SUBJECT: Hamilton Downtown Residential Loan Program - Reduction of Loan 4, 8, 14, Forest Avenue and 207, 209 & 211 James Street South, Hamilton (PED07161/FCS07060) (Ward 2)

RECOMMENDATION:

a) That the loan advanced under the Hamilton Downtown Residential Loan Program in the amount of $302,490 for 4, 8, 14, Forest Avenue and 207, 209 and 211 James Street South be reduced to $100,000 with repayment commencing July 1, 2007 as per the terms of the program;

b) That sub-section (a) above is contingent on $202,490 being paid back immediately due to the sale of the existing shares of the Corporation registered as the owner of the property and there being four (4) guarantors of the loan; and,
c) That staff from the Downtown Renewal Division arrange for the appropriate amendment to the Loan Agreement entered into between the applicant and the City of Hamilton to reflect amendments to the loan as detailed in sub-sections (a) and (b) above.

EXECUTIVE SUMMARY:

Report PED07161/FCS07060 relates to the restructuring of the loan of $302,490 advanced under the Hamilton Downtown Residential Loan Program (HDRLP) for 4, 8, 14 Forest Avenue and 207, 209, 211 James Street South. The project has been completed and involved the reconstruction of nineteen (19) residential units. The shares of the Corporation that the loan was advanced to, have been sold and, the two (2) loan guarantors for the $302,490 loan will be replaced with four (4) loan guarantors for the $100,000 loan who have a higher net-worth than the original two (2) guarantors. The restructuring of the loan results in the City being repaid $202,490 immediately with $100,000 continuing to be secured as a second mortgage on title of the property.

BACKGROUND:

On March 1, 2006, City Council approved a loan commitment in the amount of $336,100 for 4, 8, 14 Forest Avenue and 207, 209 and 211 James Street South. The loan commitment was based on a project that would witness the reconstruction of a mixed-use building that contained a total of twelve (12) residential units that were mainly vacant and in disrepair. The project is now completed resulting in the reconstruction/creation of nineteen (19) residential units.

Under the terms of the program repayment of the loan commences one (1) year after construction completion at a rate of 10% for the first four (4) years with a balloon payment in the fifth (5th) year. The Forest Avenue/James Street South loan would have commenced payment of the $302,490 loan starting in 2008 with a balloon payment in 2012.
In April of 2007, the Downtown Renewal Division was contacted by the applicant who advised that the shares of the Corporation that owned 4, 8, 14 Forest Avenue and 207, 209 and 211 James Street South were for sale and asked that, if $212,490 was immediately paid back on the loan, would the City entertain reducing the loan to $100,000. The terms of the program do not allow the assignment of the loan if a property is sold as it artificially inflates the market value of the property. However, in this instance, because the Corporation to which the loan was advanced remains as the registered owner of the property; the fact that there will be four (4) loan guarantors who have a higher net-worth than the original two (2) loan guarantors; the City is repaid two-thirds (2/3\textsuperscript{rd}s) of the loan immediately; and, the project has been completed, staff support the reduction.

**ANALYSIS/RATIONALE:**

The loan advanced under the HDRLP assisted in funding the reconstruction of a formerly dilapidated property at James and Forest Avenue. Under the terms of the program the total loan advanced in the amount of $302,490 would have been paid off over a five (5) year period. Restructuring the loan to $100,000 with repayment commencing on July 1, 2007 as per the terms of the program is the recommended option. The $202,490 paid back will be injected back into the program for financing further construction of residential units in the Downtown.

The Agreement entered into between the City of Hamilton and the applicant stipulates that the borrower may not directly or indirectly sell, convey, transfer or dispose of the property without the written consent of the City being first obtained. Given the circumstances as noted above staff is recommending that $202,490 of the loan be paid back immediately and that the loan be reduced to $100,000 with repayment commencing July 1, 2007 as per the terms of the program. The risk to the City is reduced as the loan amount is in a lesser amount with an increased number of guarantors.

**ALTERNATIVES FOR CONSIDERATION:**

An alternative would be to call the entire loan now by virtue of the sale of shares. However, this is not the recommended option based on the fact that the project has been completed; the City will receive back two-thirds of the loan; and, the $100,000 will be paid back commencing July 1, 2007 as per the terms of the program.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financing** – The interest cost to the City of Hamilton for the zero percent (0%) interest loans advanced under the terms of the HDRLP is funded from Operating Account Number 52901-815010.
Staffing - Administration of applications under the terms of the program are accommodated by staff of the Downtown Renewal Division and the Corporate Services Department.

Legal – Upon City Council approval of the staff recommendation the Loan Agreement between the City and the applicant will be amended and executed in a form satisfactory to the Director of Downtown Renewal and the City Solicitor.

POLICIES AFFECTING PROPOSAL:

Report PED08161/FCS07060 relates to the restructuring of a loan under the HDRLP which is contained within the City’s approved Downtown Hamilton, Community Downtowns and Business Improvement Areas Community Improvement Plan as authorized under Section 28 (7) of The Planning Act that restricts loans and grants to “registered owners, assessed owners and tenants of lands and buildings” within the Community Improvement Project Area “and to any person to whom the owner or tenant has assigned the right to receive a grant or loan…”. The existing corporate borrower will continue to be the registered owner of the land.

RELEVANT CONSULTATION:

Staff consulted with the external lawyer J. Pelech, Pelech, Otto & Powell who was hired by the City of Hamilton to prepare the agreement required for the loan and to undertake due diligence prior to releasing loan monies. Staff also consulted with the City’s Legal Services Division.

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
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Human health and safety are protected.

The rehabilitation of the building stock and the development of properties in the Downtown makes efficient and effective use of City services as well as protecting human health and safety.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Investment in Hamilton is enhanced and supported.

Downtown Renewal programs lead to effective partnerships with community stakeholders and the development community. Developers and property owners invest in Downtown properties leading to property assessment increases through the rehabilitation of buildings and properties.
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  
Hamilton continues to lead initiatives related to renewal. Such initiatives are professionally stimulating and result in Hamilton being a choice for employment to those interested in bettering community life.

GM:HM  
Attach. (1)
Location Map

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number: Forest Ave James St
Date: May 7, 2007

Appendix "A"
Scale: N.T.S.
Planner/Technician: HM/MC

Subject Property

4, 8, 14 Forest Avenue &
207, 209, 211 James Street South

Ward 2 Key Map N.T.S.