

Item No. 11.6.2
Halifax Regional Council
March 19, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

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

DATE: March 5, 2013

SUBJECT: Less than Market Sale-2421 Brunswick Street, Halifax, to Adsum
Association for Women and Children

ORIGIN

The March 4, 2013 Grants Committee meeting and the February 25, 2013 and March 6, 2012 staff reports.

LEGISLATIVE AUTHORITY

Section 63 of the HRM Charter; Less than Market Value Sales.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Set a date for a public hearing as required under Section 63 (2) of the HRM Charter to consider a less than market value sale of 2421 Brunswick Street, Halifax to Adsum Association for Women and Children.
2. Authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale with Canadian Housing and Mortgage Corporation and Adsum Association for Women and Children, for the less than market value sale of 2421 Brunswick Street, Halifax, to the Adsum Association for Women and Children, as per the terms and conditions set out in Table 1 of the March 6, 2012, staff report (attached) and the information contained in the February 25, 2013 Supplementary Report.

- 3 As a condition of the Agreement of Purchase and Sale, Adsum Association for Women and Children will be responsible to pay all outstanding property taxes and annual tax amounts for the term, in which, the group hold title.

BACKGROUND

The Grants Committee had previously approved the staff recommendation on May 7, 2012. Supplementary information was provided that staff felt warranted an update to the Grants Committee.

DISCUSSION

As per the February 25, 2013 staff report.

FINANCIAL IMPLICATIONS

As per the February 25, 2013 staff report.

COMMUNITY ENGAGEMENT

Legislation requires that a public hearing be convened for a less than market value property sale. The public is to be notified through an advertisement published in a newspaper circulating in the Municipality. Any member of the public may present a written or verbal opinion for or against the proposed sale.

ENVIRONMENTAL IMPLICATIONS

As part of the due diligence process, PW&GSC will be conducting a Phase 1 Environmental Assessment of the property.

ALTERNATIVES

The Grants Committee did not provide an alternative. See February 25, 2013 staff report.

ATTACHMENTS

1. Attachment 1 – Less than Market Sale-2421 Brunswick Street, Halifax, to Adsum Association for Women and Children-February 25, 2013

**Less than Market Value Sale-
2421 Brunswick Street
Council Report**

March 19, 2013

Report Prepared by: Quentin Hill, Legislative Assistant, 490-6732



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

HRM Grants Committee
March 4, 2013

TO: Chair and Members of HRM Grants Committee

Original Signed

SUBMITTED BY:

Greg Keefe, Director, Finance, Chief Administrative Office

Original Signed

Jane Fraser, Director, Planning & Infrastructure

DATE: February 25, 2013

SUBJECT: **Less than Market Sale – 2421 Brunswick Street, Halifax, to Adsum Association for Women and Children**

SUPPLEMENTARY REPORT

ORIGIN

The March 6, 2012, staff report and the May 7, 2012, Grants Committee meeting.

LEGISLATIVE AUTHORITY

Section 63 of the HRM Charter; Less than Market Value Sales

RECOMMENDATION

It is recommended that HRM Grant Committee reaffirm its May 7, 2012, recommendation to Halifax Regional Council to:

1. Authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale with Canadian Housing and Mortgage Corporation and Adsum Association for Women and Children, for the less than market value sale of 2421 Brunswick Street, Halifax, to the Adsum Association for Women and Children, as per the terms and conditions set out in Table 1 of the March 6, 2012, staff report (attached) and the information contained in this Supplementary Report.

2. As a condition of the Agreement of Purchase and Sale, Adsum Association for Women and Children will be responsible to pay all outstanding property taxes and annual tax amounts for the term, in which, the group hold title.

BACKGROUND

As outlined in the March 6, 2012, attached staff report.

DISCUSSION

Subsequent to the March 6, 2012, staff report, new information has come forward with respect to the sale of 2421 Brunswick Street that warrants a Supplementary Report to update the Grants Committee.

Confirmation of approval of sale by CMHC:

As per the March 6, 2012, staff report, one of the approval conditions for setting a date for the required public hearing was that confirmation of approval for the sale by CMHC, co-owner of the property, be received. CMHC has a 50% interest in this property and is therefore entitled to a 50% share of the proceeds from the sale. However, unlike HRM, CMHC does not have the legislative authority to sell land at less than market value. Therefore, Adsum has to secure funding to acquire CMHC's 50% share of the property, including closing costs. Adsum is doing this by accessing funding through the Surplus Federal Real Property Homelessness Initiative (SFRPHI), which is a federal program for the non-profit sector for projects that help reduce homelessness.

