



PO Box 1749
Halifax, Nova Scotia
B3J 3A5, Canada

Item No. 2
Halifax Regional Council
January 12, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script that reads "Cathie O'Toole".

SUBMITTED BY: _____
Cathie O'Toole, CGA, Director of Finance, CFO

DATE: December 9, 2009

SUBJECT: Settlement Update - Harbour City Homes

INFORMATION REPORT

ORIGIN

Direction of Halifax Regional Council to Staff to negotiate a favorable settlement arrangement with Harbour City Homes with respect to outstanding receivables (payroll and taxes) per November 7, 2006 In Camera Council Report.

BACKGROUND

Harbour City Homes (HCH's) is a non-profit organization that provides affordable housing in HRM. Harbour City Homes had approached HRM back in 2005 to request assistance on various issues such as transfer of property titles, and outstanding receivables (payroll and property taxes) that would help improve their solvency and future sustainability.

DISCUSSION

In December 2008, HRM and Harbour City Homes finally entered into an acceptable payment arrangement. At the time of the settlement HCH's had an outstanding debt with HRM of \$691,505 consisting of:

Interest	\$93,356
Property taxes	\$238,295
Payroll & other HRM services	<u>\$359,853</u>
Total Receivable	<u>\$691,505</u>

Council had already approved an amount of \$284,786 in November 2006 to be applied to the outstanding HCH receivable and staff agreed to waive the \$93,356 in interest charges leaving a remaining debt of \$313,362 owed to HRM. HRM agreed to carry this amount due as a non-interest bearing note receivable to be repaid over five years subject to the following terms and conditions.

- The note receivable of \$313,362 is to be re-paid to HRM in monthly installments of \$3,500 payable on the 1st of each month, commencing January 1, 2009. On December 31, 2013 a lump sum payment of \$103,362 will be made to settle the note in full.
- The face value of the note will be secured via a lien on the real property located at 2429 Brunswick Street, AAN 00771104, PID 40280778. HRM will be responsible for all legal fees associated with securing this lien.
- NSF Installments will be subject to a penalty of 10% of the installment amount.
- If Harbour City Homes should default on it's monthly installment payments more than 3 times then HRM will be in a position to execute it's lien on real property located at 2429 Brunswick Street, AAN 00771104, PID 40280778.
- Past due property taxes and any other account arrears moving forward are subject to HRM's rate of interest of Prime plus 4%.

- Past due property taxes and lienables moving forward could be subject to legal action or tax sale proceedings per the provisions as set out in the Municipal Government Act (MGA).
- Harbour City Homes agrees to keep all its accounts current and in good standing (**not to exceed the due date on billing**).
- Harbour City Homes agrees to have an exit strategy in place with HRM by March 31, 2009, for payroll services, including benefits and pensions.

Harbour City Homes has been making its monthly payments of \$3,500 on the 1st of each month and has been keeping their property tax accounts and payroll accounts in good standing. At this time HCH's is still using HRM's payroll services, but will transition off by December 31, 2012.

BUDGET IMPLICATIONS

Interest relief	\$93,356
Amount approved by Council Nov 07	\$284,786
Less: Allowance for bad debt	<u>(\$209,000)</u>
Total budget implications to HRM	<u>\$169,142</u>

There are no budget implications for the current year operating budget 2009-10. The \$169,142 was an operating cost for fiscal 2008-09. This amount was absorbed through cost centre M310, 6999 (other fiscal services) and M451,8016 (provision for allowance).

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.

ATTACHMENTS

Appendix 1: Copy of HCH's acceptance letter

Appendix 2: Copy of Collateral Mortgage and Promissory Note

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: Jerry Blackwood, CGA, Manager of Revenue Operations, 490-6470



City of Halifax Non-Profit Housing Society

2444 Barrington St.
Halifax, NS
B3k 2W9

Phone: 902-490-6277
Fax: 902-490-6280

Appendix 1

December 23, 2008

Mr. Jerry Blackwood, CGA
Operations Manager, Revenue
Halifax Regional Municipality

RE: Settlement Agreement for Arrears of Property Tax, Payroll, Miscellaneous Charges

Dear Mr. Blackwood;

Thank you for your letter of December 22, 2008 and your email clarification of December 23, 2008, indicating the terms and conditions of a proposed payment plan for the arrears of Property tax, Payroll and other miscellaneous charges.

The negotiation of this Settlement has been a long and arduous process, beginning with the 1996 amalgamation of the HRM.

