



PO Box 1749
Halifax, Nova Scotia
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Item No. 11.1.1
Halifax Regional Council
October 19, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

Original Signed by

A handwritten signature in black ink, appearing to be "Wayne Anstey".

SUBMITTED BY:

Wayne Anstey, Acting Chief Administrative Officer

Original Signed by

A handwritten signature in black ink, appearing to be "Mike Labrecque".

Mike Labrecque, Deputy Chief Administrative Officer

DATE: September 29, 2010

SUBJECT: 1247 Bedford Highway (former Fire Hall), Bedford

ORIGIN

Request from owners of 1247 Bedford Highway, Alrasoul Islamic Society Centre, for a postponement of the Buy-Back Agreement for financing purposes.

RECOMMENDATION

It is recommended that Halifax Regional Council authorize the postponement of the Buy-Back Agreement for the subject property in favor of a first mortgage from the Bank of Montreal not to exceed \$750,000.

BACKGROUND

The Halifax Regional Municipality Charter allows for the sale of municipal property at less than market value to a non-profit organization. The sale must be approved by two-thirds majority of Regional Council present and voting at a public hearing.

At its meeting of December 8, 2009, Halifax Regional Council authorized the “less than market sale” of the subject property at 1247 Bedford Highway, Bedford (former fire station) to the Alrasoul Islamic Society Centre at \$375,000, plus all associated costs as per the terms and conditions as set out in the Report dated November 4, 2009, including a Buy-Back Agreement. In this case the property’s intended use is that of establishing a gathering place for culturally diverse, not -for-profit community organizations and/or other not-for-profit community groups.

A condition of the Agreement of Purchase and Sale is a Buy Back Agreement. The Buy Back Agreement is a tool 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 \$575,000. The purchase price of the property by the Alrasoul Islamic Society was \$375,000.

DISCUSSION

The owners have planned for a significant renovation and recapitalization project for the building to transform it into a modern community facility. The project will require financing over and above the purchaser’s direct capital. In this instance the owners wish to finance a portion of the work through a mortgage with the BMO for approximately \$600,000. A condition of the loan by BMO is that the mortgage be secured first over the Buy Back Agreement. 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.

Normally with not for profit sales in the past the purchasers have not sought significant financing and as a result we have not been asked to consider postponements in the past. Staff is recommending the postponement in this instance provided it is limited to a first mortgage not to exceed \$750,000. This adds further protection against additional financing being placed against the property.

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 \$200,000. If financial hardships were to be realized by the society, there is a risk that HRM could lose this equity. In order to mitigate financial risk to HRM the owners of the property have given a five year personal guarantee for \$200,000.

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 December 8, 2009, for the less than market sale of the property as per the Halifax Regional Municipality Charter.

ALTERNATIVES

Council could choose to refuse the postponement of the Buy Back Agreement. This action would limited the private investment in this community facility.

ATTACHMENTS

None

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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