacPhee, Executive Director, Good Shepherd, forwarded a letter to the City Manager (refer to Appendix B to Report FCS12035) outlining the Good Shepherd's equity position and ability to secure the loan with its newly completed development at 398 King Street West, Hamilton, as well as, an overview of the various grants and contributions received. The letter states that, once all interests in the property have been considered, including the unlikely scenario of selling the property and a resulting change in use (which would trigger repayment of various grants), the Good Shepherd still maintains a \$7.05 million equity position which could be used to secure the requested loan.

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Since the development was substantially completed when the loan request was made, staff requested additional information surrounding the need for the loan and the terms the Good Shepherd was seeking. Alan Whittle, Director of Community Relations & Planning, Good Shepherd, provided a response (refer to Appendix C to Report FCS12035), indicating that the purpose of the loan is to provide a bridge for Good Shepherd's Capital Campaign between when pledges are made and when payments are received. It was also indicated that, since the development was in keeping with the Downtown Multi-Residential Property Investment Program and falls within the boundaries of the program, that similar terms be extended; a 5 to 10 year loan with no interest for the first 5 years and the City's borrowing rate for the remaining term.

Further clarification was requested by staff surrounding why a financing bridge was necessary. Questions were posed as to the need for funding; whether the loan would finance construction costs, whether a funding shortfall would result if the loan is not received and any other repercussions should the loan not be provided.

A response was provided by Alan Whittle, Director of Community Relations & Planning, Good Shepherd, (refer to Appendix C to Report FCS12035), indicating that financing provided by Infrastructure Ontario to finish construction was already in place. It was also indicated that the Capital Campaign was developed to recover the equity contribution made by the Good Shepherd, of which commitments have already been made and will be collected over the next 5 years. Short-term financing has already been arranged from a variety of sources to account for this gap between when pledges are made and receipt of donations, however, the Good Shepherd was seeking to consolidate these short-term borrowings with the loan requested from the City that would better match amortization and in-flow of funds. The most significant impact of not receiving such a loan, according to Alan Whittle, Director of Community Relations & Planning, Good Shepherd, would be impairment to the organization's operating resources. Currently, the Good Shepherd uses its operating line of credit to finance any shortfalls in funding. Further, the Good Shepherd had initially intended to substitute the short-term borrowings with a replacement loan, however, many financial institutions are reluctant to lend to charitable organizations. Finally, Alan Whittle, Director of Community Relations & Planning, Good Shepherd, concluded by indicating that the Good Shepherd is quite different from past loan recipients who had defaulted on their obligations, citing the Good Shepherd's long history, its sophisticated fund raising operations, extensive and committed donor base and sufficient assets to secure the loan.

A formal loan request was made to Council on June 13, 2012; refer to Appendix G to Report FCS12035 for request details.

The Municipal Property Assessment Corporation ("MPAC") has yet to assess the property at 398 King St. West. After consultation with MPAC, it is likely that the property will be subject to partial taxation. Allocation between exempt and taxable has not been determined as of the date of this Report.

**POLICY IMPLICATIONS**

Retroactive Applications to Programs

When requesting the loan, the Good Shepherd referenced the Hamilton Downtown Multi-Residential Property Investment Program and how a portion of the development would likely currently qualify. However, it is important to note that, at the time the Good Shepherd had applied for building permits and commenced development, the property would not have qualified, as it was outside of the boundaries of the then Downtown Hamilton CIPA (refer to Appendix D to Report FCS12035 for illustration). The expanded area, which now includes the development, was only enacted in November 2011. Therefore, the Good Shepherd did not meet qualification requirements at the time of development and made no application, at that time, as required per the program's conditions. It is important to note that none of the City's provided programs are retroactive. To do so would set a precarious precedent which would risk a significant windfall of retroactive applications across a number of programs provided by the City. Should Council decide to grant the Good Shepherd's loan request, it is stressed that this be done on a non-precedent setting basis (e.g. compassionate loan) not related to the Hamilton Downtown Multi-Residential Property Investment Program or any other program which would require retroactive application.

Loan Precedent

The City has previously extended loans to requesting organizations; both interest free and interest bearing.

An interest free loan in the amount of \$1.5 million was also requested and provided to the Bob Kemp Hospice for a term of 4 years, as approved by Council August 9, 2010, for construction of the hospice. Future events resulted in financial hardship to the organization and the loan was eventually converted to an interest-free forgivable loan (refer to Council minutes from March 23, 2011).

Similar to the Good Shepherd request, Redeemer College requested an interest free loan in October 2009 for construction of a new soccer field. Staff, however, recommended that a loan be granted but with adherence to the External Loan Guidelines, charging the prevalent borrowing costs incurred by the City. Council decided that an interest free loan be provided, however, with a condition that use of the soccer field be provided to the City (refer to Council minutes from September 30, 2009).

On October 24, 2007, Council approved (refer to Council minutes from October 24, 2007) a loan request by the Hamilton Conservation Authority in the amount of \$1.5 million, with an interest rate of 5.5% per annum for a term of 10 years. The loan was later consolidated with other loans with a revised interest rate of 5.18%. The loan remains current and outstanding.

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Staff would like to stress that the loan request in question does not meet current External Loan Guidelines (refer to Appendix E to Report FCS12035). All other requests noted above were **“to fund a capital expenditure on a one-time basis”**. The current request by the Good Shepherd will be used primarily to fund operating expenses, as indicated in Appendix C to Report FCS12035.

**RELEVANT CONSULTATION**

Urban Renewal Section, Planning and Economic Development Department

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Providing the \$5 million interest free loan requested by the Good Shepherd from the City is not recommended for the following reasons:

- Construction of the development was substantially completed and financed prior to the loan request;
- The development does not qualify under the Hamilton Downtown Multi Residential Property Investment Program;
- There does not seem to be financial hardship associated with denial of the request;
- The loan request is not eligible under the City's External Loan Guidelines;
- Assuming external financing, \$0.6 million will be incurred if the City is required to borrow to fund the loan request, or, assuming internal financing, \$1.1 million of investment income will be forfeited;
- The City has already provided significant financial assistance to the project (\$1.2M in City initiated housing grant and \$1.6M in development charges relief); and,
- The development in question has significant interests registered on title and/or property and it is difficult to determine, without significant legal review, if a secured interest can be registered.

Construction Substantially Completed

Request for the loan was made in February 2012. At this time, construction of Good Shepherd's development, 398 King St. W, was substantially completed. Further, when asked if the organization faces a funding shortfall for construction costs, they indicated financing was already in place to complete construction, funded by Infrastructure Ontario.

