



Hamilton

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: April 3, 2013	
SUBJECT/REPORT NO: Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) - 137-149 Main Street West (PED13052) (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 \$2,325,000 for Jackson Hospitality Inc. (Azim Kassam), the registered owner of the property at 137-149 Main Street West, be authorized and approved under the Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) in accordance with the Program’s terms and conditions;
- (b) That the Mayor and City Clerk be authorized and directed to execute a loan agreement together with any ancillary documentation required, to effect recommendation (a), above, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized to approve and execute any loan amending agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions of the Hamilton Downtown Multi-

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

EXECUTIVE SUMMARY

The Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) application for the redevelopment of 137-149 Main Street West was submitted by Jackson Hospitality Inc. (Azim Kassam), the registered owner of the property. The property is presently a vacant commercial lot. The applicant proposes to develop a 73 unit, seven (7) storey apartment 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 prepared by an architect/engineer to a maximum of \$5,000,000. A quantity surveyor is required to have reviewed and approved the construction budget when the City's loan is \$1 million or over. The eligible construction cost for 137-149 Main Street West, as confirmed by a quantity surveyor, is \$10,765,000. However, in order to meet the City's requirement of 25% equity in the property, the maximum loan for this project is \$2,325,000.

The loan is advanced in three (3) stages: upon completion of 60%, 80% and substantial completion. As the development at 137-149 Main Street West is an apartment building, repayment of the loan commences one (1) year after final advance of the loan, exclusive of any holdbacks. Ten percent (10%) of the loan amount is repayable in monthly payments each year for four (4) years. The balance outstanding is paid in a balloon payment at the end of the five (5) years.

Alternatives for Consideration – See Page 7

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); instituted a maximum loan amount per development of \$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

SUBJECT: Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) - 137-149 Main Street West (PED13052) (Ward 2) - Page 3 of 8

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 in operating costs for interest costs of the Program. Estimated interest costs for 137-149 Main Street West for 2013 is \$7,000, based on the construction schedule submitted by the applicant and, when the loan would be advanced (first advance at 60% construction completion).

As of December 31, 2012, \$11,984,827 was outstanding in loans that are in various stages of repayment or redevelopment and \$4,746,333 was committed but had 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 \$18,268,840 in future loans being approved by City Council and advanced. This amount does not take into consideration the loan commitment for 150 Main Street West that is to be considered by City Council at its meeting to be held March 20, 2013 (Report PED13047). Should the loan for 150 Main Street West (Report PED13047) and the loan for 137-149 Main Street West (PED13052) be approved by City Council, it would result in the potential of \$11,582,983 in future loans being approved by City Council and advanced.

Total development costs are estimated at \$10,765,000 and it is projected that the proposed redevelopment will increase the current value assessment (CVA) of the property from its current \$745,250 to approximately \$6,500,000. This will increase total annual property taxes generated by the property. The municipal share of the annual property tax increase (municipal tax increment) will be approximately \$60,511.

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 \$400 per unit (*\$29,200 for this project*) will be charged to the applicant at the first advance of the loan (at 60% completion). Therefore, the applicant will pay a total of \$29,470 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 corporate guarantee from Ekasa Hospitality Inc., another company owned by Azim Kassam that operates the Day's Inn, as well as a personal guarantee by Azim Kassam. The loan is not advanced until the project is 60% complete, at which time 60% of the loan amount will be advanced (*with the \$29,200 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 number of Program refinements have been made to the Program as explained under the Financial Implications Section of Report PED13052.

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 (3) stages: upon completion of 60% of construction; 80% of construction; and, substantial completion of the project. Repayment of the loan commences one (1) year after final advance of the loan exclusive of any holdbacks.

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 PED13052 relates to the processing of an application under the HDMRPIP which is contained within the Downtown and Community Renewal Community Improvement Plan.

