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Item No. 11.1.6

Halifax Regional Council
April 8, 2008

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

Dan English, Chief Administrative Officer

Wayne Anstey, Deputy CAO-Operations

DATE: March 26, 2008

SUBJECT: Urban Renewal Land Agreement: Block AM-23, Barrington Street, Halifax (PID# 00127829 Former North Mews Housing Cooperative).

ORIGIN

This report originates with a request from Canada Mortgage & Housing Corporation to HRM re: the sale of land associated with the former North Mews Housing Cooperative. This matter has been discussed previously in a report to Regional Council dated December 17, 1996, and May 21, 2002. Council directed staff to explore joint options with CMHC for the market sale of the property. CMHC has indicated an interest in purchasing the land at market value for the purpose of securing affordable housing in Peninsula Halifax in cooperation with the Nova Scotia Housing Development Corporation.

RECOMMENDATION

It is recommended that Regional Council:

1. Authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale whereby the property located at Block AM-23 Barrington Street, Halifax, be conveyed to Canada Mortgage and Housing Corporation for the sum of \$215,000, plus certain costs associated with this conveyance, subject to site survey and legal description, and the terms and conditions set out in the Discussion section of this report;

BACKGROUND

In 1987, the former City of Halifax entered into a land lease for lands jointly owned with CMHC identified as Block AM-23, Barrington Street, Halifax, with the North Mews Housing Cooperative for the purpose of constructing and operating a continuing non-profit housing cooperative. The initial land lease was for 50 years (expired 2036) and a lump sum lease fee of \$300,000 was paid upon commencement of the lease and shared 50/50 with CMHC. The complex was constructed in 1987 and consists of 86 units; these townhouses were intended to attract a mix of income groups into the neighbourhood. As a result of chronic vacancies the cooperative failed and CMHC has assumed ownership and operation of the residences by default. Technically, CMHC is now both joint landlord of the land with HRM, and the tenant.

In 1996, CMHC requested HRM amend the land lease agreement which stipulated that the land was to be used for non-profit housing to permit use of the project for market-based rental housing (Council Report, December 17, 1996). The staff recommendation to do so was deferred pending written clarification from CMHC regarding the prospect of the Nova Scotia Government assuming management of the project.

In 2000, Regional Council was asked to consider a request from Harbour City Homes to acquire HRM's 50 percent share of the land for less than market value (i.e., \$1 plus the cost of any appraisal). At that time the estimated land value was \$175,000 (Council Report, October 10, 2000). In 2002, Regional Council approved a staff recommendation to decline the less than market value request and directed staff to explore joint options with CMHC for the market value sale of the property (Council Report, May 21, 2002).

DISCUSSION

In a letter to HRM dated December 7, 2007, CMHC requested that HRM agree to the sale of the Municipality's partial land interest for the market value price of \$430,000 to the Province of Nova Scotia. CMHC will transfer title to the buildings located on the land for the purpose of affordable housing. See: **Attachment 1**. The land value is based upon an October, 2007, independent appraisal by Atlantic Realty Advisors based on a full market value sale as there is no Buy-back Agreement.

The recommended terms of disposition are outlined below.

KEY BUSINESS TERMS AND CONDITIONS OF TRANSACTION	
<i>Property Address</i>	PID# 00127829 , Block AM, Barrington Street, Halifax
<i>Site Area</i>	105,554 square feet (2.42 acres)
<i>Zoning</i>	R-3, Multiple Dwelling Zone
<i>Vendor</i>	HRM
<i>Purchaser</i>	CMHC
<i>Proposed Development or Use</i>	Affordable Housing

Market Value	\$430,000 * (land value only)
Purchase Price	\$215,000 (HRM 50% share of proceeds)
Conditions	<ul style="list-style-type: none"> • Staff recommend a market value sale in the amount of \$430,000 of which 50% , \$215,000, shall represent HRM’s share of proceeds of land sale; • The property shall be used solely for the purpose of affordable housing; • HRM shall waive deed transfer tax; • The deed migration fee shall be paid by HRM and CMHC in the amount of 50% each.

* Atlantic Realty Advisors, October, 2007. Land value only.

Presently, there are only 3 or 4 rent subsidized units. As such, the property operations are in accordance with the development’s original intent as mixed use i.e., serving a range of low to moderate income tenants. In a letter to HRM dated February 14, 2008, Nova Scotia Community Services have indicated that the ratio of rent subsidized units would increase significantly (up to 30 percent in the range of 20 to 30 units). See: **Attachment 2**. HRM staff support the concept of mixed tenancy to enhance economic viability but also to encourage social diversity among tenancy and a reduction in stigmatization.