Not Eligible under the Hamilton Downtown Multi-Residential Property Investment Program

Good Shepherd's development does not qualify under the noted program (refer to Appendix A to Report FCS12035 for program details). The program was developed as a catalyst for stimulating residential development, as defined by the Downtown Hamilton CIPA. The program is intended to provide financial assistance for projects that result in predominantly multi residential development. A number of conditions are associated with the program; notably relevant to this request are:

- "Works commenced prior to submitting an application are ineligible";
- "Eligible existing buildings/vacant properties must be located in the Downtown Hamilton CIPA";
- "The City's funding will be advanced in 3 stages, upon completion of 60%, 80% and substantial completion of the project"; and,
- "Approval of the loan application is at the absolute discretion of the City and subject to the availability of funds".

Since the development in question was substantially completed prior to application, it does not qualify; none of the City's incentives and programs are retroactive. The intention of the program is to stimulate development and provide financing incentive, not to retroactively provide such benefits when development has already been completed.

While the property would fall within the boundaries of the current (i.e. expanded) Downtown Hamilton CIPA, this would not have been the case at the time building permits were issued or development commenced (refer to Appendix D to Report FCS12035 for illustration). The Downtown Hamilton CIPA was only recently expanded to include Good Shepherd's property in November 2011, when the development was substantially complete. Had the Good Shepherd applied for the program at the time of building permit issuance or prior to development, the property would not qualify for the program.



Construction Financing in Place

According to correspondence with the Good Shepherd (refer to Appendix C to Report FCS12035), financing to finish construction of the development has already been arranged. The main purpose of the loan request is to fill the gap between when pledge donations are committed and when payments are received. The Good Shepherd has already arranged financing via short-term borrowings to account for this timing difference and has a line of credit at its disposal to cover operational costs. The loan requested would be used to replace the short-term borrowings with one consolidated loan. Savings to the Good Shepherd would amount to \$1.1 million by receiving a 5 year interest free loan from the City.

Not Eligible under the City's External Loan Guidelines

In order to establish a consistent process in considering and evaluating loan requests, the City has developed an External Loan Guideline (refer to Appendix E to Report FCS12035 for guideline) which applies to incorporated and not-for-profit organizations. Within the guideline, a number of conditions exist, of which the following are relevant:

- “The request is to fund a capital expenditure on a one-time basis. Funds must **not** be used to offset operating costs, reduce outstanding debt or to fund an operating deficit”; and,
- “The interest rate will be based upon the current serial debenture rate, as provided by the investments section, for the time period that corresponds with the term of the loan”.

As indicated, the main purpose of the loan is to replace current short-term borrowings in place of a consolidated loan to better match the Good Shepherd's inflow of funds from its Capital Campaign. The Guideline explicitly states that a reduction of debt or debt financing **would not qualify** the requesting organization as eligible. Further, the Good Shepherd has indicated that the main impact of not receiving the requested loan would be an impact on its operating resources, which again would not qualify the Good Shepherd as eligible under the External Loan Guideline. Finally, the Good Shepherd is seeking a 0% interest rate, which does not correspond with the guideline.

City of Hamilton Cost

As noted in the “Financial Implications” section of this Report, providing the Good Shepherd with a 0% loan for a 5 year term would cost the City, assuming internal financing, an estimated \$1.1 million of foregone investment income. Should the City be required to seek external financing of \$5 million, borrowing costs would amount to \$0.6 million. Therefore, the total cost of the loan to the City will amount to between 10% and 20% of the loan principal over the term of the loan.

City of Hamilton Financial Assistance Provided

The City has already contributed \$2.8M to the development via a City initiated \$1.2M grant for accessible housing and development charges relief of \$1.6M for affordable housing.

As per Report CS10094, \$1,172,000 was contributed to the Good Shepherd development to create 24 accessible units, funded from accrued interest earned in the Social Housing Capital Reserve Fund (112248). The recommendation was carried by Council on October 13, 2010. It should be noted that this grant was provided at the City's request to create accessible units; the development would have continued without such funding, and therefore, without accessible units had the City not requested their inclusion.

Development charges relief was also provided in the amount of \$1,606,504, as the development qualified as "affordable housing" under the Development Charges By-law 09-143, as amended.

Complex Registration on Title and Property

As noted in Appendix B to Report FCS12035, numerous interests are registered on the title and/or property development in question. As a result, all associated legal documents would have to be reviewed in detail to determine actual interests on the property and any repercussions of future registrations on title/interest. Table 3 to Report FCS12035 below details funding sources for the development and retained property interests by various lenders and contributors. These interests are subject to certain conditions being met or at risk of being revoked; although these scenarios are highly unlikely.

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**Table 3 - Good Shepherd Development Funding & Property Interest Details (\$ millions)**

	<b>Good Shepherd Women's Centre</b>	<b>Good Shepherd Non-Profit Homes</b>	<b>TOTAL (398 King St W)</b>
<b>DEVELOPMENT VALUE</b>	15.5	36.3	51.8
<u>Serviceable Debt</u>			
Infrastructure Ontario	-	(18.0)	(18.0)
<u>Grants/Interest Free &amp; Forgivable Loans</u>			
CHMC	(0.9)	(4.0)	(4.9)
Province of Ontario	(6.0)	(6.5)	(12.5)
SCPI (HPS) - Federal	(2.5)	-	(2.5)
City of Hamilton*	-	(1.2)	(1.2)
<b>Good Shepherd Contribution</b>	<b>6.1</b>	<b>6.6</b>	<b>12.7</b>

**Remaining Property Interests\*\***

<b>CHMC</b>	<b>0.9</b>	<b>4.0</b>	<b>4.9</b>
<b>Province of Ontario</b>	<b>6.0</b>		<b>6.0</b>
<b>SCPI (HPS) - Federal</b>	<b>1.5</b>		<b>1.5</b>
<b>TOTAL Property Interests</b>	<b>8.4</b>	<b>4.0</b>	<b>12.4</b>

\* The City also provided Development Charges relief amounting to \$1.6M

\*\*Property Interests can be revoked if certain conditions are not met.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

**Provide the \$5 million loan to Good Shepherd Centres at existing City borrowing rates.**

This option involves granting the Good Shepherd's request for a \$5 million loan but charging existing borrowing rates for the City, covering the City's borrowing costs.