The proposed development is under site plan review. A “multiple dwelling” is a permitted use in the applicable Downtown Mixed Use (D3) Zone (Zoning By-law 05-200). The proposed seven (7) storey building can be accommodated within the 30 metre maximum building height. The Downtown Hamilton Secondary Plan anticipates buildings oriented to the street. It applies the Central Business District – Main Street Corridor land use designation to the north portion of the property fronting Main Street: “Vacant parcels in this area should be developed as mixed-use, mid-rise buildings to strengthen Main Street’s image as a primary residential and commercial avenue within Downtown. Office, institutional, residential and retail uses will be accommodated in this area” (Policy A.6.2.5.3.1.3b)). Mid-rise apartments are permitted in the Mixed Use land use designation applied to the south portion of the property reaching Jackson Street: “Mixed Use areas are intended to serve as a buffer between intensive commercial activities and the residential areas within and around the Downtown” (Policy A.6.2.6.3.3a)).

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 PED13052.

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 an Evaluation Committee comprised of staff from Urban Renewal, Development Planning, Community Planning and Design and, Financial Planning and Policy. The Committee met on January 29, 2013 and February 28, 2013, for the purpose of reviewing the details of the development of the property at 137-149 Main Street West from a planning and building perspective, as well as to determine the applicant’s capacity for loan repayment.

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 a quantity surveyor, details of construction financing and, documentation to support the applicant’s capacity for loan repayment. Upon review of the documentation

SUBJECT: Hamilton Downtown Multi-Residential Property Investment Program (HDMRPIP) - 137-149 Main Street West (PED13052) (Ward 2) - Page 6 of 8

provided, 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.

Development costs are estimated at \$10,765,000 and it is projected that the proposed redevelopment will increase the current value assessment (CVA) of the property from its current \$745,250 to approximately \$6,500,000. This will increase total annual property taxes generated by the property. The municipal share of the annual property tax increase (municipal tax increment) will be approximately \$60,511.

The applicant has also applied for a grant under the Hamilton Downtown Property Improvement Grant Program for the development of the property at 137-149 Main Street West. Report PED13052, recommending approval of the loan application, is being submitted concurrently to Committee and Council for consideration.

The development is consistent with the Provincial Policy Statement and conforms to the Places to Grow Plan. Residents living in the apartments will assist in achieving the density target of 250 residents and jobs per hectare in the Downtown Urban Growth Centre.



Elevation of 137-149 Main Street West

Appendix “A” to Report PED13052 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 \$2,325,000 over a five (5) year period would not be issued.

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.

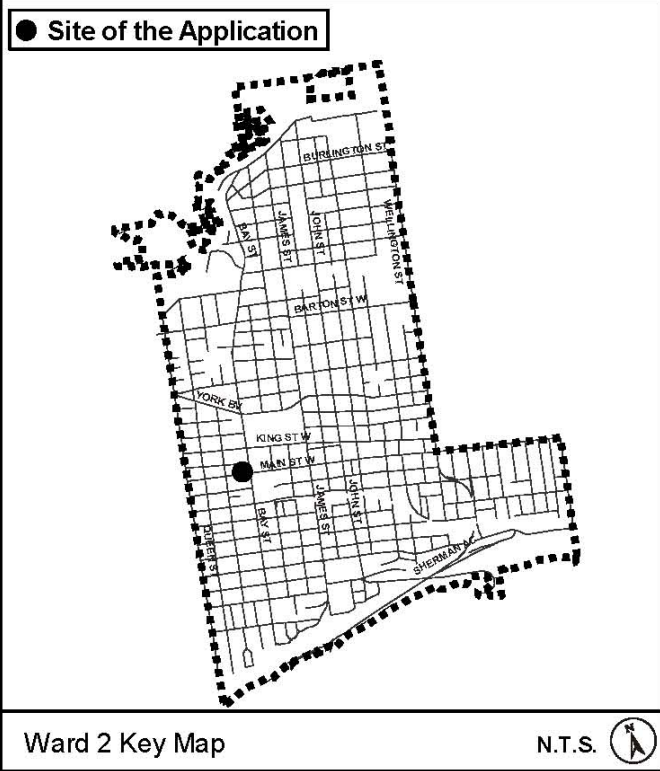
Strategic Objective

2.3 Enhance customer service satisfaction.

APPENDICES / SCHEDULES

Appendix "A" to Report PED13052 - Location Map

HM/dkm



● Site of the Application

Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:
137_149MainStW

Date:
June 7, 2012

Appendix "A"

Scale:
N.T.S.

Planner/Technician:
HM/KA

Subject Property



137 - 149 Main Street West