

DECLASSIFIED



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Halifax Regional Council
October 8th, 2002
IN CAMERA

November 12, 2002

TO: Mayor Kelly and members of Halifax Regional Council

SUBMITTED BY:


Jim Hobin, Chair, HRM Grants Committee

DATE: August 1, 2002

SUBJECT: **Property Matter: Sale of 5557 Cunard Street, Halifax, to Cunard Street Children's Centre.**

PRIVATE AND CONFIDENTIAL

ORIGIN

At the July 9th In-Camera meeting of Regional Council the staff recommendation to support and refer the sale of 5557 Cunard Street, Halifax, to the Grants Committee for consideration for sale at less-than-market value was approved.

BACKGROUND

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 5557 Cunard Street, Halifax, be conveyed to Cunard Street Children's Centre for the sum of \$150,000, plus cost of sale expenses estimated to be \$3,000, subject to a Site Survey and Legal Description and the terms and conditions as set out in the Discussion section of this report;
2. Authorize staff to proceed to a public hearing;
3. Authorize the immediate release of this report to the public.

Please Retain for Public Hearing

BACKGROUND

In April of 2002, staff of HRM Real Property Services advised tenants of 5557 Cunard Street of the impending sale of the property and asked for any expressions of interest in acquiring title. In the absence of any formal proposal from tenants either individually or collectively the property was listed on the open market in June, 2002. As of the closing date for bids (July 3rd, 2002) a total of five (5) offers were received.

Of the five (5) offers received, that of the Cunard Street Children's Centre was the only non-profit interest and was below the market value price of \$225,000. On the basis of the long-term tenure of the Centre at this specific location, staff recommended preferential consideration through an internal review of the proposal as a less-than-market value sale. The intent of the review was to assess the proponent's ability to purchase the facility and maintain operations without further financial assistance from HRM.

DISCUSSION

If approved, the sale of this property will secure the continued operations of the Cunard Street Children's Centre at their present location while they meet their financial obligations under the Purchase and Sale Agreement. The schedule of payment over ten (10) years is intended to assist the Centre in terms of cash flow, the cost of immediate capital repairs or improvements to meet building code, and any risk assumed by the Centre with respect to environmental contamination.

HRM staff will assist the Centre in applying for grants from other levels of government, the business sector, or foundations through the provision of documentation which identifies the Municipality's in-kind donation and tax subsidy. The intent is to use HRM's contribution to leverage additional funding towards reducing the payment schedule and/or obtaining full title at market value.

Key Terms and Conditions:

Sale Value and Payment Schedule:

The Cunard Street Children's Centre shall pay HRM the sum of \$150,000 over a ten (10) year period. There shall be no interest levied. There shall be no penalty for early retirement of debt.

Cost of Sale Recovery:

HRM Real Property Services shall be reimbursed for any expenses incurred in appraisal fees, legal fees, site survey etc as applicable. There shall be no cost for labour.

Zoning:

The present use of the facility conforms to zoning. A zoning amendment is not required.

Property Taxes:

Municipal property taxes shall be payable as per the assessment value and urban tax rate. Any reduction in property taxes payable shall be applied for under By-law T-201. There shall be no retroactive application of property tax concessions as per By-law T-201.

Permitted Use:

The rationale for this Municipal in-kind contribution is for the continued operation of a children's centre serving the local neighbourhood. It is expected the facility, or a significant portion thereof, shall operate for this purpose.

Assumption of Existing Leases:

The Cunard Street Children's Centre shall assume the role of landlord and existing lease agreements transferred as of the closing date without encumbrance. The Cunard Street Children's Centre shall amend, re-negotiate, or terminate the existing leases at their sole discretion.

Right of First Refusal:

In the event that the operation of the Cunard Street Children's Centre should cease during the term of this Purchase and Sale Agreement, HRM shall have first right of refusal to re-acquire the property as per the terms and conditions of the Buy-Back Agreement. The Agreement shall also recover the balance remaining of the full market value in the event of a sale of the property or any part thereof.