**Financial:** Should the City provide the Good Shepherd the requested loan but at existing market interest rates, the City will be in a position to recover borrowing costs, should external financing be required, but will again forfeit the investment income for the term of the loan. Therefore, as reflected in Table 1 of "Financial Implications" above, the total cost of providing the loan would amount to approximately \$1.1 million of foregone investment income (i.e. 4.0%). If the City were to provide the requested loan and not require external financing, the forgone investment income would be reduced by the amount of interest charged (i.e. 2.2%) to the Good Shepherd, or approximately \$0.6

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million (reflected in Table 2 of "Financial Implications"), lowering the cost of providing the loan to approximately \$0.5 million.

The Good Shepherd is already able to borrow at competitive rates, indicating that its current borrowing costs range between prime and prime + 1% (refer to Appendix F to Report FCS12035 for details). The Prime Rate is currently 3.0% (as of March 2012). A comparison of the City's borrowing cost versus the Good Shepherd's indicates that the benefit to the Good Shepherd of obtaining a loan through the City would amount to approximately \$0.5 million. By providing the loan, the cost is essentially transferred from the Good Shepherd to the City.

**Staffing:** N/A.

**Legal:** An appropriate legal contract would need to be drafted and executed in order to provide the requested loan.

**Pros:**

- Would allow the City to recover borrowing costs to replace the provided loan or reduce the forfeited interest earned if additional borrowing is not required.

**Cons:**

- Would still result in a net loss position to the City.
- Would set a precedent, possibly increasing such requests by other organizations looking to capitalize on the City's favourable borrowing rates.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

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

***Skilled, Innovative & Respectful Organization***

- ◆ More innovation, greater teamwork, better client focus
- ◆ Council and SMT are recognized for their leadership and integrity

***Financial Sustainability***

- ◆ Financially Sustainable City by 2020
- ◆ Effective and sustainable Growth Management
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

***Social Development***

- ◆ Everyone has a home they can afford that is well maintained and safe
- ◆ Residents in need have access to adequate support services

**APPENDICES / SCHEDULES**

Appendix 'A' – Hamilton Downtown Multi-Residential Property Investment Program Overview

Appendix 'B' – Letter dated February 29, 2012, from Brother Richard MacPhee Executive Director, Good Shepherd Centre regarding the organization's equity position

Appendix 'C' – E-mails from Alan Whittle, Director of Community Relations & Planning, Good Shepherd Centre, regarding the purpose and terms of the loan

Appendix 'D' – Downtown Hamilton CIPA until November 2011

Appendix 'E' – City of Hamilton External Loan Guidelines

Appendix 'F' – E-mail from Alan Whittle regarding the Good Shepherd's borrowing cost

Appendix 'G' – Letter dated June 7, 2012, from Paul (Duke) O'Sullivan, Chair of Good Shepherd Centre, to the Mayor and Members of Council, officially requesting a loan



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## HAMILTON DOWNTOWN MULTI RESIDENTIAL PROPERTY INVESTMENT PROGRAM

### PROGRAM DESCRIPTION

The Hamilton Downtown Multi Residential Property Investment Program (the "Program") was developed as a catalyst for stimulating residential development within Downtown Hamilton as defined by the Downtown Hamilton Community Improvement Project Area. The Program is intended to provide financial assistance for projects that result in predominantly residential development including converting existing commercial space into multiple dwelling units; renovations to existing multiple dwelling units; the creation of a new multiple dwelling on vacant land; together with uses accessory to the residential development. A multiple dwelling must contain at least three (3) dwelling units.

Acting as a lender, the City provides financial support for the Program and ensures that development arising from the Program within the Downtown is consistent with the policies, principles and design themes contained within the Downtown Hamilton Secondary Plan, relevant Urban Design Guidelines, the Zoning By-law as well as any other City Council approved policy/regulation.

### TERMS OF THE PROGRAM

1. The maximum Loan term is five (5) years and six (6) months (subject to prior termination on default) from the date of the final advance exclusive of holdback. No extension or renewal shall be granted.
2. The Loan interest rate will be at 0 % interest for the first five (5) years. For the last six (6) months of the Loan, interest shall be payable on the principal outstanding at the then prevailing rate established by Council for interest on tax arrears, such interest to be calculated and payable monthly, not in advance.
3. When the City's loan is \$5 million or more or, when a significant "heritage" property is being conserved, City Council at its sole discretion has the option, at the time of initially approving a loan commitment, of extending the maximum Loan term to fifteen (15) years charging interest after the first five (5) years, at the 5-year borrowing rate for the City (as established by the City's Underwriter(s)) plus 1% to cover administration costs (interest charged to be re-established every five ((5)) years).

4. The Loan will be secured by a second mortgage upon the lands to be developed (the "Property") upon first advance of funds. In addition, the Applicant will enter into a Loan Agreement which includes (but is not limited to) the terms and conditions of this program description.
5. Interest on arrears will be 12% per annum or such tax arrears interest rate as may be established by Council from time to time.
6. Principal is repayable in annual amounts of ten percent (10%), in 12 equal monthly payments, of the original loan amount. Payments will commence one year following the final advance, exclusive of any required holdback. The balance outstanding will be paid by a balloon payment at the end of the five (5) year and six (6) month term. Monthly principal payments will continue during the last six (6) months of the repayment term with interest calculated and payable monthly, not in advance, if not paid earlier.
7. The loan will mature at the end of the five (5) year and six (6) month term at which time the principal balance outstanding will be paid in full plus any outstanding interest unless City Council approved an extension of the loan term when the loan commitment was initially approved.
8. The loan may be prepaid at any time without notice, bonus or penalty.
9. The maximum loan amount is 25% of the Cost to Construct Budget prepared by an architect/engineer and addressed to the City of Hamilton and dated within 6 months of the date of application. For loans \$1 million or above, a letter addressed to the City from a third-party quantity surveyor approving the Cost to Construct Budget must accompany the application. For loans under \$1 million the appraisal submitted at time of application is to be addressed to the City of Hamilton and include replacement cost. All of the aforementioned documents are at the expense of the applicant.
10. Approval of the loan application is at the absolute discretion of the City and subject to the availability of funds.
11. The City will periodically review the terms and the duration of the Program and make appropriate revisions as per the direction of City Council.
12. The City may request such security as may be required to secure a commercial loan, including the following: title insurance in lieu of a survey if appropriate; loan agreement; and/or personal property security; and/or personal guarantee's; and/or lien on the property to be improved; and/or collateral mortgage/charge registered on the property to be improved; and/or letter of credit in lieu of a second mortgage charge on the property (subject to City's minimum equity requirements); and/or such other security which may be appropriate or available in the circumstance. In the instance where a personal guarantee is required a personal net-worth statement may also be required.
13. Redevelopment/development will commence no longer than 2 years following City Council's approval of the loan commitment. The 2 year period may be extended by City Council at its absolute discretion.

