Information:

City Council, on September 18, 2001, approved the Delegation of Authority to staff for routine real estate matters, and Item 13 of Report 04-021 of the Planning and Economic Development Committee, City Council on November 24, 2004, approved the “Procedural By-law for the Sale of Lands”, By-law No. 04-299. Pursuant to Item 21 of Report 01-029 of the Committee of the Whole, staff is required to provide City Council with an update report outlining all real estate transactions pertaining to acquisitions, dispositions and leases.

To effectively summarize the real estate activities for the information of Committee and Council, staff has compiled statistical sales information, purchases and lease renewals from the year 2003 to present. The following charts illustrate the incoming/outgoing revenues through the sale of municipal assets, land acquisitions for municipal purposes, lease and lease renewals.
It can be seen from the above graph and table that staff has maintained a consistently high revenue stream in sale of surplus properties which, in part, also assists in meeting Council's annual projected reduction in operating costs. The decline in City owned industrial land was directly a result of no inventory of shovel ready land to sell in any of the City's Industrial Business Parks.

In 2007 staff has processed 30 sales, resulting in sale revenues to the City of Hamilton of approximately $5,759,585. It is further noted, that based on the actual transaction volumes over the past five years, 123 properties had been sold, resulting in sale revenues of approximately $15,659,937. In addition, staff continues to evaluate City owned assets on an on-going basis, co-ordinated through the Portfolio Management Committee, with the objective to divest all assets serving non-programmed or non-core requirements of the organization.

City of Hamilton Land Acquisition

From a land acquisition perspective, the majority of the expenditures for 2007 have been a result of securing lands for infrastructure improvements through approved capital programs (road re-construction, water and waste, drainage and storm sewer outlets) and parkland/trails. In all, staff has successfully negotiated 24 offers within a timely manner to allow approved capital projects to move forward without delays. Furthermore, the funding sources for the land acquisitions have been allocated within the respective line department’s capital budgets and through the utilization of the Parkland Dedication Reserve account.
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Appraisal Services

Under the provisions of Section 270 of the Municipal Act and Council’s approved policies on the disposition and acquisition of properties, staff must obtain appraisals of fair market value of the assets prior to disposal.

Since the hiring of the Appraisal Coordinator’s position in September 2004, the cost savings realized in 2007 through the preparation of various internal assignments is estimated to be in the range of $200,000. In addition, 124 Cash-in-Lieu of parkland dedication applications had been processed, resulting in required payments of $5,387,000. The costs for external appraisers on an hourly base (1.5 hrs. / application x $250/hr. [average]) to do this work would have cost approximately $46,500. It is further noted that peer reviews are conducted on independent appraisal reports that are prepared on behalf of land owners and developers wherein the City is in negotiations to acquired real property assets for mandated program use (parks, trails etc), sales, parkland over dedication and capital works programs, etc. The purpose of the review is to ensure that the specific appraisal problem is adequately addressed and that the appraiser's final conclusion of value is adequate. Internal peer reviews has resulted in $475,000 savings through negotiated or arbitrated settlements which otherwise may not have been realized. The cost savings realized proves a self funding model for the full time, in-house appraiser hired since 2004. The additional benefit to the City by performing this service in house provides for timely advice to staff and the business community on a variety of valuations ensuring undue delays in the issuance of building permits, expropriation files, board hearing, mediation, business case analysis and marketing of City owned assets.

Commission Fees

Pursuant to Council policy and the City’s Procedural Bylaw for the Sale of Land; land may be sold by one of the following methods: a) Open Market - marketed and negotiated directly by staff; b) Tender Call; or c) Brokered – marketed by approved independent real estate brokers.

All expenses associated with any sale of land are paid out of the account to which the funds will be deposited from the sale of the property. Real Estate commission paid to brokers is disbursed from the proceeds of the sale of the land and, in the case of acquisitions, these costs are charged and accounted for within the line departments’ related capital budget.

The graphs and charts below illustrates additional internal savings and declining expenditures through the in-house marketing of the City’s assets since the Real Estate Section has sustained a full staff complement.

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Fees</td>
<td>$69,700</td>
<td>$43,600</td>
<td>$52,900</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Internal Savings</td>
<td>$50,014</td>
<td>$47,300</td>
<td>$41,200</td>
<td>$114,520</td>
<td>$287,980</td>
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</table>

With respect to land acquisitions, negotiations are, in most cases, handled internally, resulting in further cost savings to the organization, as noted in the graph below. Continual savings are being realized, resulting in cost savings over the past five years of approximately $753,941.

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>In House Commission</td>
<td>$66,100</td>
<td>$135,080</td>
<td>$159,210</td>
<td>$266,533</td>
<td>$127,018</td>
</tr>
</tbody>
</table>
Leases/Renewals

Real Estate continues to be heavily involved in negotiating leases, both where the City is a Tenant and a Landlord. All aspects pertaining to these negotiations are handled in-house, resulting in substantial cost savings to the organization. From a leasing sector perspective, if the service had been outsourced, the City’s costs to the brokerage firm’s, under current contract, would be as follows:

(i)    Leases (Commercial/Industrial): fees range from 4.5% to 6% of the first year’s rent and 3.5% to 4% for the remainder of the lease term. In some cases, commission is paid at a rate of $1.00 per rentable square foot per year.

Using the above rates, with City staff performing this function, the City’s estimated cost saving, just for 2007, in the first and subsequent years of the leases is estimated at $24,000. The accumulative savings over the years is estimated in the range of $250,000. In that there are currently 400+ leases, substantial cost savings is consistently being achieved by performing this service in-house.

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease/Renewals</td>
<td>26</td>
<td>33</td>
<td>53</td>
<td>30</td>
<td>12</td>
</tr>
</tbody>
</table>

In conclusion, substantial progress is being made through the implementation of the City’s Real Estate Portfolio Management Strategy through the identification, and disposal of surplus holdings; the reduction of non-core holdings together with capital sales to offset departmental operating expenditures, cost saving in-house appraisal services, reduction in commissions to outside agencies for sales, acquisition and lease negotiations; all which focus its objectives towards sustaining cost saving measures to meet budget pressures.

For the information of the Committee, City Council in September 2004 and September 2005 approved the hiring of the four full-time positions; Appraisal Coordinator, Administrative Assistant, Senior Planner - Real Estate, Property Coordinator, and the extension of the part-time Property Coordinator with the recommendation that these positions were to be self-funded through the sale of municipal assets, reported in-house cost savings, and administrative cost recoveries from capital projects. The increased staff cost for 2007 (salaries and benefits) amounted to $400,000, resulting in these positions being self sustaining as a result of the estimated cost savings realized within all areas of the Real Estate Section in the amount of $285,000 (total estimated savings $685,000 minus staffing costs $400,000). As noted earlier in the report and as part of staff’s due diligence through peer reviews of outside appraisal reports, has resulted in additional cost savings to the City in the amount of $475,000 through negotiated and arbitrated settlements (acquisitions, cash-in-lieu of parkland). In addition, the net proceeds from the sale of municipal non core assets in the amount of $195,000 has been re-directed towards budget pressures and offsetting operating cost impacts to the City. The resulting cost savings have also resulted in the expanded Real Estate Section having no general levy impact to the departmental operating budget. The key to this success is ensuring that adequate staffing levels are maintained, thereby, limiting the City’s dependency on the utilization of outside brokerage firms, as well as continuation with the implementation of the City Real Estate Portfolio Strategy Plan.

Tim McCabe
General Manager
Planning and Economic Development Department

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