In August 2004, City Council endorsed in principle a downtown development corporation directing staff to report back on:

- the negotiation of an Unanimous Stakeholders’ Agreement (USA) and establishment of a downtown development corporation
- release of $2 million to fund capital expenditures
- a contract for services with the downtown development corporation with the Urban Renewal Section acting as administrators of the corporation
In July 2006, City Council approved:

- the USA, the governing document regarding the operation of the HRCC e.g. management, accountability, financial strategy, monitoring, winding up and liquidation of the HRCC
The Management Services Agreement (MSA) that dictates the City will designate a manager who provides oversight of activities and decisions of the HRCC and ensures the HRCC is operating in accordance with the USA.

The release of $2 million from the Hamilton Future Fund in the form of a loan in accordance with the USA.

The release of $180,000 (net of set-up funds) to fund the operating costs of the HRCC also from the Hamilton Future Fund.
The HRCC

- HRCC is a for-profit development corporation operating within the Downtown Hamilton Community Improvement Project Area.

- The mandate of HRCC is to develop properties that are considered too risky or expensive for private sector developers.

- Investment decisions will have a catalytic effect on an area including increased property values and stimulating investment by the private sector in surrounding properties.
The HRCC

- Funded by the City of Hamilton and FH Investco Inc. the private investor (FH Investco Inc.’s contribution to the HRCC matches the City’s $2 million)

- In accordance with the USA, the City and FH Investco Inc. each fund 50% of all capital projects
City or FH Investco Inc. may terminate agreement on, or any time after the earlier of:

(a) the Capital Expenditures Satisfaction Date (the HRCC has made aggregate capital expenditures of not less than $8 million), and
(b) the date which is ten years following the date of the USA (July 26, 2016)

City has the further right to terminate the Agreement following the five year anniversary date **if the City determines that the Board of Directors has consistently declined proposed Capital Expenditures (no proposals have been turned down by the Board to date)**
Where Can HRCC Invest?
Projects considered by the HRCC:

- Education Square
- 140 King William Street
- 134 Cannon Street
First Venture of the HRCC Resulting in Purchase of Property

134 Cannon Street
134 Cannon Street East:

- Former Cannon Knitting Mills
- HRCC participating in a pilot study for an in-situ bioremediation product
- Contract completed for abatement measures on the building
- Feasibility studies on potential future uses are progressing including space for the creative industry and community use
- Further environmental testing now underway
City Monies Spent to Date

- Capital: $137,500 of $2 million for: 134 Cannon Street East and, Agreement of Purchase for Sale for 14 Mary Street

- Operating: $250,000 one-time grant for establishing the HRCC; professional fees for due diligence of potential properties; and, salary and expenses of the Designated Manager

- City’s $2 million is in the form of a loan in accordance with the USA (if projects are profitable) – secured by a real asset
The hierarchy of repayment if a project is profitable:

i) Firstly, interest to FH Investco. Inc. on its contribution at a rate of 15%
ii) Secondly, FH Investco Inc.’s contribution to the project;
iii) Thirdly, the City’s contribution to the project;
iv) The balance to FH Investco Inc.

(Note: notwithstanding (iv) HRCC shall retain amount required to satisfy operating expense requirements for the then-current calendar year)

If projects are not profitable, the City and FH Investco Inc. will share equally the loss. The City will benefit from the increase in assessment of the projects
Proposal to Increase the City’s Commitment to the HRCC

- Increasing the City’s commitment to the HRCC by $5 million to be referred to the 2012 Capital Budget deliberations including the annual interest costs estimated at $150,000 annually

- FH Investco Inc. confirmed it will match the City’s $5 million

- No additional capital available for projects as existing monies required for 134 Cannon Street East

- Opportunity to undertake larger and multiple projects, particularly within the proposed expanded area of the DHCIPA
Summary of Recommendations

- Recommendation (a) to receive Report PED11198

- Recommendation (b) to refer the proposal to increase the City’s commitment to the HRCC by $5 million to the 2012 Capital Budget deliberations and be matched by FH Investco Inc.

- Recommendation (c) to refer the annual interest costs estimated at $150,000 resulting from increasing the City’s commitment be referred to the 2012 Capital Budget deliberations

*(HRCC enhancement is currently outside of the 2012 capital budget financing strategy)*
Summary of Recommendations

- Recommendation (d) that the Redevelopment Zone in which the HRCC can make capital contributions always be in accordance with the boundaries of the DHCIPA.

- Recommendation (e) that the Mayor and City Clerk be authorized and directed to execute an Amending Agreement to amend the USA with respect to recommendation (b) if approved through the 2012 capital budget deliberations.

Not included in the report, however the Economic Development Division is committed to providing an update on the HRCC in its Annual Report of Economic Development to Committee and Council.
Thank you – Questions?