14. The City's funding will be advanced in 3 stages, upon completion of 60%, 80% and substantial completion of the project. Upon proof satisfactory to the City that the proposed development is 60% complete based upon the cost of construction and that equity and/or financing required to that stage of completion has been injected into the development then the approved City funds will be made available and released proportionately based upon the approved source of funds (equity/financing/City funds).  
  
The calculation of the proportion to be advanced will reflect that the first 60% of funding is from non-City sources. Advances will be made in conjunction with first mortgage financing advances or after proof of equity injections.
15. Owner applicants shall have no less than 25% equity based upon the appraised value of the property upon completion. The appraisal must be addressed to the City of Hamilton, dated within 6 months of the date of the application, include replacement cost, be prepared by an accredited member of the Appraisal Institute of Canada (AIC) and, must accompany the application. The cost of the appraisal is at the total expense of the owner.
16. An application fee of \$265.00 must accompany the application. An administration fee of \$500.00 per unit for developments under 50 units; \$400.00 per unit for developments between 50 and 100 units and \$300.00 per unit for projects over 100 units is charged to the borrower and is eligible to be paid out of the loan proceeds. The administration fees will be paid out of the first loan advance that flows from the City of Hamilton. All fees will be authorized through a user-fee by-law passed by City Council. The rate of the fees may be changed from time to time as approved by City Council.
17. All taxes as billed must be paid current and in good standing throughout the development process.
18. Eligible existing buildings/vacant properties must be located in the Downtown Hamilton Community Improvement Project Area. Vacant lands include properties developed as parking lots.
19. Site Concept Plan drawings in a form acceptable to the City must accompany the application.
20. Advances are made by the City, upon proof by a third-party quantity surveyor for loans \$1 million or above confirming the value of the work completed. Loans under \$1 million require an architect/engineer to confirm the value of the work completed.
21. All costs associated with the conversion or renovations are to be borne by the applicant including construction, design, application and administration fees, appraisals, professional services, inspections, legal and registration fees. The City retains the right to assess the reasonableness of costs and which costs are eligible under the terms of the Program.
22. In the event of the sale, conveyance, transfer or entering into of any agreement of sale or transfer of the title of the Property then at the option



of the City all monies secured by the mortgage to the City shall forthwith become due and payable. The City shall have absolute discretion in requiring repayment of the loan secured by the mortgage.

23. Change of Corporate Control

Where the Owner is a corporation the Owner covenants and agrees that in the event that:

- a) the Owner fails to supply the City, in a form satisfactory to the City such information relating to the ownership of its shares as the City may from time to time require: or
- b) without the written consent of the City first had and obtained:
  - i) the Owner issues or redeems any of its shares or transfers any of its shares;
  - ii) there is a sale or sales of the shares of the Owner which result in the transfer of the legal or beneficial interest of any of the shares of the Owner; or
  - iii) the Owner amalgamates, merges or consolidates with any other corporation

and the result of any of the foregoing is a change in the effective control of the majority of the voting shares of the Owner, or the requested information is not provided, then all monies secured by the mortgage together with accrued interest thereon shall forthwith become due and payable at the option of the City and the City's powers of sale hereby given and all other remedies for enforcement shall be exercisable.

- 24. If the development is a condominium, the repayment regime is as follows: upon sale of individual condominium units, the City will be repaid upon closing 25% of the sale price of the unit until the total loan amount has been paid in full. For units that remain outstanding, repayment terms for those units will be addressed in the Loan Agreement.
- 25. The proposed development must conform to applicable Official Plan policies, the Downtown Hamilton Secondary Plan, Urban Design Guidelines and the Zoning By-law, as well as any other City Council approved policy/regulation.
- 26. The City of Hamilton will require specific insurance terms to be met to protect the City's interest.
- 27. Deadlines for the submission and approval of building permits and construction start dates are established following a report to Council for approved applications.
- 28. Without limiting the discretion as set out in paragraph 10 herein, the City Council, whether or not an Applicant satisfies the requirements of the Program, may reject any application received from an applicant where, in the opinion of Council, the commercial relationship between the City and the Applicant has been impaired by, but not limited to, the applicant being involved in litigation with the City. Applicants are individuals; corporate

entities and individuals behind the corporation (Officers/Directors/ Shareholders).

29. Without limiting the discretion as set out in paragraph 10 herein, City Council, whether or not an Applicant satisfies the requirements of the Program, may reject any application received from an applicant where there are property tax arrears owed on the subject property or other properties owned by the Applicant within the City of Hamilton
30. Works commenced prior to submitting an application are ineligible. Works commenced after submitting an application but prior to application approval do so at the applicant's risk.



Good Shepherd Centres  
Administration  
143 Wentworth Street South  
P.O. Box 1003, Hamilton, ON L8N 3R1  
Tel: 905.528.5877 Fax: 905.528.9968  
goodshepherdcentres.ca

February 29, 2012

Mr. Chris Murray  
City Manager  
City of Hamilton  
City Hall  
Hamilton, ON

Dear Mr. ~~Murray~~, *Chris*

As a follow up to various conversations concerning Good Shepherd Centre Hamilton's request for a \$5 million loan from the City of Hamilton, I would like to clarify some information regarding the encumbrances/grants on our King St. West property. As we see it, taking a limited interpretation, Good Shepherd Centre Hamilton has at a minimum some \$7.05 million in equity which can be used to secure the City's interest. Let me elaborate.

First of all, it is necessary to differentiate between the development and property owned by Good Shepherd Centre Hamilton and the development and leasehold interest that Good Shepherd Non-Profit Homes has. To summarize:

1. Good Shepherd Centre Hamilton
  - a. Owner of the entire property
  - b. Developed the \$15.5 million Women's Centre
    - i. There are no serviceable debts on the land.
    - ii. CMHC has provided a \$943,000 equity contribution that is earned over 15 years. In the event that the property was transferred, the loan continues to be forgivable so long as the use is maintained.
    - iii. The Province of Ontario provided a \$6 million grant for the project. They have a registered interest in the development which might require repayment should the use cease.
    - iv. Good Shepherd was awarded some \$2.5 million in funds from SCPI (now called HPS). These funds are subject to a proviso that should the Mary's Place component of the Women's Centre be sold and not used for the purpose of providing services to the homeless, then the funds are to be repaid to the City on a declining basis. After March 31, 2012 the amount would be \$1.5 million.
    - v. Equity contribution by Good Shepherd of approximately \$8.55 million.

