To: Chair and Members  
Economic Development and Planning Committee  
PED08297(b)

From: Tim McCabe  
General Manager  
Planning and Economic Development Department

Date: September 22, 2009

Re: Hamilton Downtown Residential Loan Program – 80 King William Street  
(RL03/05) (PED08297(b))

City Council at its meeting held June 11, 2003 approved a loan under the Hamilton Downtown Residential Loan Program for 80 King William Street, the former Spectator building, in the amount of $1,200,000 to convert the property into fifty (50) condominium units. The loan started to flow at 60% project completion and, in total $1,101,207 was advanced under the program. Appendix ‘A’ to Report PED08297(b) identifies the location of 80 King William Street.

In December 2008, in Report PED08297, staff reported that the bank that held the first mortgage had sought a Court appointed receiver as a result of a default of the borrower. The Courts appointed Ira Smith Receivers Inc. as the receiver for the property and, in May 2009, in Report PED08297(a), staff reported that the Court had directed the receiver to advertise for Offers of Purchase and, at that time, the quantum to be received by the City was unknown.

The receiver has evaluated each bid and is recommending a preferred bid to the Courts on September 22, 2009. Upon the Court approving the bid, title of the property will be cleared prior to transfer of ownership to the approved purchaser. The receiver will disburse the funds received from the sale of the property according to priority as follows:

1st Borrowing Charge/Receiver  
2nd Construction Lien Claimants  
3rd The bank that held the first mortgage  
4th The City of Hamilton

The receiver has indicated that, based on the amount of the preferred bid, the City will not recoup any of the $1,101,207 advanced under the loan program.
In order to protect the City’s risk for future loans advanced under the program, staff will strengthen the risk assessment of applicants prior to recommending loan commitments to Council and will report back under separate cover on the measures that will be taken in the future.

Ultimately, the City’s goal of increasing the number of residential units in the Downtown core will be realized and a former abandoned building will have new life breathed into it, increasing the assessment and taxes generated albeit at a much higher cost than anticipated.

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Tim McCabe
General Manager
Planning and Economic Development Department

HM:vk
Attach. (1)