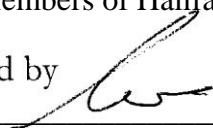



Item No. 10.1.1
Halifax Regional Council
November 23, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 
Wayne Anstey, Acting Chief Administrative Officer

Original Signed by 
Mike Labrecque, Deputy Chief Administrative Officer

DATE: November 10, 2010

SUBJECT: 64-66 Lakecrest Drive, Dartmouth, NS

ORIGIN

Request from owners of 64-66 Lakecrest Drive, Dartmouth, Affirmative Industry Association of Nova Scotia, for a postponement of the Buy-Back Agreement for financing purposes.

RECOMMENDATION

It is recommended that Halifax Regional Council approve the postponement of the Buy-Back Agreement for the subject property in favour of a first mortgage from the iNova Credit Union not to exceed 75 percent of the appraised value of the property.

BACKGROUND

At a Public Hearing held on February 17, 2004, Halifax Regional Council authorized the “less than market sale” of the subject property at 64-66 Lakecrest Drive, Dartmouth, to Affirmative Industry Association of Nova Scotia at \$1.00, plus all associated costs as per the terms and conditions as set out in the report, including a Buy-Back Agreement. In this case, the property’s intended use was that of establishing non-profit housing for mental health consumers.

A condition of the Agreement of Purchase and Sale is a Buy-Back Agreement. The Buy-Back Agreement is used by the Municipality to protect the “discount” offered to the purchaser through the less than market sale process. It is recorded against the title of the property and gives the Municipality, at its sole discretion, the option to repurchase the property in the event that the Purchaser decides to sell or no longer operates the property for the purpose that Council deemed appropriate for the less than market sale.

The market value of the subject property at the time of sale was \$144,000. The purchase price of the property by the Affirmative Industry Association was \$1.00.

DISCUSSION

Affirmative has built a multi-unit building for mental health consumers that follows a model whereby the tenants build some equity while they rent, to assist them when they find more independent accommodations in the future. When Affirmative developed the site, they built on the Lakecrest frontage portion of the property, and left a small portion of the property that fronts on Main Street vacant.

Affirmative has put a deposit on a property, 139 Main Street, that abuts the Main Street portion of their property. They plan on continuing the existing commercial tenant until such time that the pending zoning changes take place, at which time they would look at consolidating 139 Main Street with the portion of their existing property that fronts on Main Street and developing the larger site for affordable housing for mental health consumers.

Affirmative is using the equity of their existing building and property to secure financing for the proposed purchase, and future redevelopment of the new property. The bank is suggesting \$1 million for the overall project. Their existing building, and the portion of the property used for the building, has been appraised at \$820,000. Their estimated value of the vacant Main Street portion is \$68,000, for a total value of approximately \$900,000. Staff has been informed by Affirmative that there is no mortgage on their existing building.

Affirmative wish to finance the acquisition of the adjacent property, 139 Main Street, through a mortgage with the iNova Credit Union. A condition of the loan by iNova is that the mortgage be secured first over the Buy-Back Agreement on their primary property. The Buy-Back Agreement remains in place but as a second charge against the property. In the event of a property foreclosure, the bank would seize the asset and facilitate a sale to recoup the outstanding loan.

Staff recently sought Council approval for a not for profit Purchaser that sought significant financing and requested a postponement.

In this instance, staff is recommending the postponement provided it is limited to 75 percent of the appraised value of the property. This adds further protection against additional financing being placed against the property.

Furthermore, any future development of the new site will be in support of housing for mental health consumers, which was the intent of the original conveyance.

BUDGET IMPLICATIONS

There are no budget implications at this time. Should the Municipality exercise its rights under the Buy-Back in the future, the purchase would require approval of Regional Council.

The difference in market value and sale price as approved by Council was \$144,000. If financial hardships were to be realized by the society, there is a risk that HRM could lose this equity. However, it should be noted again that Affirmative has no mortgage on their existing building, and appear to be in a strong financial position.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

A Public Hearing was held on February 17, 2004, for the less than market sale of the property as per the Halifax Regional Municipality Charter.

ALTERNATIVES

Council could chose not to approve the postponement of the Buy-Back Agreement for the subject property in favour of a first mortgage from the iNova Credit Union not to exceed 75 percent of the appraised value of the property. This is not the recommended by staff

ATTACHMENTS

Attachment 'A' - Site Plan.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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LAKECREST DRIVE
(20.117m WIDE)