2. Good Shepherd Non-Profit Homes
  - a. Has a 45 year leasehold interest on 60% of the property for its development
  - b. Developed the \$36.3 million Affordable Housing development of 156 units plus offices and program space which is nearing completion
    - i. The only serviceable debt on this leasehold interest is an approximately \$18 million loan from Infrastructure Ontario that is amortized over 40 years. This debt will be serviced by Good Shepherd NPH from rents and is guaranteed by CMHC.
    - ii. CMHC contributed nearly \$4 million as a grant to the development. As part of their agreement with the Province of Ontario, the development must provide 'affordable rents' for 20 years.
    - iii. The Province of Ontario is providing a \$6.5 million equity contribution. In this wave of the program, the Province has chosen to fund this contribution by way of a 20 year loan through Infrastructure Ontario which is registered as part of the loan to be repaid by Good Shepherd NPH. The Province pays all costs of this loan.
    - iv. The City of Hamilton requested changes to the development in order to provide 24 'accessible units' through a grant of \$1.2 million.
    - v. Good Shepherd NPH is contributing \$6.6 million to the development

In summary, although there are various 'interests' in this \$51.5 development, the only serviceable debt is ultimately the \$18 million loan which Good Shepherd NPH will service. This loan is on the leasehold interest only. It should also be noted that Good Shepherd Centre Hamilton has provided a guarantee on the full construction value for this portion of the development. This guarantee can now be removed, now that substantial completion has been attained which was the last remaining condition for maintaining this guarantee.

Taking a narrower perspective, that of Good Shepherd Centre Hamilton as the potential borrower from the City of Hamilton, we see that even after allowing for the various 'interests' registered or to be registered against the Good Shepherd Centre Hamilton's interest in the land, and the property is sold/transferred to another party who does not use it for the purpose of serving the homeless, there remains equity of some \$7.05 million. This should serve as sufficient guarantee for the requested \$5 million loan from the City. As it is likely that the use would continue, neither the SCPI or CMHC funds would be repayable bringing the equity to about \$9.5 million.

I would like to add that Good Shepherd already has received \$6.7 million in pledge commitments over 5 years towards the \$10 million we are seeking through our Capital Campaign. Good Shepherd has grown over the last 50 years to be the largest non-governmental human services organization serving those in need in our community. Annually, Good Shepherd raises in excess of \$3 million from the community, which is separate from the current Capital Campaign.

We appreciate that the City of Hamilton may have had unfortunate experiences with organizations that lacked the equity, fundraising expertise and organizational depth that Good Shepherd possesses. Our Director of Finance, myself and two of our board members Frank Passaro and

Brian Mullen would welcome the opportunity to discuss this matter further with you in order to assure you of our ability to honour our obligations.

Please do not hesitate to contact me if you require further information.

Respectfully,

A handwritten signature in cursive script that reads "Bro. Richard MacPhee".

Brother Richard MacPhee, B.G.S.  
Executive Director

Cc: Rob Rossini  
Councillor Bernie Morelli

BRM: pl

Message

Page 1 of 3

Lasota, Bartek

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**From:** Alan Whittle [AlanWhittle@GoodShepherdCentres.ca]  
**Sent:** Tuesday, March 13, 2012 10:35 AM  
**To:** Lasota, Bartek  
**Subject:** RE: Good Shepherd Request

Hi Bartek

Good Shepherd has the financing in place to finish the construction of the project. Our financing is through Infrastructure Ontario. The Capital Campaign was designed to raise the equity contribution Good Shepherd was contributing to the project. Commitments for the majority of these funds have already been made and will be collected over the next 5 years or so. In the interim, Good Shepherd was able to arrange interim financing from a variety of sources. The purpose of the loan from the City would be to repay these short-term loans with a consolidated loan with an amortization that better matches the in-flow of funds from the Capital Campaign. To use your word, the loan is to be used to cover the gap between the funds we have committed to us and the receipt of those funds.

None of the funds are to be used for funding current operations.

The major downside to not receiving the loan from the City would be impairment to our operating resources. Most significantly, Good Shepherd has been using its operating line of credit to cover a portion of the gap. This line of credit is needed to cover the significant mismatch between when expenses occur and when revenues are received. It really wasn't designed to be used for a multi-year commitment. As well, other loans were made on a short-term basis with an expectation that Good Shepherd would find a replacement loan. A complicating factor is that most financial institutions do not like lending to charities. Good Shepherd appreciates that other organizations have not lived up to their obligations with regards to their loans. I believe that Good Shepherd is quite different. First, Good Shepherd has a long history in the community and has always made good on its obligations. Second, Good Shepherd has a sophisticated fund raising operation in place and does not need to create one in order to achieve its objective. Third, the above two points combined result in an organization that has an extensive, committed donor base that enables it to raise millions of dollars on an on-going basis. Finally, I would suggest that in the previous situations that I am aware of, the organizations did not have assets that were of greater value than the loans. That is not the case with this development.

I hope I have answered your questions. As I indicated earlier, I am not in the office this week, but will be monitoring for any additional requests you may have.

Take care,

Alan J. Whittle

*Director, Community Relations & Planning*

Administration

GOOD SHEPHERD | Faith In People.

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[alanwhittle@goodshepherdcentres.ca](mailto:alanwhittle@goodshepherdcentres.ca)

[www.goodshepherdcentres.ca](http://www.goodshepherdcentres.ca)

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**From:** Lasota, Bartek [mailto:Bartek.Lasota@hamilton.ca]  
**Sent:** Friday, March 09, 2012 3:51 PM

3/22/2012

Message

Page 2 of 3

**To:** Alan Whittle  
**Subject:** RE: Good Shepherd Request

Hi Alan,

I just need some clarification with respect to your "bridging" needs:

- What do you need the funding to bridge? - i.e. Is the loan necessary for payment of construction costs, etc?
- Do you face a funding shortfall without the loan or are other funding sources available to you?
- Will the funding be directed strictly towards the Capital Program, or do you also expect to fund operations?
  
- Is the need only timing in nature (for purposes of closing the gap)?
- What would be the repercussions if you did not receive the loan?

I ask because, as you may be aware, we have had unfortunate experiences in the past with similar loan grants. As such, we would need to present a strong case in order to successfully extend such a loan.

