

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: WARD 2
COMMITTEE DATE: August 12, 2013	
SUBJECT/REPORT NO: Hamilton Downtown Multi-Residential Property Investment (HDMRPIP) Program – 149 Young Street (PED13120) (Ward 2)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Hazel Milsome (905) 546-2424 Ext. 2755
SIGNATURE:	

RECOMMENDATIONS

- (a) That a conditional loan commitment totalling \$356,000 for G. S. Maher Property Holdings Ltd. (Garnet Shawn Maher) the registered owner of the property at 149 Young Street, be authorized and approved under the Hamilton Downtown Multi-Residential Property Investment Program 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 PED13120, 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-

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Residential Property Investment Program, as approved by City Council, are maintained.

EXECUTIVE SUMMARY

The Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) application for the redevelopment of 149 Young Street was submitted by G. S. Maher Property Holdings Ltd. (Garnet Shawn Maher), the registered owner of the property. The applicant proposes to develop seven freehold townhouses on lands that currently contain a vacant two-storey building.

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 \$5,000,000 per development.

The loan is advanced in three stages: upon completion of 60%, 80% and substantial completion. As the development at 149 Young Street is freehold townhouses, repayment of the loan will be based on 25% of the sale price of each unit being repaid until the total loan amount has been paid in full.

Alternatives for Consideration – See Page 6

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

Financial: The cost to fund the HDMRPIP is the interest lost to the City which is funded through the 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 \$20,000,000 to \$35,000,000 (PED12220/FCS12090); maximized the loan amount per development to \$5,000,000 (*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 \$18,000,000 at one time; and, limited the amount advanced for the development of all-suite hotels to \$18,000,000 at one time. At the same meeting, City Council also approved an additional \$200,000 for interest costs of the Program. Estimated interest costs for 149 Young Street for 2013 are \$1,958 based on the construction schedule submitted by the applicant and when the loan would be advanced (first advance at 60% construction completion).

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As of June 30, 2013 \$13,749,264 was outstanding in loans that are in various stages of repayment or redevelopment and \$10,139,126 is committed but has not been advanced, to date. Therefore, based on a maximum of \$35,000,000 in loans being out at one time, there is the potential of an additional \$11,111,610 in future loans being approved by City Council and advanced. Approval of Report PED13120 would result in the potential of \$10,755,610 in future loans being approved by City Council and advanced.

As per the terms of the HDMRPIP, the applicant paid an application fee of \$270 at the time of application and, an administration cost of \$500 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 \$3,770 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 Garnet Shawn Maher. The loan is not advanced until the project is 60% complete, at which time 60% of the loan amount will be advanced (*with the \$3,500 in administration fees being deducted from the advance*). Additional advances will be made at 80% and substantial completion. 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 (Chronology of events)

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

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number of Program refinements have been made and are explained under the Financial Implications Section of Report PED13120.

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 loan is advanced in three stages: upon completion of 60% of construction; 80% of construction; and, substantial completion of the project. Repayment of the loan commences one year after final advance of the loan exclusive of any holdbacks. However, as the development at 149 Young Street is freehold townhouses, repayment of the loan will be based on 25% of the sale price of each unit being repaid until the total loan amount has been paid in full.

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.

POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS

Report PED13120 relates to the processing of an application under the HDMRPIP which is contained within the Downtown and Community Renewal Community Improvement Plan.

Conditional site plan approval was granted for the proposed development on June 25, 2013, in accordance with the site specific zoning, RT-30/S-1668 (Street Townhouse) District, Modified, approved by Council in May 2013. As noted in the staff report (PED13079) supporting the recent rezoning, the proposed development also conforms to the Hamilton-Wentworth Official Plan, the City of Hamilton Official Plan, the Corktown Neighbourhood Plan and the Urban Hamilton Official Plan. The past zoning had permitted only the retail grocery store existing on the property, which will be demolished.

RELEVANT CONSULTATION

Staff from the Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager's Office were consulted, and the advice received is incorporated into Report PED13120.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

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 applicant's capacity to repay the loan met on July 10, 2013 and, the committee responsible for reviewing the project from a planning perspective met on July 11, 2013.

Supporting documentation to the application included an appraisal of the completed project prepared by an accredited appraiser, a cost-to-construct budget reviewed and approved by an engineer, 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.



Elevation of 149 Young Street

Appendix “B” to Report PED13120 identifies the location of the property within the Downtown Hamilton Community Improvement Project Area.