Since the last report, Adsum, CMHC, and Human Resources & Skills Development Canada (HRSDC), the federal department that manages the SFRPHI program, have been processing Adsum's application for funding. In this case, CMHC's President has the approval authority and although not formally approved, approval in principle has been given and formal approval is subject to HRM's approval. CMHC has also signed off on the Service Agreement that authorizes all required due diligence work to be completed by Public Works & Government Services Canada (PW&GSC), which is one of the steps towards the transfer of the property.

Market Value:

The property value given in the March 6, 2012, staff report was \$379,000, which was based on a CMHC internal valuation; however, it was noted that a second appraisal by PW&GSC was pending.

The second appraisal, commissioned through PW&GSC on behalf of HRSDC, was a condition of the SFRPHI funding application. The second appraisal established a market value of \$860,000. The difference is primarily attributed to the fact that the internal CMHC valuation relied heavily on the property being used "as is" as a special care home. Whereas the PW&GSC appraisal valued the property based on the highest and best use of the improved property, that being a conversion to a multi-unit residential use.

FINANCIAL IMPLICATIONS

A less than market sale price of \$1.00 would result in a decrease in HRM's potential revenue of \$430,000, as HRM is entitled to a 50% share of the market value. As a registered charity, the proponent is eligible for a waiver of deed transfer tax (1.5% of sale price) that would cost an additional \$6,450, for a combined total in-kind contribution of \$436,450.

COMMUNITY ENGAGEMENT

Legislation requires that a public hearing be convened for a less than market value property sale. The public is to be notified through an advertisement published in a newspaper circulating in the Municipality. Any member of the public may present a written or verbal opinion for or against the proposed sale.

ENVIRONMENTAL IMPLICATIONS

As part of the due diligence process, PW&GSC will be conducting a Phase I Environmental Assessment of the property.

ALTERNATIVES

As outlined in the March 6, 2012, staff report attached.

ATTACHMENTS

March 6, 2012, staff report.

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

Report Prepared by: Tom Crouse, Acquisition & Disposal Manager, Real Estate & Land Management, P&I 490-5931
Peter Greechan, Community Developer, Grants & Contributions, Finance & ICT 490-7310

Report Approved by: Original Signed
Peter Stickings, Manager, Real Estate & Land Management, P&I 490-7129

Original Signed

Financial Approval by: Original Signed
Bruce Fisher, Manager of Finance and Information Communications Technology, 490-4493



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

HRM Grants Committee
May 7, 2012

TO: Chair of Members of HRM Grants Committee

SUBMITTED BY: Original Signed
Brád Anguish, Director, Community & Recreation Services
Original Signed
Peter Stickings, Acting Director, Planning & Infrastructure

DATE: March 6, 2012

SUBJECT: **HRM/CMHC Joint Sale, Less than Market Value, of 2421 Brunswick Street, Halifax, to Adsum Association for Women and Children**

ORIGIN

November 22, 2006 – HRM Heritage Advisory Committee approved in principle the less than market value sale of the registered heritage property, jointly owned by CMHC and HRM, located at 2421 Brunswick Street, Halifax, as per the terms and conditions set out in the draft report dated November 10, 2006 (Attachment 1).

December 4, 2006 – HRM Grants Committee approved in principle the less than market value sale of 2421 Brunswick Street, Halifax, to the Adsum Association for Women and Children, conditional upon additional information and alternative in the event that the proponent declined the proposed terms and conditions.

RECOMMENDATION

It is recommended that the HRM Grants Committee recommend that Halifax Regional Council:

1. Authorize the Mayor and Municipal Clerk to enter into an Agreement of Purchase and Sale with Canadian Housing and Mortgage Corporation and Adsum Association for Women and Children for the less than market value sale of 2421 Brunswick Street, Halifax, to the Adsum Association for Women and Children as per the terms and conditions set out in Table 1 of this report; and
2. Furthermore, following confirmation of approval of sale by CMHC, set a date for a public hearing as required under Section 63 (2) of the *HRM Charter*.

BACKGROUND

In 1980, the former City of Halifax expropriated the property located at 2421 Brunswick Street, Halifax, as part of a much larger land acquisition and assembly associated with the Uniacke Square Urban Renewal Project, an affordable housing initiative in partnership with CMHC which lead to the current property use and tenancy since 1983 Adsum leasing for \$1/year in lieu of the tenant assuming all capital and operating costs.

The Adsum Association for Women & Children is an established local charity with strong volunteer support that provides emergency short-stay accommodations and transitional housing for women and children at risk of domestic abuse and/or homelessness. The Brunswick Street location, known as Adsum House, is an emergency shelter for women and their children at risk of domestic violence. In 2011, the shelter operated at or over capacity with a total of 5,800 bed nights per year. The Association also operates a second-stage (transitional housing facility) and two supportive housing apartment buildings. Together, these facilities provide a continuum of housing aimed at transitioning clients in regaining independence.