Thanks,

Bartek Lasota, CMA  
Financial Coordinator  
Financial Planning & Policy Division  
City of Hamilton  
71 Main St. W., City Hall, 1st Floor  
Hamilton ON L8P 4Y5  
Tel (905) 546-2424 Ext. 2790  
Fax (905) 546-2584  
Email: bartek.lasota@hamilton.ca

-----Original Message-----

**From:** Alan Whittle [mailto:AlanWhittle@GoodShepherdCentres.ca]  
**Sent:** Friday, March 09, 2012 2:23 PM  
**To:** Lasota, Bartek  
**Cc:** Paula Landry; Brother Richard MacPhee  
**Subject:** Good Shepherd Request

Hi Bartek

I am responding on behalf of Good Shepherd regarding our request for a loan. I will respond in keeping with the points that you raised in your email.

1. The purpose of the loan is to provide a bridge for our current capital campaign which is in support of our \$50 million+ Good Shepherd Square development. The loan is to cover the gap between pledges made for that campaign and the payment of those pledges.
2. We have had various discussions with City staff concerning the possible interest rate. At this time, I would suggest that as this development is very much in keeping with the City's Downtown Multi-Residential Property Investment Program and it falls within the boundaries of that program,

3/22/2012

Message

Page 3 of 3

similar terms might be appropriate...no interest for the first five years and assuming that the loan extends beyond 5 years at the rate indicated in the program.

3. Good Shepherd in its discussions with City staff initially indicated that a 5 year amortization was what we were looking for. Through additional discussions a somewhat longer period was suggested of between 7 and 10 years. Again, this is similar to the above mentioned program.
4. As suggested above, the need for the loan is to bridge the period between the end of construction (April 2012) and the payment of pledges under our nearly completed Capital Campaign.

I am assuming that you have a copy of the information recently submitted to the City Manager which has additional information concerning the status of our Capital Campaign. Let me know if you require additional information.

Thanks,

**Alan J. Whittle**  
*Director, Community Relations & Planning  
Administration*

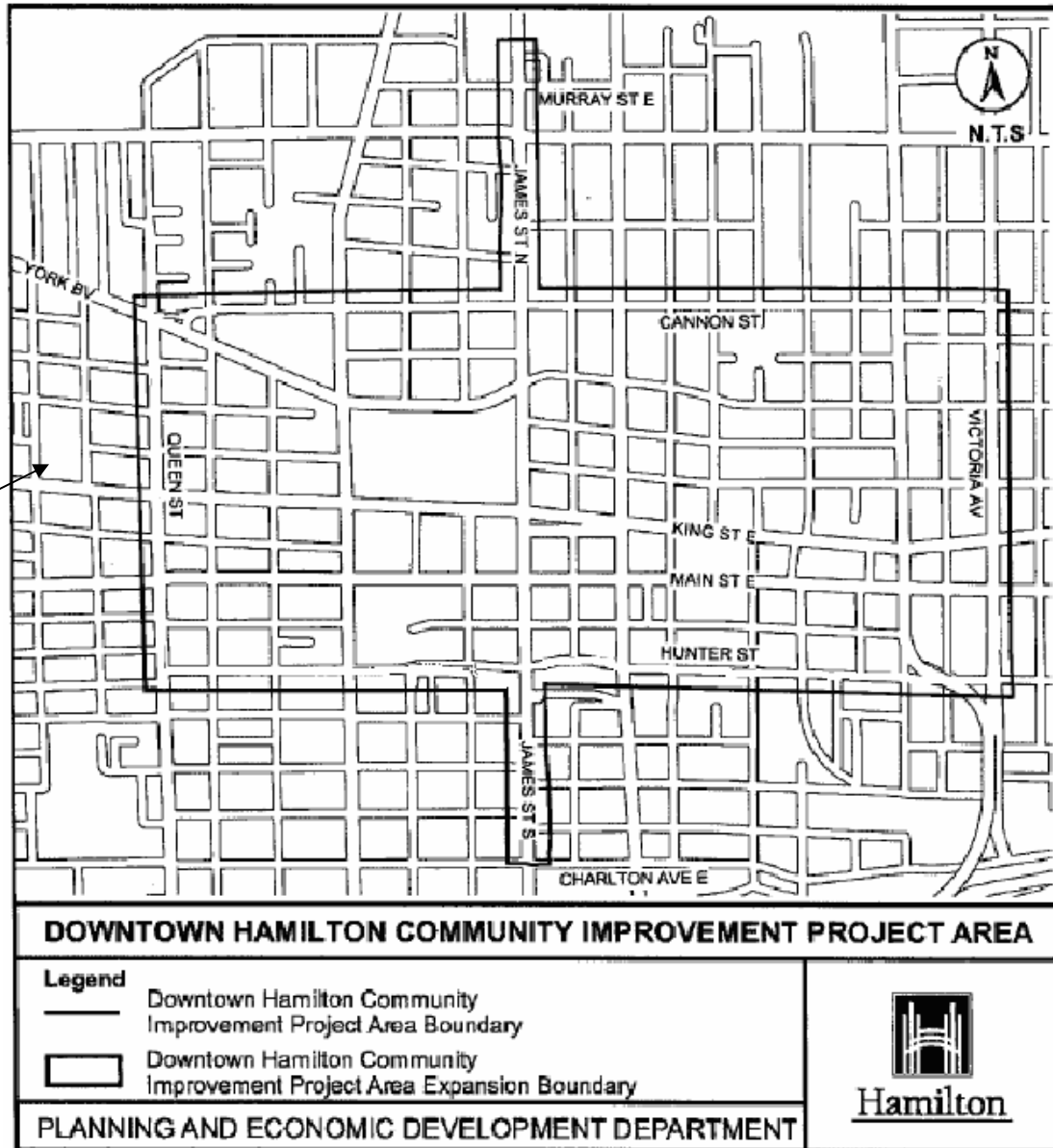
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3/22/2012



**Downtown Hamilton Community Improvement Project Area (CIPA) until  
November 2011**



**CITY OF HAMILTON  
CORPORATE SERVICES DEPARTMENT  
BUDGETS AND FINANCE DIVISION**

**EXTERNAL LOAN GUIDELINES**

**This document includes:**

- Part 1 - Purpose and Objectives**
- Part 2 - Loan Request Process**
- Part 3 - Responsibilities of Applicant**
- Part 4 - Loan Eligibility Criteria**
- Part 5 - Loan Evaluation Process**
- Part 6 - Terms of Loan Agreement**
- Part 7 - Other**

**PART 1 - PURPOSE AND OBJECTIVES**

To provide financial assistance by means of a capital loan to community-based, not-for-profit organizations who are engaged in programs and activities within the borders of the City of Hamilton.