Public Consultation:

A public hearing shall be convened by staff of HRM in accordance with the Municipal Government Act, Section 51.

COMMUNITY IMPACTS

The right of first refusal has been offered to a long-term tenant of an HRM-owned property that is surplus to the Municipality's needs and approved for sale. Staff anticipate that preferential consideration shall be afforded other long-term tenants in meeting the appraised or market value of a property sold during a process of rationalization and consolidation of HRM's leased portfolio.

For clarity: the tenant HRDA Enterprises (Human Resources Development Association) is not funded by HRM (we fund Halifax Regional Development Agency). HRDA Enterprises is an employment service to assist entry or re-entry into the workplace.

BUDGET IMPLICATIONS

The net proceeds from the sale will be deposited in the Sale of Land Reserve. HRM will be relieved of any future capitalization investment or operating costs (insurance, snow removal etc). The property will realize property taxes from the new owner and tenants.

An independent building condition report from an accredited inspector paid for by the Cunard Street Children's Centre has identified \$27,000 in immediate repairs and upgrades to meet building code. HRM will avoid these costs by virtue of a sale.

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.

Under Section 51 of the Municipal Government Act (1998) any sale of property for less-than-market value, exceeding \$10,000, must have the approval of 2/3 of Regional Council present and voting. A public hearing is also required.

ALTERNATIVES

Regional Council could defeat the Grants Committee recommendation and direct staff to proceed with a sale at market value.

This action is not recommended because of the long-term tenure (20 years) of the Cunard Street Children's Centre and the importance of the services provided by this non-profit organization to neighbourhood residents. Many users of this service are single parents or families living on modest incomes as evident from the number of publicly subsidized placements. A significant proportion of the families using the Centre are residents of local subsidized housing or non-profit housing.

While the provision of child care is not a municipal mandate, the proponent has offered to increase their initial purchase bid from \$101,000 to \$150,000 to meet the appraised value of the property. Although the property value has increased since the initial appraisal (January, 2001) this is a function of fluctuations in the market place and not a function of any capital investment by HRM. Further, the pursuit of the highest market value could place an unfair disadvantage on urban non-profit organizations relative to other areas of the Municipality given the limited land availability, economic growth, demographic trends, and market trends.

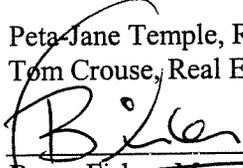
In conclusion, while HRM does not make as much money from the proposed sale price of \$150,000 the public interest is protected in that HRM does not lose money. And, with a Buy-Back Agreement in place the full market value could still be realized at a future date through co-ownership or if the proponent relinquishes title and the property is sold or re-acquired by HRM.

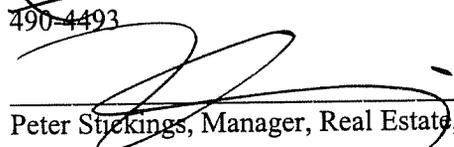
ATTACHMENTS

1. Cunard Street Children's Centre offer to purchase 5557 Cunard Street, Halifax.
2. Site map.
3. Photographs.

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.

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J.R. KINNEY

CIVIC # 2324

PARCEL D

3229 / 116
A = 3200 Sq. Ft.

PARCEL C

PORTION OF 345 / 542
A = 12,005 Sq. Ft.

