

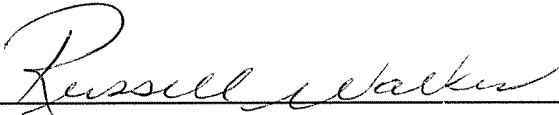
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PO Box 1749
Halifax, Nova Scotia
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Halifax Regional Council
December 14, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Councillor Russell Walker, Chair, HRM Grants Committee

DATE: December 6, 2004

SUBJECT: **HRM Community Grants Program 2004-05: Appeal - Community Care Network, Halifax.**

SUPPLEMENTARY REPORT

ORIGIN

This report originates with staff of the Grants Program. At the November 16th, 2004, meeting of Regional Council the Grants Committee recommendations regarding revoking grant holdbacks and appeals was approved. The matter of a grant in the amount of \$12,500 to the Community Care Network, Halifax, was referred back to the committee on the basis of a written appeal.

RECOMMENDATIONS

Staff recommend that Regional Council:

1. Approve payment of a grant in the amount of \$12,500 to Community Care Network in 2004-05, conditional upon the submission of annual financial statements to the HRM Grants Committee to demonstrate the need for public funding in accordance with the original criteria set forth in awarding the grant.

BACKGROUND

In 2003-04, the Community Care Network, Halifax, applied to the *HRM Community Grants Program* for a capital grant in the amount of \$50,000 towards the **purchase of two properties** located on Maynard Street, Halifax. An multi-year grant of \$12,500 each of 4 years was approved for "...the sole purpose of the acquisition of two properties located at 2347 Maynard Street, and 2437 Maynard Street, Halifax". The grant was conditional upon the Grants Committee approval of an operating feasibility plan.

The 2003-04 application included a property appraisal by the Altus Group which identified a market value of \$200,000 for 2425 Maynard Street (building and lot) and \$60,000 for 2437 Maynard Street (vacant lots formerly used for parking) for a combined total of **\$260,000** plus HST. A grant of \$50,000 represented 19% of the appraised value. However, the properties were acquired at a lower price (-\$10,000). The Community Care Network also realized an increase in fundraising revenues as compared to projections. The principle and interest payable on the mortgage was **\$198,783** with an additional \$19,500 in the form of an unsecured private note to bridge finance the HST. As a federally registered charity CCN is eligible to apply for a rebate on HST. In 2004-05, the annual mortgage (principle and interest payment) is \$19,848 or ~\$1,654/month.

In addition to a multi-year grant of \$50,000 (to be paid out over a 4-year schedule of \$12,500/year conditional upon approval of the financial business case by the Grants Committee), the properties were awarded 100% tax exemption pending confirmation of use, and deed transfer tax waived (1.5% of purchase price).

The application noted "The property under acquisition includes sufficient vacant land to permit the construction of a residential (perhaps transitional) facility. Discussions are in progress with the Spring Garden Area Business Association to finalize a proposal that would see the construction of a building on this site to serve as a place for the currently homeless to be able to come to seek shelter and care". The SGABA was interested in constructing a 22-unit apartment building for youth. (Letter, March 3, 2003). Negotiations pending. Since the conclusion of the property a second expression of interest has been sent to the Community Care Network on behalf of Metro Non-Profit Housing Association who plan to construct a 25-30 bed high support shelter for at-risk mental health consumers. The facility would operate in cooperation with the Capital Health Authority. Capital construction would be primarily funded through the federal Homelessness Initiative (Letter, August 30, 2004).

The letter of appeal indicates that it is the intent of the Community Care Network to sell the vacant land so as to reduce or retire the organization's mortgage.

DISCUSSION

If Community Care Network sells the vacant land for market value or higher they will have realized a profit on a land-holding that the purchase of which has been subsidized with public funds (cash grant and tax exemption). A sale within 3 years would also negate the deed transfer tax waiver (Municipal Government Act, Section V, Finance, Item 109) and tax exemption is non-transferable.

The letter of appeal indicates that the organization does not anticipate an Agreement of Purchase and Sale in 2004-05; no sales revenue will be realized in this fiscal year and the mortgage payment schedule remains unchanged at this time.

