SUBJECT: Sale of 362 John Street North (FCS06019) (City Wide, Ward 2)

RECOMMENDATION:

a) That staff be directed to execute the agreement of purchase and sale in a form satisfactory to Corporate Counsel, for the parcel of land known municipally as 362 John Street North, to Southview Construction Ltd for the purchase price of Twenty One Thousand, Seven Hundred and Fifty One Dollars ($21,751.00); and

b) That the Treasurer be authorized to cancel the outstanding tax arrears of $26,310.42, and;

c) That 362 John Street North be declared surplus to the requirements of the City of Hamilton in accordance with the City of Hamilton Property Sales Procedural By-law 95-049.

EXECUTIVE SUMMARY:

362 John Street North has been on two City of Hamilton tax sales and has failed to sell both times, with the most recent being November 2005. The property contains one house that is structurally unsafe and leaning to one side. There is also a crown lien on the property registered against the current owner for non-payment of Retail Sales Tax. This lien remains with the property upon any tax sale and has been one of the reasons...
for receiving no offers at both sales. On January 5, 2006, staff issued a Request for Offers (RFO) for the property known municipally as 362 John Street North, in accordance with the “Policy on the Treatment of Properties that Fail Municipal Tax Sale”, as delineated in Report (ECO03027/FCS03157), approved by Council on October 29, 2003.

On January 27, 2006, the RFO closed and two bids were received on closing. Southview Construction Ltd. had the highest bid, and their proposal to demolish and rebuild a single family home meets with the Building Department’s work order initiated in July 2004.

**BACKGROUND:**

The subject property has been in tax arrears since 1998, and is in serious disrepair, requiring immediate repair or demolition. The City Building Department has been monitoring the site since 2004, and has currently spent $5,807.78 on securing the home, as well as other property standards violations. The owner of the property has abandoned the home due to the state of the property; the tax arrears owing; and the crown lien for non-payment of retail sales tax. The property has already failed at two tax sales, and the building department indicates that they will have to demolish the home, should a new purchaser not take ownership. Quotes received on a demolition were for a minimum of $18,000 back in 2004.

The Provincial Government initially put their lien on the property in 1998 for $15,861.78. With interest, their lien is now currently in excess of $22,000. In order for a new purchaser to receive clear title to the property, the Province has indicated their lien must be satisfied before they will remove it. The Ministry of Finance policy for these types of transactions is to allow the municipality to deduct its closing costs from the sale. In this case, our closing costs are $5,925. The Ministry of Finance will receive $15,826, and will then remove the lien, allowing clear title to Southview Construction Ltd.

Southview Construction Ltd. has agreed to demolish the current home, at their cost, upon approval of a demolition permit. They then plan to construct a new two storey home on the property. The Real Estate department estimates the value of a 20 by 85 foot lot in that area is around $25,000.

**ANALYSIS/RATIONALE:**

There is an immediate need to deal with this property, due to the condition of the current structure. By selling this property for less than the taxes owing, we will get the current structure removed by the purchaser and a new single family home built that will, once again, start contributing to the tax base. We will also stop the expenses incurred by the City with regards to property standards charges to monitor this property and ensure it is in compliance. The Building Department have estimated that they will have to demolish this property within the next three months, at a cost to the City of approximately $20,000.

The only option available at this time, in order to conduct this transaction without further expense to the taxpayers, is to meet the Province’s demands of a partial payout of their
lien, in order to be able to offer clear title to the purchaser. Staff are currently involved with a focus group, arranged by the Ministry of Finance, to deal with changes to Provincial and Federal policy with regards to crown liens on Brownfield properties. Staff are also involved with an initiative by the Association of Municipal Clerks and Treasurers of Ontario, regarding crown liens on any properties that go to tax sale. While staff are encouraged that there may be some changes by the crown in regards to their policies, the urgency of a solution on this property dictates that the City accepts the Provincial position.

**ALTERNATIVES FOR CONSIDERATION:**

Have the City take title to the property and pay for demolishing the building and paying off the Provincial lien. The estimated cost of doing this would be $29,875. The estimated market value for a vacant lot in that area is $25,000. Net cost to the City would then be $4,875 plus the write-off of tax of $32,235.42.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

This property has been budgeted for in the City’s Allowance for Doubtful Accounts HAMTN 52108.252013. Tax arrears of $26,310.42 will be written-off, of which $2,540.88 would be charged back to the School Boards, $2,113.72 would be charged to the Water and Wastewater Budget HAMTN 12643 & 12642.000100

**POLICIES AFFECTING PROPOSAL:**


**RELEVANT CONSULTATION:**

Purchasing Department, Legal Department, Building Department and Real Estate Department have been consulted and involved in this sale.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
A dangerous Building will be demolished and a new single family home built on the site.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No
City will begin to start receiving tax revenue while expenses incurred for property standards will cease.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No