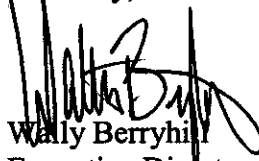
We realize that this agreement would never have been seen to fruition without the concerted efforts of yourself and other key staff members within the HRM.


We accept the terms and conditions of the proposed payment plan.

With this renewed spirit of working cooperatively, we look forward to building on our relationship, as we resolve the remaining outstanding issues and deal with any future challenges.

Please find enclosed our first installment payment, in the amount of \$3500.

Sincerely;


Wally Berryhill
Executive Director


B.K. Raju
Chairman

cc: Cathie O'Toole, CGA
A/Director of Finance

cc: Catherine Sanderson, CMA
Senior Manager, Financial Services

THIS COLLATERAL MORTGAGE made this 13 day of July, 2009.

BETWEEN:

CITY OF HALIFAX NON-PROFIT HOUSING SOCIETY

(hereinafter called the "MORTGAGOR")

OF THE FIRST PART

- and -

HALIFAX REGIONAL MUNICIPALITY

(hereinafter called the "MORTGAGEE")

Electronically Submitted on: July 31/09
in the County of: HALIFAX.
as Document Number: 93970987

OF THE SECOND PART

1. In this Collateral Mortgage, unless the context otherwise requires:

(a) "Promissory Note" means a certain Promissory Note executed by the Mortgagor and the Guarantor in favour of the Mortgagee dated the 1st day of January, 2009, a copy of which is attached hereto as Schedule "B".

(b) "Debt" means the aggregate amounts owing to the Mortgagee pursuant to the Promissory Note.

2. Whereas the Mortgagee has requested additional security from the Mortgagor and the Guarantor for the payment of the Debt and all other monies now or hereafter due under this Mortgage and the Mortgagor and the Guarantor have agreed to give such Security by executing this Collateral Mortgage for the purpose of securing payment of the Debt and all other monies now or hereafter due under this Mortgage to the Mortgagee.

3. WITNESSETH that in consideration of the sum of One Dollar (\$1.00), the Mortgagor hereby mortgages to the Mortgagee the lands described in Schedule "A" annexed hereto (hereinafter referred to as the "Lands") as security for the payment of the Debt and all other monies now or hereafter due under this Mortgage. The Lands include all buildings and improvements on the Lands described in Schedule "A" annexed hereto or thereafter brought or erected thereon.

4. The Mortgagor covenants and agrees to pay interest at the rate referred to in the Promissory Note on all arrears of interest and on all interest secured by this paragraph at the end of each and every month that the same shall be unpaid, both before and after maturity, and all such interest shall be a charge on the Lands and the Mortgagee may sue for the recovery of the same from the Mortgagor. PROVIDED ALWAYS that if the said Mortgagor does well and truly pay or cause to be paid unto the said Mortgagee

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the amount of the said Debt as set out in the said Promissory Note recited herein with interest as set out therein and so and shall well and truly pay, do and perform all matters and things in this proviso hereinbefore set forth as well as all covenants and agreements in These Presents contained then These Presents and everything in the same contained shall be absolutely null and void, otherwise, to be and remain in full force, virtue and effect.

5. The Mortgagor and Mortgagee covenant with each other as follows:

(a) The Mortgagor will pay or cause to be paid the amount of principal and interest outstanding on said indebtedness. On default the Mortgagee may enter and have quiet enjoyment of the lands.

(b) The Mortgagor will pay all taxes, rates and assessments and show receipts on demand.

(c) If the Mortgagor make default in the payment of any payment of principal and/or interest hereby secured or any breach of any covenant, proviso or agreement herein contained, or if any waste be permitted or suffered on the said land, then the whole of the moneys hereby secured remaining unpaid shall, at the option of the Mortgagee, immediately become due and payable, but the Mortgagee may waive his right to call in the said principal and shall not be thereby debarred from exercising the right to call in the principal upon the happening of any further default.

(d) The Mortgagor has a good, sure, perfect and indefeasible estate of inheritance in fee simple in the said land and premises and good right, full power and lawful authority to grant and convey the same in manner and form aforesaid, according to the true intent and meaning hereof.

(e) The Mortgagor shall and will, on demand of the Mortgagee against the lawful claims and demands of all persons whomsoever, shall and will by These Presents warrant and forever defend.

(f) On default of three payments of principal and the Mortgagor shall be entitled to its security..

