

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Downtown Renewal Division

Report to: Chair and Members Planning & Economic Development Committee	Submitted by: Lee Ann Coveyduck General Manager Planning and Economic Development Department
Date: February 3, 2006	Prepared by: Gord Moodie, Ext. 3934 James Goodram, Ext. 6109

SUBJECT: Hamilton Downtown Residential Loan Program (PED06056) (Ward 2)

RECOMMENDATION:

- (a) That a conditional loan commitment, as outlined in Appendix 'A' to Report PED06056 be issued for fourteen (14) development projects within the terms and conditions of the Hamilton Downtown Residential Loan Program and described within the Analysis/Rationale section of Report PED06056:
- (i) 66, 68 King Street East
 - (ii) 4, 8, 14 Forest Avenue and James Street
 - (iii) 212 King William Street
 - (iv) 92 – 112 King Street East
 - (v) 132 Main Street West
 - (vi) 221 York Boulevard
 - (vii) 189 King William Street
 - (viii) 245 King Street East
 - (ix) 260 King Street East
 - (x) 53 King Street East
 - (xi) 12 Ferguson Avenue
 - (xii) 119 King Street East
 - (xiii) 267 King Street East
 - (xiv) 275 King Street East
- (b) That Council authorize loan commitments under the Hamilton Downtown Residential loan program to exceed the \$20,000,000 maximum to \$26,000,000 provided total monies lent do not exceed \$20 million at any one time.
- (c) That the General Manager of the Planning and Economic Development Department be authorized and directed to amend loan agreements provided that the terms and conditions of the Hamilton Downtown Residential Loan Program as approved by City Council are maintained.

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- (d) All projects receiving City loans in excess of \$1 million will be required to submit a quantity survey by a City approved quantity surveyor prior to each loan advance to the satisfaction of the General Manager of Finance and Corporate Services.

Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

EXECUTIVE SUMMARY:

Downtown Renewal staff issued a Request for Applications (RFA) in May 2005 for residential development projects requiring City loans under the Hamilton Downtown Residential Loan Program. The RFA offered an allocation of \$7,000,000 under the terms and conditions of the Hamilton Downtown Residential Loan Program. The fourteen (14) loan applications received in response to the RFA exceeded the allotted amount and total \$13,979,000, representing a construction value of \$117,380,000. Some of the applications represent projects that are in the early stages of their internal planning process. However, all fourteen (14) proposals have been evaluated by City staff and are recommended for conditional loan approval.

BACKGROUND:

The Hamilton Downtown Residential Loan Program was established to assist developers in building residential units within the Downtown Hamilton Community Improvement Project Area and was originally allocated \$10 million. Council approved the new terms of the Hamilton Downtown Residential Loan Program on September 25, 2002 (see Appendix 'B' to Report PED06056) and allocated an additional \$10 million towards the program. The status of the projects that have qualified for funding is as follows:

Hamilton Downtown Residential Loan Program		Status	City Loan Amount	Loan Advanced	Units
1.	135-143 James Street South Bear Inc.	Complete – Fully paid back	\$3,400,000	\$ 3,400,000	197
2.	11 Rebecca Street Rebecca Street Holdings	Complete - Partial Payback	\$ 800,000	\$ 800,000	40
3.	155 James Street South Augusta James Holdings	Complete – Paying back	\$1,056,000	\$ 1,056,000	90
4.	118 Market Street Wilshire Group Inc.	Complete - Payback begins June 2006	\$2,080,000	\$2,080,000	109

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5.	12 Mary Street 1178605 Ontario Inc.	Site plan conditionally approved	\$1,746,000	\$0	62
6.	91 Wellington Street North	Complete – Payback begins June 2006 \$135,000 paid back	\$ 290,000	\$ 261,000	12
7.	80 King William Street	Under construction	\$ 1,200,000	\$774,930	50
8.	66 Bay Street	Complete – Did not draw City Funding	\$ 2,020,000	\$0	103
9.	47 Caroline Street	Under construction	\$ 940,000	\$0	51
10.	165 King Street East	Complete – Did not draw City Funding	\$ 140,000	\$0	11
11.	284 King Street East R. Denningers Ltd.	Planning stage	\$292,000	\$0	11
12.	150 Main St West 150 Main Street West Holding Inc.	Planning stage	\$4,000,000	\$0	180
13.	62 King St East Shaver & Scanlon Ltd.	Planning stage	\$168,000	\$0	6
14.	215-231 Main St West Southwest Crossing / Brownwharf	Building Permit	\$475,000	\$0	30
	Total		\$18,607,000	\$8,371,930	952

Downtown Renewal staff has and will continue to work with the developers of these projects as they work through the City's permitting and construction processes.

ANALYSIS/RATIONALE:

The RFA was issued in May, 2005. All applicants were requested to respond with their prospective proposals by June 15, 2005. The RFA offered an allocation of \$7,000,000 under the terms and conditions of the Hamilton Downtown Residential Loan Program. The loan applications received in response to the RFA exceeded the allotted amount and total \$13,979,000, representing a construction value of \$117,380,000. Some of the applications represent projects that are in the early stages of their internal planning process.

Downtown Renewal organized a City staff review team to assess all fourteen (14) applications. The review team comprised staff with planning, building, zoning, development and financial expertise. Appendix 'C' to Report PED06056 is a copy of the evaluation form that the review team used to grade each application. The review team concurs with the recommendation that all fourteen (14) applications receive a conditional

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loan commitment. The location of the fourteen (14) applications is identified in Appendix 'D' to Report PED06056. It is important to note Downtown Renewal staff efforts were primarily, although not exclusively, focussed on King Street (between James and Wellington Streets) in accordance with Council's Strategic Planning session of December 2004 to encourage building renovations and renewal in the above described area.