BUDGET IMPLICATIONS

The net proceeds from the sale, \$215,000 in revenue to HRM, representing a 50 percent share of proceeds from sale as per the Urban Renewal Lands Agreement, shall be credited to the Sale of Capital Assets Reserve Account Q101.

As stated in the letter from CMHC attached to this report, the federal government is not seeking reimbursement for the unearned portion of the pre-paid lease. This statement refers to the \$300,000 lump sum payment paid in 1987. Over a 50-year term this payment equals \$6,000 a year. If a sale is approved, the lease would be terminated with a balance of 29 years remaining ie. 29 years x \$6,000 = \$174,000 in “unearned pre-paid rent”. HRM’s 50 percent share would be \$87,000 which we would owe CMHC given that they assumed all receivables and liabilities when the cooperative defaulted. As a measure of good faith, CMHC has waived collection of this \$87,000 from HRM. Overall, the combined value to HRM of this proposed sale is \$302,000; \$215,000 in cash revenue to the Sale of Land Account Q101 and \$87,000 waiver of repayment for pre-paid rent (land only).

The 2007-2008, assessed value for the entire complex (land and buildings) is \$3,881,300 the tax billing is \$50,069. The Metropolitan Housing Authority pays property tax. Therefore, there will be no loss of property tax as a result of a proposed change in ownership.

HRM's share of the deed migration fee shall be paid from Account 2061; the cost is estimated to be approximately \$600 (i.e., 50 percent of \$1,200).

Applicable deductions to the Purchase Price include, but are not limited to, appraisal, survey, environmental and deficiencies, legal, marketing and administrative costs.

Environmental and or deficiency allowances resulting from the purchaser's due diligence inspection, if required, shall be to a maximum of 15 percent of the purchase price.

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 relevant legislation.

ALTERNATIVES

- 1) Regional Council could overturn or amend staff's recommendation and elect to retain HRM's equity position in the land.

This action is not recommended: Without unencumbered title to the land and/or the buildings located on the land HRM has limited practical options. Further, it is in HRM's interest to remove ourselves from direct service delivery in housing. Arguably, the interests of tenants, and prospective tenants, would be the future operational stability, including capital investment, of affordable housing in the urban core. In the opinion of staff this responsibility is that of Nova Scotia Community Services.

2. Regional Council could overturn staff's recommendation and donate the land to Harbour City Homes as per an earlier request.

This action is not recommended: Regional Council has already declined a donation. There is no basis to overturn this decision; indeed given Harbour City Homes' current financial status it might not be a prudent course of action for HRM.

ATTACHMENTS

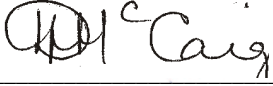
Attachment 1. Letter to HRM from CMHC dated December 7, 2007.

Attachment 2. Letter to HRM from NS Department of Community Services dated February 14, 2008.

Attachment 3. Site Map and Photograph.

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.

Report Prepared by: Peta-Jane Temple, Team Lead, Tax, Grants & Special Projects 490-5469; Tom Crouse, Manager Acquisitions and Disposals, HRM Transportation & Public Works 490-5931.

Financial Approval by: 

for Catherine Sanderson, Senior Manager, Financial Services, 490-1562



Report Approved by: Peter Stickings, Acting Director of Transportation & Public Works

This proposal is subject to CMHC reaching a satisfactory agreement with the Province of Nova Scotia for the sale of the entire rental property. An offer has been made to the Province on this date and is opened for their acceptance until January 15, 2008. As such, an answer from HRM before this date would be greatly appreciated.

We look forward to hearing from you.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Charles MacArthur', written over a horizontal line.

Canada Mortgage and Housing Corporation
Charles MacArthur, Regional Manager,
Underwriting, Default Management & Real Estate

Tel. 902 426 7575
Fax. 902 426 1815
Email cmacarth@cmhc.ca

c.c. Peta-Jane Temple, HRM (via email only)


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February 14, 2008

Pete Jane Temple
Halifax Regional Municipality
P.O. Box 1749
Halifax, NS
B3J 3A5

Dear Ms. Temple:

RE: North Mews

As you are aware, CMHC has approached the Province regarding the sale of 83 housing units know as North Mews. We are interested in acquiring North Mews as fee simple ownership. Presently North Mews is situated on land leased from the HRM.