ALTERNATIVES FOR CONSIDERATION

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

Decline the Loan

Declining a 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 \$356,000 would not be issued.

Staffing: 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.

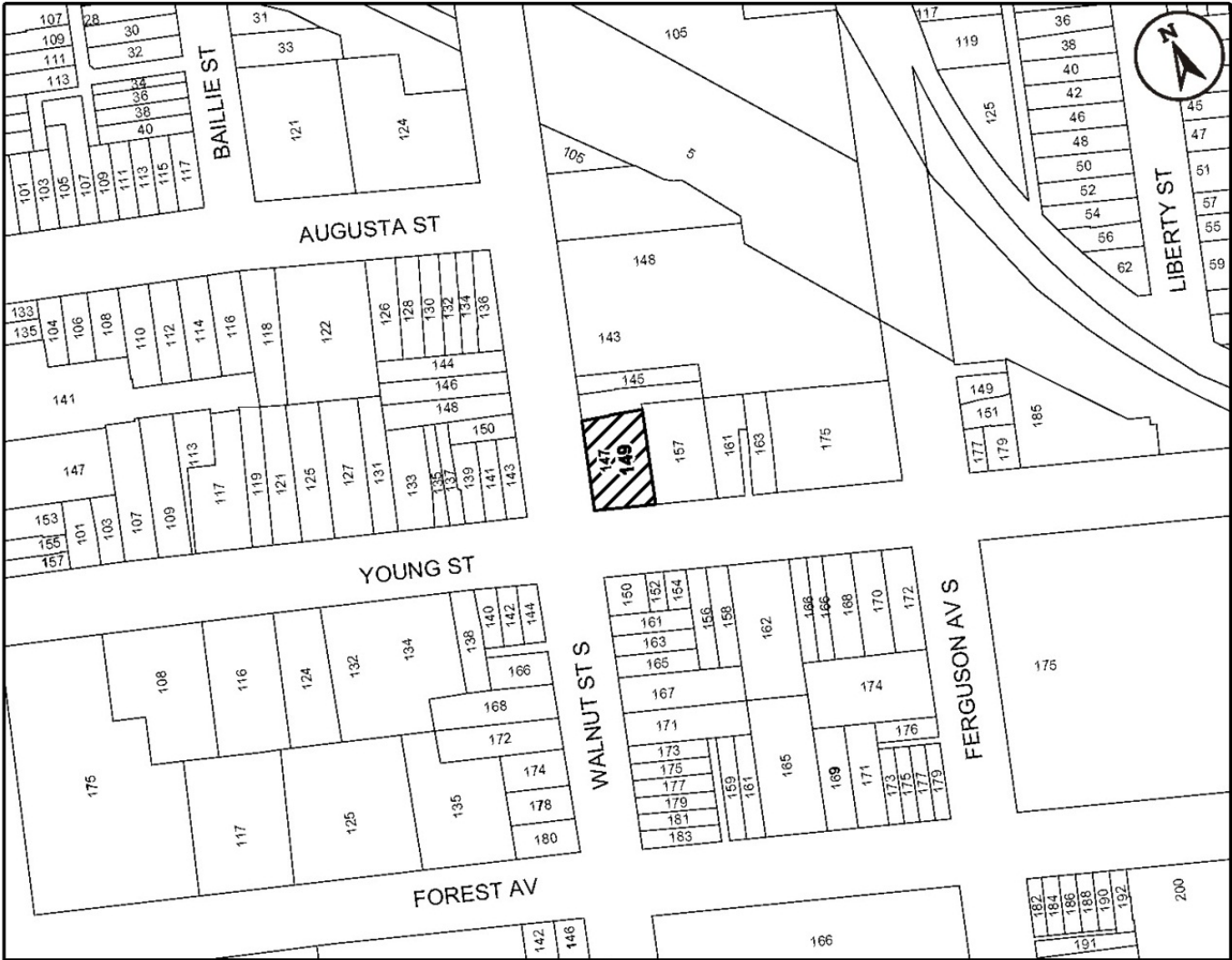
Strategic Objective

2.3 Enhance customer service satisfaction.

APPENDICES / SCHEDULES

Appendix “A” to Report PED13120 - Location Map

HM/dkm



Location Map

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:
121 Young Street

Date:
Apr. 30, 2013

Appendix "A"

Scale:
N.T.S.

Planner/Technician:
HM/DB

Subject Property

149 Young Street

N.T.S.