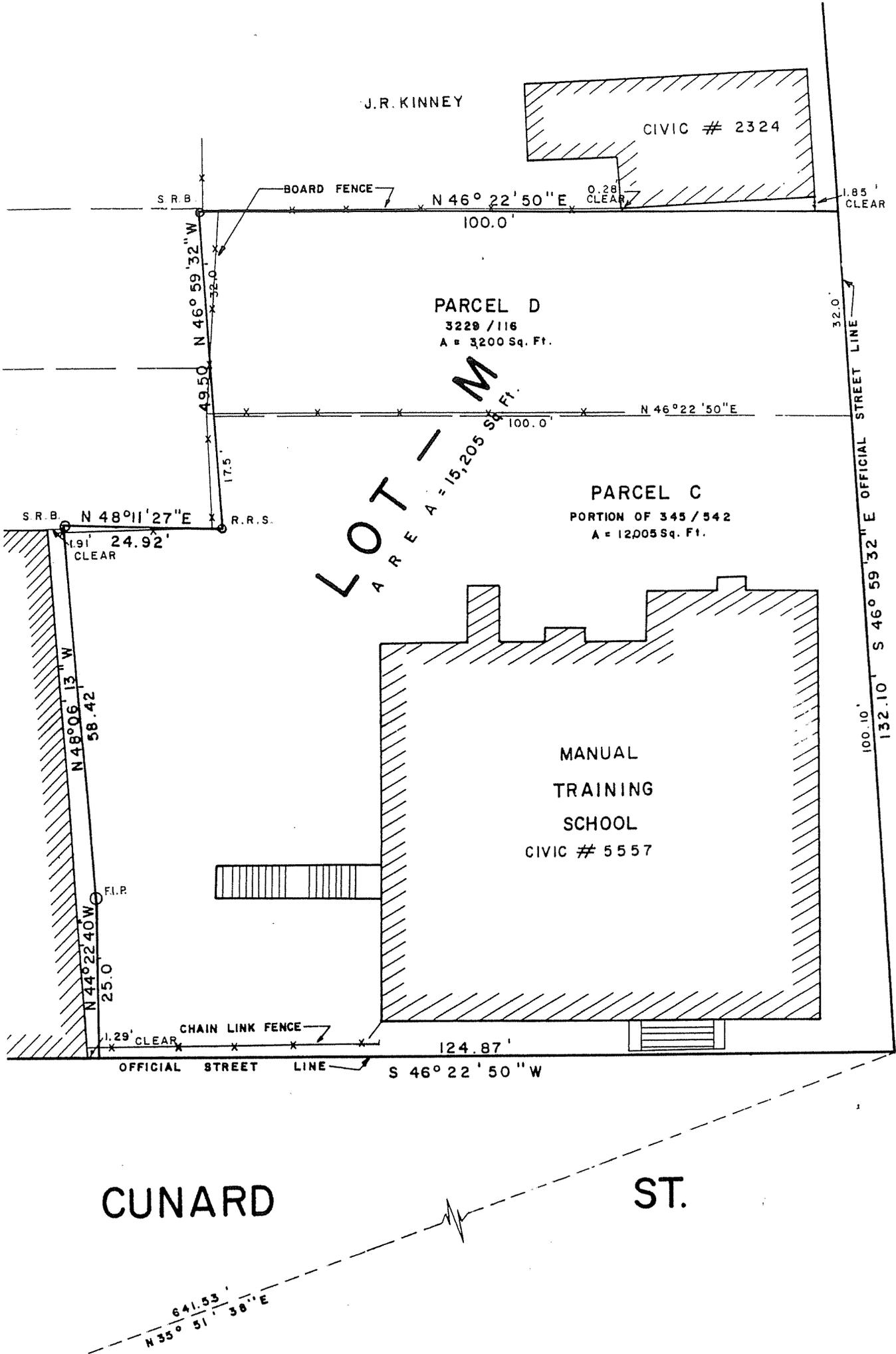
LOT - M
AREA = 15,205 Sq. Ft.

MANUAL
TRAINING
SCHOOL
CIVIC # 5557

CUNARD

ST.

ST. CREIGHTON



ATTACHMENT "B"
Sale of 5557 Cunard Street, Halifax
SITE PHOTOGRAPHY



FRONT ELEVATION



REAR ELEVATION