In 1996, the Provincial/Municipal Service Exchange Agreement transferred responsibility for supportive and affordable housing to the Nova Scotia Department of Community Services. Consequently, the property no longer served a municipal requirement and, as such, is considered surplus.

In 2006, HRM received an unsolicited request from the Adsum Association for Women & Children (Adsum) to acquire title to the property located at 2421 Brunswick Street, Halifax, for the sum of \$1. Due to the property's heritage designation, the proposed conveyance was approved in principle by the HRM Heritage Advisory Committee at their meeting of November 22, 2006. The proposed conveyance did not advance to Regional Council in 2006 due to the title of the property being jointly held by HRM and the Canada Mortgage & Housing Corporation (CMHC) under the terms of the Urban Renewal Lands Agreement. The terms of the agreement stipulate that CMHC must agree to any property disposal and shall receive 50% of the appraised market value at the time of sale. CMHC has approved the property sale conditional upon an appraisal of market value and environmental assessment. Adsum subsequently requested the federal government waive their 50% share contrary to the terms of the Urban Renewal Lands Agreement. This request led to protracted negotiations between Adsum and CMHC.

DISCUSSION

In 2011, CMHC identified the *Surplus Federal Real Property Homelessness Initiative (SFRPHI)* as a possible source of funding. SFRPHI makes surplus federal properties available to the non-profit sector and other levels of government for projects to help prevent and reduce homelessness. SFRPHI then compensates federal custodians of surplus properties at full market value. Adsum has made application to the *Surplus Federal Real Property Homelessness Initiative (SFRPHI)* for funding which would be applied towards CMHC's 50% ownership share of the property.

In March 2012, and as part of the application review, the federal government requested confirmation that HRM's 50% share of the revenue from the sale is being provided as an in-kind donation to Adsum. If approved by Regional Council, the donation of IIRM's interest in the property is intended to leverage funding under the SFRP111 program and divest HRM of a surplus asset and associated holding costs.

On the basis of the specifics of this long-term tenancy, a less than market value sale in partnership with the Federal Government is recommended because:

- The former City of Halifax acquired the property for the purpose of affordable housing at a time when the Municipality's mandate included the direct provision of housing. As of 1996, this mandate is no longer in effect.
- The Federal Government, through its *Surplus Federal Real Property Homelessness Initiative*, is prepared to fund CMIIC's 50% of the asset. CMHC's minimum threshold is required under the Urban Renewal Lands Agreement.
- A sale will divest HRM of a surplus asset and associated holding costs and mitigate future re-capitalization.
- Ownership would enable Adsum to obtain appropriate and sufficient insurance coverage.
- Ownership will leverage future capital financing opportunities for Adsum from government, corporate and market sources.
- Adsum is a long-term tenant (25 years) that has provided stewardship to a municipally registered heritage property and demonstrated an ability to operate the premises. The heritage status of the property will be secured through the terms and conditions of sale.
- The emergency shelter assists HRM (Police Services) in accommodating victims of violence removed from their home for their own safety. The service complements HRM's role in crime prevention and victim services.

The following table sets out the property detail and recommended terms of the conveyance:

Table 1. Summary of Key Terms and Conditions	
Civic Address	2421 Brunswick Street, Halifax
Site Area	4,246 sq. ft.
Vendor(s)	CMHC and HRM
Purchaser	Adsum Association for Women & Children (Adsum) or assignee
Zoning	R-2, General Residential Zone ¹
Heritage Status	Registered as a municipal heritage property in January 30, 1992
Appraised Value	\$379,000 *CMHC Appraisal Second Appraisal by Public Works and Government Services Canada Pending
Proposed Sale Price	\$1 plus municipal cost of conveyance
Tax Status	Property is partially tax exempt under By-Law T-200 at 75% exempt at the Residential rate. The 2012 estimated taxes are \$9,004. As a registered charity, Adsum may request waiver of deed transfer tax (1.5% of sale price).
Specific Terms and Conditions	<ol style="list-style-type: none"> 1. Subject to the approval of CMHC representing the Federal government's 50% share of the property; 2. The owner has an easement over a portion of 'Victory Lane', and shall respect HRM's ownership of said lands which are used to gain access to the abutting HRM property; 3. Property is being sold on an "as is" basis and the purchaser shall indemnify IIRM from any immediate or future environmental liabilities; 4. The purchaser shall maintain registration as a municipal heritage property and unconditionally waives the right to substantially alter, demolish or de-register the property; 5. The purpose of HRM's in-kind contribution shall be for the operation of a shelter/affordable housing; and 6. The Agreement of Purchase and Sale will be subject to a Buy Back Agreement giving the Municipality the option to reacquire the property in the event the Purchaser ceases to operate it for as a not-for-profit shelter. The Buy Back Agreement, with written consent of the Municipality, may be postponed or held as a second charge on the property, to enable financing required to recapitalize the asset.
Closing Date	As soon as possible pending confirmation of financing by Purchaser
Cost of Sale	The purchaser shall pay all municipal expenditures associated with this sale

¹ This zoning permits a "Special Care Home" containing not more than 10 persons, including resident staff members. Adsum House is classified as a "Special Care Home" if it is licensed under the Homes for Special Act or the Children's Services Act. As such, the municipality has recognized the current use as permitted.