UPON THIRTY DAYS WRITTEN NOTICE

(g) The Mortgagor will insure the buildings on the lands against fire to their full insurable value for the benefit of the Mortgagee.

(h) In default thereof the Mortgagee may effect the insurance and charge it against the mortgage.

(i) The Mortgagor becomes a yearly tenant of the Mortgagee at the monthly rent of the payments aforesaid, but the Mortgagee shall be accountable for actual receipts only and after default may enter without notice.

(j) The Mortgagee may pay the whole or any part of any mortgage, encumbrance, lien, tax, rate or charge now or hereafter existing or to arise or be claimed upon the said lands and premises having, or which the Mortgagee may bona fide consider to have, priority over this mortgage, including any arrears of

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taxes or other rates on the said land, or any of them, and may pay all costs, charges and expenses, which may be incurred in taking, recovering and keeping possession of the said land and premises and all solicitor's charges or commissions for or in respect of the collection of any overdue interest, principal, insurance premiums, taxes, rates or other moneys whatsoever, payable by the Mortgagor hereunder as between solicitor and client, whether any action or other judicial proceedings to enforce such payment has been taken or not.

(k) The Mortgagor when not in default hereunder may repay the whole or any part of the balance of the sum hereby secured.

(l) Any and all moneys expended by the Mortgagee under any of the provisions hereof, shall be forthwith repaid to the Mortgagee by the Mortgagor and until repaid shall be added to the debt hereby secured and be a charge on the said land and premises hereby conveyed as being part of the moneys advanced hereunder and shall bear interest at the rate aforesaid, and the non-payment of any such amount shall entitle the Mortgagee to exercise the powers exercisable hereunder in case of default and should the Mortgagee pay the amount of any such mortgage, encumbrance, lien, tax, rate or charge either out of the moneys intended to be advanced on the security of this mortgage or otherwise, the Mortgagee shall, in addition to all other rights, be entitled to all the rights, equities, and securities of the person or persons, company or corporation, or Government so paid off, and is hereby authorized to retain any discharge thereof, without registration for such period as the Mortgagee may in his absolute discretion determine.

(m) If the Mortgagor sells, transfers or otherwise parts with the equity of redemption, or enter into any agreement of sale or transfer of title of the lands hereby mortgaged to a purchaser, grantee or transferee (hereinafter called Grantee) not approved in writing by the Mortgagee, then at the option of the Mortgagee all monies hereby secured with all interest shall forthwith become due and payable.

6. The Mortgagee shall have a reasonable time after payment of the Debt in full within which to prepare and execute a release of this Mortgage, and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Mortgagee, and all legal and other expenses for the preparation and execution of such release shall be borne by the Mortgagor.

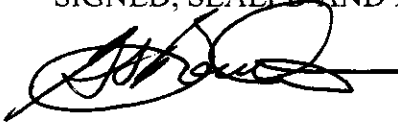
7. In the event that all or any part of any provisions of this Mortgage is determined by a Court or other tribunal of competent jurisdiction to be invalid or unenforceable, then such provision or such part of a provision shall be deemed to be severable, and the remainder of the Mortgage shall remain in full force and effect notwithstanding such severance.

9 The Mortgagor acknowledges having received a true copy of this Mortgage.

IN WITNESS WHEREOF the Mortgagor has properly executed this Mortgage the day and year first above written.

SIGNED, SEALED AND DELIVERED)

CITY OF HALIFAX NON-PROFIT HOUSING)
SOCIETY)


GREGORY BOUDREAU.

Per:  _____

Per: A. X. Payne _____

PROVINCE OF NOVA SCOTIA)
COUNTY OF HALIFAX SS)

I CERTIFY THAT ON this day of , 2009, City of Halifax Non-Profit Housing Society, one of the parties thereto, signed, sealed and delivered the foregoing Indenture in my presence and I have signed as a witness to such execution.