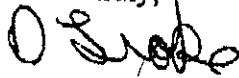
With the rising rental prices and the rise in the cost of living there is a growing need for affording housing. The purchase of North Mews will increase the supply of good quality affordable housing. This will be one more choice for affordable housing rental accommodation in the area.

North Mews will be operated as a mixed-income housing development. Seventy percent of the units will be market rental and 30 percent cent will be rented to families at below market rates. A mixed-income housing developments will accommodate the needs of a variety of households.

We have attached some brief housing facts that set the context for needed affordable rental accommodation in Halifax.

I trust this outlines our intent regarding North Mews. If you require, any further information please advise.

Yours truly,



Dan Troke
Director Housing

attachment

Housing Facts: Halifax

Rental Market Halifax CMA

- Average rents per month:
 - Bachelor: \$577
 - One-bedroom: \$659
 - Two-bedroom: \$815
 - Three-bedroom: \$1,065
- Vacancy rate all units: 3.1%
- Number of rental units: 38,204.
- Average Household Income required for rental accommodation \$30,400.
- Minimum wage of \$16.70 per hour is required to afford a one bedroom rental unit based on 30% of gross income.
- Average household size: 2.4
- Average selling price -2007 City of Halifax: \$431,900.

Halifax Regional Municipality

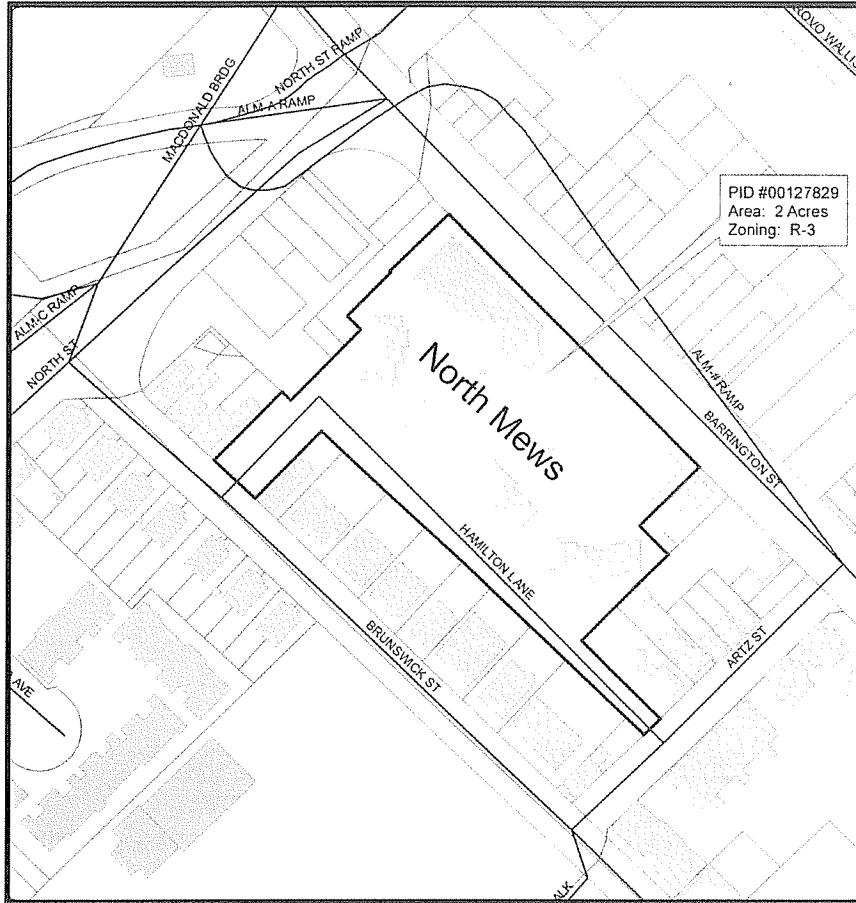
- There are over 900 households on the public housing waiting list.
- Based on the 2001 Census data there were 22,385 households (16.3% of all households) lived in core housing need.
- Number of rental units: 55,805
- Median Household Income (2007): \$45,000.
- Average selling price (2007): \$333,000

Information obtained from:

- Stats Canada Census Data
- CMHC 2007 Market Survey

ATTACHMENT "3"

Urban Renewal Land Agreement: Block AM-23, Barrington St., Halifax SITE MAP and PHOTOGRAPHY



Looking at Subject Property from under the on ramp to the MacDonalld Bridge