The guidelines have several intent objectives including:

- To establish a consistent process with respect to the consideration and evaluation of loan requests
- To ensure that all loan requests are dealt with in a fair, equitable and financially accountable manner
- To ensure that any funds received from the City of Hamilton are administered by a competent, accountable and responsible body
- To provide loan funding to organizations who demonstrate that the project expenditures are in the best interest of the community at large

These guidelines apply to loan requests from incorporated and registered not-for-profit / charitable organizations which are not extensions of the City of Hamilton (e.g. HECFI, Hamilton Public Library, Hamilton Police Services). These guidelines do not apply to separate Council approved loan programs such as, but not exclusive to, the Hamilton Residential Loan Program and Development Charge deferral programs.

For the purposes of this document, the use of the term “organization” refers to the entity which is requesting the loan.

## **PART 2 - LOAN REQUEST PROCESS**

Any external organization can request a loan, at any time throughout the year. The following is a summary of the external loan request process:

- a) The loan request should be sent to the attention of the City Clerk, where it will be forwarded to the General Manager of Finance and Corporate Services for consideration. At a minimum, the applicant should provide all of the information as included in Part 3 - Responsibilities of the Applicant.
- b) Program staff and Finance staff from the Capital Budgets section of the Financial Planning & Policy division will evaluate eligibility by comparing the loan request to the Loan Eligibility Criteria as included in Part 4.
- c) Staff from the Financial Planning & Policy Division will evaluate the loan request and prepare a report to City Council either recommending or not recommending loan funding. If the loan request is not eligible, staff will prepare a report to Council outlining why the request did not meet the requirements.
- d) If the loan is approved, City staff will work with the agency to prepare the necessary loan agreements and legal documents for execution by the Mayor and the City Clerk. Various follow-up procedures may be required.

## **PART 3 - RESPONSIBILITIES OF THE APPLICANT**

When requesting a loan, the organization must provide the following information:

- a) Proof of status as an incorporated and registered not-for-profit/charitable organization.

- b) A business case for the capital expenditure which includes the project budget, sources of funding (including alternatives and options) and a list of milestone or completion dates.
- c) A multi-year (term of the loan) cash flow, which would demonstrate the ability of the organization to repay the loan. In the case of further unexpected expenditures, a contingency funding plan should be recognized or discussed.
- d) The previous year's complete and audited (if available) financial statements.
- e) The amount of the loan requested, the desired terms of the loan and what the impact would be if the loan was not provided.
- f) A description which demonstrates that the capital expenditure will benefit the community at large.
- g) Other documents and information as requested by the City of Hamilton.

#### **PART 4 - LOAN CONSIDERATION ELIGIBILITY CRITERIA**

The loan request will be considered to be eligible for funding if:

- a) The organization making the loan request is, or is in the process of becoming, an incorporated and registered not-for-profit/charitable organization.
- b) The organization has a Board of Directors who can assume full responsibility for the administration of the funding.
- c) The intent of the loan request is to fund a capital expenditure on a one-time basis. The loan requested should not be used to offset operating costs, reduce outstanding debt or to fund an operating deficit.
- d) The capital expenditure must provide benefits within the boundaries of the City of Hamilton.
- e) The organization is in good financial standing with the City. More specifically, there should be no current or recent history of significant arrears owing to the City of Hamilton.
- f) The organization demonstrates that it is making efforts to provide equal access to programs and services for individuals of diverse cultures and disabilities, where appropriate and feasible.
- g) The organization demonstrates clear boundaries between religious activities and the program which is requesting the funding, if applicabl

## **PART 5 - LOAN EVALUATION**

Once the applicant has provided satisfactory information to the City of Hamilton, staff will evaluate the loan request and draft a report to the appropriate committee of Council for approval.

The report must include the following information:

- a) A summary of the business case for the capital expenditure.
- b) A summary of the project budget and funding sources.
- c) A summary of the cash flow demonstrating the ability to repay the loan.
- d) The impact of the capital expenditure on the organization and the community at large.
- e) An indication of the impact to the organization if funding if the loan is not provided.
- f) Any other pertinent information that may assist Council in reaching a decision.

If funding is recommended, the report will also include:

- a) The terms of the loan agreement.
- b) A payment schedule.
- c) Any other pertinent information regarding the recommendation of the loan.
- d) The following recommendation – “That the City Solicitor and the General Manager, Finance and Corporate Services be authorized to draft the loan agreement for execution by the Mayor and City Clerk,”.

If funding is not recommended, the report will list the reasons why the request did not meet the criteria.

#### **PART 6 - TERMS OF LOAN AGREEMENT**

If funding is approved, the legal loan agreement will include the necessary legal terms as agreed upon by both parties. The following information must be included and/or considered during the development of the loan agreement. The list is not exhaustive and can be added to at any time, but should be considered during the development of the terms of loan agreement:

- a) The interest rate will be based upon the current serial debenture rate, as provided by the Investments section, for the time period that corresponds with the term of the loan. This reflects the equivalent capital cost of the loan. For example, the interest rate for a 10-year loan should be based on the 10-year serial debenture rate.
- b) A 0.25% administration fee will be added to the interest rate.
- c) The term of the loan must not exceed the useful life of the asset.
- d) The amortization of the interest should reflect the agreed upon repayment terms of the loan. At a minimum, interest should accrue annually.
- e) Terms of draws and a schedule of draws against the loan.
- f) Late payments charges will be applied as per the City's policy on late payments.
- g) In the event of non-payment or late payments, the City will follow current protocols on collecting payments on amounts owing.
- h) In case of the event of loan default, the loan agreement must ensure that the applicant's asset or other security is included as collateral against the loan. The value of the asset or security must be of an equivalent value to the loan.

- i) The City of Hamilton should be recognized on project marketing and promotional material (e.g. City of Hamilton logo).
- j) Any out-of-pocket expenses, such as appraisal costs, incurred for the preparation of the loan agreement, over and above staff costs, will be added to the principal of the loan.
- k) The organization must provide full disclosure, at all times, with respect to issues that will or may affect the completion of the project or the organization's ability to repay the loan.
- l) Follow-up procedures, as listed below, should also be included in the terms of the agreement. These include: :
  - a. The organization must provide a final cost of the project
  - b. The organization must provide the following annually:
    - i. Annual Audited financial statements (Audited if available)
    - ii. Budgets and cash flow projections
    - iii. Confirmation of insurance on the asset used as collateral
  - c. The organization should agree to be available, at the request of the City, to an on-site visit to review the capital expenditure and the applicable financial records
- m) Any other terms deemed appropriate by City Council, the City Solicitor or City staff.