Recovery	such as but not limited to appraisal, site survey, deed registration fee, legal fees and advertising.
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BUDGET IMPLICATIONS

A discounted sale price of \$1 would result in a decrease in HRM's potential revenue of \$189,500 (its interest in the asset or 50% share of market value). As a registered charity, the proponent is eligible for a waiver of deed transfer tax (1.5% of sale price) that would cost an additional \$2,842.50 for a combined total in-kind contribution of \$192,342.50.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

Legislation permits the sale of public property at less than market value to a non-profit organization that Council considers to be providing a service that is beneficial to the Municipality. If the property is valued at more than \$10,000, the sale must be approved by a two-thirds majority of Council present and voting at a public hearing.

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

Legislation requires that a public hearing be convened for a less than market value property sale. The public is to be notified through an advertisement published in a newspaper circulating in the Municipality. Any member of the public may present a written or verbal opinion for or against the proposed sale.

ALTERNATIVES

1. The HRM Grants Committee could amend or overturn the staff recommendation and direct staff to pursue (a) a sale price at a percentage of HRM's share of market value, or (b) a market value sale. This is not recommended: The property was acquired for the purpose of affordable housing and has operated for this sole purpose for over 25 years. HRM's in-kind contribution through a less than market value sale will help leverage funding through the *Surplus Federal Real Property for Homelessness Initiative* (SFRPHI).
2. Continuation of a less than market lease agreement with Adsum. This is not recommended.

IIRM's building insurance coverage has a \$100,000 deductible. In the event of a major claim, the tenant, in compliance with the terms of the lease, could face a significant and unplanned expenditure. Ownership by the tenant would enable them to secure financing for capital improvements and eligibility for corporate or government grants, including municipal

tax exemption. A sale will relieve HRM of annual operating costs (building insurance, administration) and future re-capitalization liabilities. A transfer of title to Adsum also recognizes the provision of a service that supplements IIRM's response in support of victims of domestic violence and the intended use is consistent with the rationale for the property acquisition.

3. Should Adsum decline the proposed terms and conditions of sale, IIRM will consult with CMHC as joint owner of the asset and submit a supplementary report to the Grants Committee with further options.

ATTACHMENTS

1. Extract from minutes of Heritage Advisory Committee meeting November 22, 2006
3. Site Map and Photograph

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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 Grants & Contributions, IIRM Community & Recreation Services
490-5469; Tom Crouse, Disposals and Acquisitions, IIRM Planning & Infrastructure 490-5931

Report Approved by: Original Signed
Michael Ryan, A/Manager, Culture, Events & Community Partnerships, 490-1585

Financial Approval by: Original signed
Greg Keefe, CMA – A/Director of Finance and Information, Communications & Technology/CFO
490-6308

Attachment 1

MOTION PUT AND PASSED UNANIMOUSLY.

3. PROPERTY MATTER - 2421 Brunswick Street, Halifax, a Municipally Registered Heritage Property

- A Private and Confidential draft report to Regional Council dated November 10, 2006 was before the Committee.

Ms. Temple reviewed the November 10, 2006 Private and Confidential report with the Committee, briefly reviewing the history of this HRM owned, municipally registered heritage property. She advised that staff are recommending for this property to be conveyed to Adsum Association for Women and Children for the purpose of an emergency shelter. Ms. Temple noted that the same terms and conditions as reviewed in the 2275 Brunswick Street report will be included with this transfer, to protect the heritage status of the property. She further noted that Adsum have leased the property since the 1980's and have assumed all capital and operating costs since that time. She advised that they have maintained an excellent standard of care of the building. Ms. Temple noted that this matter will also be brought before the Grants Committee, and then on to Regional Council for public hearing.

MOVED by Councillor Sloane, seconded by Mr. Clarence Butler, that the Heritage Advisory Committee recommend that Halifax Regional Council approve the transfer of title of 2421 Brunswick Street, Halifax, to Adsum Association for Women and Children, as per the terms and conditions set out in the November 10, 2006 Private and Confidential report to Regional Council. MOTION PUT AND PASSED UNANIMOUSLY.

4. ADJOURNMENT

- There being no further business, the meeting adjourned at 3:46 p.m.

Jennifer Weagle
Legislative Assistant

ATTACHMENT "3"

**Less Than Market Sale - 2421 Brunswick Street, Halifax
SITE MAP and PHOTOGRAPH**



Corner of Brunswick Street and Victory Lane

