To: Chair and Members
Planning and Economic Development Committee
PED06220/FCS06077

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Date: July 21, 2006

Re: Hamilton Downtown Residential Loan Program – 91 Wellington Street North
Loan Repayment – RL-13 (PED06220/FCS06077) (Ward xx)

Council Direction: Not applicable.

Information:

City Council, at its meeting held January 8, 2003, approved a loan under the Hamilton Downtown Residential Loan Program for 91 Wellington Street North in the amount of $290,000 for the redevelopment of the property into a 4 storey building containing 12 residential units. The loan was secured by a second mortgage.

In September 2004, the owners informed the Downtown Renewal Division that they were arranging for a new first mortgage. At that time, a total of $261,000 of the $290,000 approved loan had been advanced for works completed to date. Staff informed the owners that, based on property value and the new first mortgage, in order to comply with the terms of the loan agreement with the City, the owners were required to reduce the loan from $261,000 to $128,500. The terms of the loan agreement dictated that the owners must have 25% equity in the property at all times. On December 21, 2004, the owners paid back to the City, $132,500 on the outstanding loan representing a reduction of the loan amount of more than 50%. The outstanding loan amount is now $128,500 and meets the terms of the loan agreement.

The terms of the Hamilton Downtown Residential Loan Program state that repayment of the loans commence one year following the completion date of the project at a rate of 10% a year in 12 equal monthly payments for 5 years. At the end of the 5 year period, a balloon payment is to be made in the amount of the outstanding balance.
On April 26, 2006, the Downtown Renewal Division received a letter from the owner of 91 Wellington Street North requesting that, due to the payment of $132,500 and the new first mortgage on the property, the loan repayment schedule be reviewed. Staff from the Planning and Economic Development and Corporate Services Departments met with the owner on June 19, 2006 to review the schedule of payment and agreed that, due to the fact that $132,500 has been paid off on the $261,000 originally advanced, the amount will be applied to time versus a reduction in the amount of the monthly payments. Originally the monthly payments were to commence on June 1, 2006 in the amount of $1,070.83. The $132,500 paid out will be applied to 2 years in advance payments, and the monthly payments on the $128,500 outstanding balance will commence on June 1, 2008. The balance outstanding at the end of the 5 year period will be paid out on May 1, 2011, the same date the outstanding balance would have been paid out had the property owners not paid back to the City the $132,500.

The above payment schedule is acceptable to staff as it meets the requirements of the loan agreement in that the total loan amount will be paid off at the end of the 5 year period. The payment schedule is also acceptable to the owner of 91 Wellington Street North. The Downtown Renewal Division is presently arranging for amendments to the second mortgage in order that the documents reflect the above payment schedule.

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HM:jcs