Rationale: *the Grants Committee approve a conditional grant in the amount of \$12,500 for this year. The balance payable (\$12,500 each of 2 years) shall be conditional upon annual submission of a financial statement demonstrating the need for the balance of funds relative to the revenue generated from sale and public subsidies.*

The Grants Committee directed staff to write to the Board of Directors of the Community Care Network to articulate the specific conditions and the potential implications of a property sale with respect to property tax and deed transfer tax.

In the opinion of staff, it would be prudent to protect the public interest in terms of the investment of public funds in property held exclusively by a third party. Arguably, capital grants of a significant amount warrant protection from public funds being used for property enhancements to expedite a sale, speculative land holdings, or organizational fundraising ventures involving property sale or exchange (the *HRM Community Grants Program* does not fund fundraising). Examples include heritage property grants, community-owned and operated facilities, or municipal financing in advance of capital campaigns. Such grants cannot be protected through a lien, hence any risk has to be mitigated through specific terms and conditions applied to the award. The duration of the term would vary on a case-by-case basis according to the value of investment.

BUDGET IMPLICATIONS

No change to the overall program budget if the grant is awarded in full.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

1. Regional Council could make a partial award to the Community Care Network to be applied against the purchase of the property located 2425 Maynard Street, Halifax, and exclude any financial contribution for the purchase of the vacant lot located at 2437 Maynard Street. The vacant lot represents about 25% of the purchase price; so the amended award value would be \$9,375.

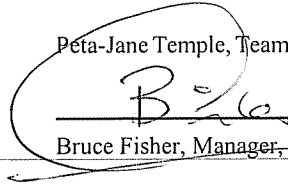
ATTACHMENTS

1. Letter of Appeal: Community Care Network. November 9, 2004.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Peta-Jane Temple, Team Leader Tax, Grants & Special Projects, HRM Financial Services 490-5469

Approved by:

A handwritten signature in black ink, appearing to read "B. Fisher", is written over a horizontal line. The signature is enclosed within a hand-drawn oval.

Bruce Fisher, Manager, Financial Planning, HRM Financial Services



COMMUNITY CARE NETWORK SOCIETY
THE PARKER STREET FOOD & FURNITURE BANK
"Reaching into the Community in Service and Love"

2415 Maynard Street, Halifax, Nova Scotia B3K 3V2 Tel: (902) 453-2498 Fax: (902) 453-5673

November 9, 2004

Ms. Peta-Jane Temple
Grants Program Coordinator
Halifax Regional Municipality
P.O. Box 1749
Halifax, N.S., B3J 3A5

Dear Ms. Temple,

Re: Appeal, Community Grant Program 2004-05

Further to your letter dated November 5, we wish to appeal the HRM Grants Committee's decision to revoke our current year grant.

The purchase of the building at 2425 Maynard Street was conditional on the purchase of the two attached vacant lots. The Grants Committee awarded \$50,000 over 4 years to support the purchase of the properties, which in turn would allow for the strengthening of our Food and Furniture Bank services. The vacant lots were secondary to our need for more building space and clearly were not a major factor in our planning process. However, from the outset we understood that our strongest financial position would be one wherein the building mortgage was retired. Selling the vacant lots was one way of reducing the mortgage.

In September 2004 we provided the Committee with information that two non-profit housing groups had expressed interest in purchasing the vacant lots. This does not represent a departure from our original submission to the Grants Committee which included a Letter of Interest from the Spring Garden Area Business Association regarding housing for street youth. It also does not change the current financial position of our organization. Our budget depends upon the continuance of the HRM's grant funding to help cover the mortgage payments. Please note that both of the proposed housing projects are still in the initial stages of government approval processes. An offer to purchase the lots has not been made and is extremely unlikely to be made before the end of HRM's fiscal year.

Revocation of the grant funds for the current year will have an extremely negative impact on our ability to provide many essential services to residents of HRM. Our organization's financial well-being contributes greatly to the well-being of hundreds of families throughout the municipality.

We would appreciate resolution of our appeal as soon as possible. I would be pleased to meet with the Grants Committee to clarify any further issues.

Sincerely,

A handwritten signature in cursive script that reads "Mel Boutillier".

Mel Boutillier
Executive Director