A Barrister of the Supreme
Court of Nova Scotia



AFFIDAVIT OF SPOUSAL STATUS

CANADA

PROVINCE OF NOVA SCOTIA

COUNTY OF HALIFAX

GREGORY BOURGAIN

I, _____, of Halifax Regional Municipality, Province of Nova Scotia, make oath and say that:

1. I am the *RENTAL MANAGER*, of City Halifax Non-Profit Housing Society (the "Corporation"). Except as otherwise stated I have personal knowledge of the matters to which I have sworn in this Affidavit.
2. I acknowledge that the Corporation executed the foregoing Instrument by its proper officer(s) duly authorized in that regard under seal on the date of this affidavit; this acknowledgment is made for the purpose of registering such Instrument pursuant to s.31(a) of the *Registry Act*, R.S.N.S. 1989, c.392 or s.79(1)(a) of the *Land Registration Act* as the case may be, for the purpose of registering the instrument.
3. The Corporation is a resident of Canada under the *Income Tax Act* (Canada).
4. The ownership of a share or an interest in a share of the Corporation does not entitle the owner of such share or interest in such share to occupy a dwelling owned by the Corporation.

SWORN TO at Halifax, Province of Nova Scotia
the *13* day of *July*, 2009,
before me,

AR Coady _____ *[Signature]* _____

Commissioner
A Barrister of the Supreme Court of
Nova Scotia *Annette R. Coady*
A COMMISSIONER OF THE
SUPREME COURT OF NOVA SCOTIA

PROVINCE OF NOVA SCOTIA
COUNTY OF HALIFAX

I CERTIFY that on the *13* day of *July*, 2009, **City of Halifax Non-Profit Housing Society**, one of the parties hereto, caused this Mortgage to be executed and its corporate seal affixed by its duly authorized officer(s) and I have signed as a witness to such execution.

AR Coady _____

A Barrister of the Supreme Court
of Nova Scotia

Annette R. Coady
A COMMISSIONER OF THE
SUPREME COURT OF NOVA SCOTIA

SCHEDULE "A"

All

ALL that certain lot, piece or parcel of land situate, lying and being on the northeastern side of Brunswick Street between Artz Street and Gerrish Street in the City of Halifax, Province of Nova Scotia, being lot B1 as shown on a plan titled, "Plan of Subdivision of Lands Owned by City of Halifax Blocks B & C, Uniacke Square Comprising Lots B1, B2, B3, C1 and Blocks B0 & CN Barrington, Artz, Brunswick & Gerrish Streets", dated July 2, 1980, revised October 24, 1980, signed by Douglas K. MacDonald, N.S.L.S., approved by the Development Officer for the City of Halifax on November 7, 1980 and being on file at the office of the Director of Engineering and Works for the City of Halifax as Plan 00-13-25657. The said lot B1 being more particularly described as follows:

BEGINNING at a point where the northeastern official street line of Brunswick Street is intersected by a southeastern boundary of lands of the Roman Catholic Episcopal Corporation;

THENCE N 45° 01' 20" E along a southeastern boundary of lands of the Roman Catholic Episcopal Corporation for a distance of 100.05 feet to a southwestern boundary of block B0;

THENCE S 46° 51' 57" E along a southwestern boundary of block B0 for a distance of 54.78 feet to the northwestern boundary of lot B2;

THENCE S 43° 45' 00" W along the northwestern boundary of lot B2 for a distance of 100.0 feet to the northeastern official street line of Brunswick Street;

THENCE N 46° 51' 57" W along the northeastern official street line of Brunswick Street for a distance of 57.0 feet to the point of beginning.

The above described lot B1 contains an area of 5,589 square feet.

Bearings are grid, referable to a modified transverse mercator projection 3° zone with central meridian at 64° 30' west longitude.

Schedule "B"

PROMISSORY NOTE

\$313,362.00

DUE: December 31, 2013

Halifax Regional Municipality, Nova Scotia
January 1st, 2009

We, City of Halifax Non-Profit Housing Society (Harbour City Homes), promise to pay to the order of Halifax Regional Municipality, the sum of Three Hundred and Thirteen Thousand, Three Hundred and Sixty-Two Dollars (\$313,362.00) without interest payable by monthly installments of \$3,500.00 on the 1st day of each month, commencing January 1st, 2009 until December 31st, 2013 when a lump sum payment of \$103,365.00 will be paid. NSF installments will be subject to a penalty of 10% of the installment amount.

FOR VALUE RECEIVED

City of Halifax Non-Profit Housing Society (Harbour City Homes)

Per:  _____

Per: B. A. Nazim _____

DATED:

HALIFAX NON-PROFIT HOUSING SOCIETY

- and -

HALIFAX REGIONAL MUNICIPALITY

COLLATERAL MORTGAGE

RUSSELL PIGGOTT JONES
Barristers & Solicitors
42 Portland Street
P. O. Box 913
DARTMOUTH, Nova Scotia
B2Y 3Z6