## **PART 7 - OTHER**

Other guidelines that should be followed concerning external loans are:

- a) The City of Hamilton will not act in the capacity as a loan guarantor for any external organization unless it is required as part of a Council approved City program.
- b) Requests for re-financing of approved external loans require a separate report to City Council. Re-financing should only be considered under extraordinary circumstances, not for the sole purposes of taking advantage of fluctuating interest rates.
- c) Organizations are permitted to have only one outstanding loan with the City at anytime. The only exception to this guideline are Conservation Authorities, as there are legislated limits on their borrowing as per the Conservation Authorities Act, R.S.O. 1990, Chapter C. 27.
- d) Request for loans will be considered pending the availability of adequate funding. Approved loans must not:

- a. Significantly impact City cash flow
  - b. Impact City's service levels
- e) Approval of a one-time loan for capital expenditures does not guarantee future funding from the City of Hamilton.
- f) Notwithstanding these guidelines, Council has the ultimate authority to approve or deny any loan request at its sole discretion



Good Shepherd Borrowing Cost?

Page 1 of 3

Lasota, Bartek

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**From:** Alan Whittle [AlanWhittle@GoodShepherdCentres.ca]  
**Sent:** Thursday, March 22, 2012 2:49 PM  
**To:** Lasota, Bartek  
**Cc:** Sam Cino; Suzanne Arbour; Brother Richard MacPhee  
**Subject:** RE: Good Shepherd Borrowing Cost?

Hi Bartek,

In answer to your questions:

1. Many of the short term loans that we have received to cover the gap we have discussed have been with no interest as they have been for very short periods of time and generally from related parties. We have various lines of credit/loans extended to us which represent the biggest part of this transitional financing and they range from prime to prime +1. The latter part of your question is difficult to answer as most banks are not prepared to lend to us unless it is as the first secured. Commercial rates apply then.
2. Related to the latter part of the previous question. We have made presentations to various commercial lenders around our financial needs and the unanimous response has been that they do not want to lend to non-profits in general. They will consider commercial mortgages where they are the first secured lender, but even then they are reluctant.

If I can add a couple of comments. The complexity of this development has made it difficult to find commercial lenders. If you examine every party so far involved on title you will see that it is either some level of government or a crown corporation and their interests sit ahead of any commercial lender. As a result, they are not interested in extended financing. This reluctance to finance goes even deeper. When we were initially looking for financing for this development, we were working with the only major commercial bank in the country that was prepared to even consider lending to similar projects even though CMHC mortgage insurance was guaranteed. They wanted about 200 basis points more for a loan than what Infrastructure Ontario was prepared to accept. Obviously we went with the latter.

Unfortunately, this is the nature of these kinds of projects...they are done in the public interest and not for private gain.

As well, I would like to add that we ventured down this path (looking to the City for this financing) at the suggestion of the political leadership of this community

3/22/2012

Good Shepherd Borrowing Cost?

Page 2 of 3

because it was something that they thought Hamilton should be supporting.

I appreciate that you may have more questions as you move this forward which I will be happy to answer. I appreciate your help in this matter.

Take care,

**Alan J. Whittle**  
*Director, Community Relations & Planning*  
Administration

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[alanwhittle@goodshepherdcentres.ca](mailto:alanwhittle@goodshepherdcentres.ca)  
[www.goodshepherdcentres.ca](http://www.goodshepherdcentres.ca)



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**From:** Lasota, Bartek [mailto:[Bartek.Lasota@hamilton.ca](mailto:Bartek.Lasota@hamilton.ca)]  
**Sent:** Tuesday, March 20, 2012 11:35 AM  
**To:** Alan Whittle  
**Subject:** Good Shepherd Borrowing Cost?

Hi Alan,

How are you? Hope all is well.

I have a few more questions re: the Good Shepherd's loan request. They are as follows:

- What is your current borrowing cost? i.e. What interest rates are you currently charged on loaned amounts? What interest rate would you be charged to obtain a similar loan through a financial institution?
  
- Have you attempted to receive financing through a financial institution?

That should be all for now. Please respond at your convenience.

Thanks,

Bartek Lasota, CMA  
Financial Coordinator  
Financial Planning & Policy Division  
City of Hamilton  
71 Main St. W., City Hall, 1st Floor  
Hamilton ON L8P 4Y5

3/22/2012

Good Shepherd Centres  
Administration  
143 Wentworth Street South  
P.O. Box 1003, Hamilton, ON L8N 3R1  
Tel: 905.528.5877 Fax: 905.528.9968  
goodshepherdcentres.ca

June 7, 2012

Mayor and Members of Council  
c/o Office of the City Clerk  
City of Hamilton,  
City Hall  
71 Main St. W., 1<sup>st</sup> Floor  
Hamilton, ON L8P 4Y5

Mayor and Members of Council,

As you may be aware, Good Shepherd has been developing the \$51.5 million project on King St. W. known as Good Shepherd Square. This development has seen the creation of a best practice Women's Services Centre and 156 affordable housing units, all of which were desperately needed in this community.

This development has attracted considerable government funding, primarily federal and provincial. The Federal government has provided nearly \$3.5 million towards the development of the Women's Centre and some \$4 million for the affordable housing units. The Province contributed \$6 million for the Women's Centre and is contributing an additional \$6.5 million towards the new apartments. For its part, the City of Hamilton requested that we provide 24 barrier free apartment units and contributed \$1.2 million to the project for the necessary upgrades.

Good Shepherd has undertaken to invest an additional \$10 million to the development. These funds are being raised through a Capital Campaign. To date, Good Shepherd has already received donations and pledges for some 70% of this total and anticipates winding up the campaign later this year for the balance.

At this time, our issue is the mismatch between when the pledges will be received from this campaign and the reality that the project is now complete. Good Shepherd has arranged for interim financing but requires a longer term solution. A private sector solution to this situation

has not been possible given the complexity of the project and the reluctance to lend to charities. As a result, Good Shepherd is formally requesting a loan of \$5 million from the City of Hamilton to bridge this gap.

Good Shepherd has deep roots in the community and has always made good on its obligations and has no doubts about our ability to honour the request we are making. To that end, Good Shepherd has an extensive, committed donor base that enables it to raise millions of dollars on an on-going basis, not just for this Capital Campaign. Finally, even allowing for this request, there remains considerable equity in the development to secure the requested loan.

Good Shepherd requests that you consider our request for this loan. We will happily provide additional information in order for staff to fully evaluate this request and provide you with an appropriate recommendation.

Sincerely,

A handwritten signature in cursive script that reads "Duke O'Sullivan".

Paul (Duke) O'Sullivan  
Chair