As noted above, each proposal is unique and is at a different stage of the development process. Through discussions with the applicants, staff has been advised that some of the projects are scheduled to begin construction in the Spring of 2006 while others will move forward at a later date.

Projects Recommended for Funding Commitment

Property		Funding
1.	66, 68 King Street East	\$ 306,800
2.	4, 8, 14 Forest Avenue	336,100
3.	212 King William	3,600,000
4.	92-112 King Street East	1,600,000
5.	132 Main Street West	1,800,000
6.	221 York Boulevard	2,760,000
7.	189 King William	20,000
8.	245 King Street East	60,000
9.	260 King Street East	2,300,000
10.	53 King Street East	360,000
11.	12 Ferguson Avenue	250,000
12.	119 King Street East	120,000
13.	267 King Street East	440,000
14.	275 King Street East	26,600
Total City Funding		\$13,979,500
Total Development Cost		\$117,380,000

1. **66-68 King Street East:** Purchased over a year ago, these buildings are of great historic significance and are known as Victoria Hall and the Foster McKay buildings. The current owners have submitted drawings for a mixed-use building consisting of retail, office and live-work condominiums within the existing building envelopes. The applicant has also submitted, with the assistance of Downtown Renewal staff, an application for federal heritage funding as Victoria Hall is nationally recognized as a heritage building.
2. **4, 8, 14 Forest Avenue:** This property was purchased approximately one year ago and contains mixed-use buildings with a total of 12 residential rental units. The majority of the units are currently vacant and in disrepair. The intent is to renovate the buildings and create 25 residential rental units. The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest. A minor

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variance or rezoning application may be required to permit the increased number of units proposed.

3. **212 King William:** The current owners have partnered for this large and significant mixed-use project. This property consists of a ½ block of land on King William bounded by Jarvis Street to the east and Ferguson Avenue to the west. The preliminary drawings show some 20,000 square feet of ground floor retail space with 4 floors of parking above. The remaining upper storeys will house 198 residential condominiums. The building will be approximately 180,000 square feet and 11 storeys in height. The applicant will be required to work with staff of the Planning and Economic Development Department to modify the architectural appearance of the parking structure component of the project as the proposed design is not acceptable.
4. **92 - 112 King Street West:** This property was purchased approximately one year ago under receivership, and is known locally as the Royal Connaught Hotel. Preliminary plans are to bring the hotel back as a premier hotel. Approximately 80,000 square feet will be renovated to residential condominiums and the ground floor will contain commercial uses. The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest.
5. **132 Main Street West:** This property was purchased approximately one year ago and closed this past fall. The property was a former automotive dealership known as Hamilton Motor Products (HMP). The current owner/developer has extensive experience in hotel developments. The preliminary plan is to redevelop the property to a 10 storey long-term stay Hilton Homewood Suites consisting of in excess of 90,000 square feet. The former garage part of the dealership along George Street will be converted and the former office/showroom part of the building fronting onto Main Street West will be demolished. The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest.
6. **221 York Boulevard:** This property is currently being utilized as a Premier Fitness facility. The property owners have submitted drawings which indicate some 138,000 square feet of residential condominiums (130 units) in a 14 storey building. The fitness club will remain as a public facility with memberships for condo purchasers. Approximately, two-thirds of the Premier Fitness facility will be reconstructed. The project also includes surface and underground parking. The applicant has worked with staff of the Planning and Economic Development Department over the past year.
7. **189 King William Street:** This property is owned and operated by a not-for-profit company known as the Children's Learning Centre. The property is a semi-detached two storey retail building. The renovation will enhance the second floor to accommodate one 1,000 square foot unit. The renovation will complete both sides of the semi-detached buildings. The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest.
8. **245 King Street East:** This property's main floor has been renovated and is currently owner/occupied. The second floor is currently vacant and in need of repair. Two units have been proposed which will bring a positive effect to King Street East. The property is listed on the City's Inventory of Buildings of

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Architectural and/or Historical Interest.

9. **260-280 King Street East:** A large development is planned for this site consisting of approximately 6,000 square feet of retail space, underground parking and 120 residential units. In the fall of 2005, Hamilton Housing put out a Request for Proposals (RFP) for applications under the Strong Start Affordable Housing program. This project was approved for a grant.
10. **53 King Street East:** The developer plans to create 24 rental apartment units in the vacant 3 upper stories. The ground floor commercial units are to remain (My Convenience Store & The Salvation Army Thrift Store). The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest.
11. **12 Ferguson Avenue:** The developer plans to convert the entire 3 storey building to 12 apartment units. Presently, the ground floor is used as a pub known as "AFB" and the upper floors are used as office space.
12. **119 King Street East:** This building will be converted to house 4 dwelling units on the upper 3 floors of this existing 4 storey building. The ground floor will remain as a commercial use. The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest.
13. **267 King Street East:** The 2 upper floors of this vacant building are being renovated to contain 7 live-work dwelling units in loft style. The ground floor is being renovated to contain an artist's studio and a café.
14. **275 King Street East:** This property's main floor has been renovated and is currently owner/occupied by Brownie's Downtown. The second and third floors are currently vacant and in need of repair. Three units have been proposed which will bring a positive effect to King Street East. The property is listed on the City's Inventory of Buildings of Architectural and/or Historical Interest.

ALTERNATIVES FOR CONSIDERATION:

The alternative is to approve only \$7 million in projects, but such an alternative would result in worthy projects not proceeding. Such an alternative is not recommended for the reasons listed below.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: Funding is provided under the terms of the Hamilton Downtown Residential Loan Program approved by Council on September 25, 2002 and attached as Appendix "B" to Report PED06056. The program is presently funded on the basis to offer \$20 million in loan commitments. Staff conducted a thorough analysis of all the projects committed funding under the terms of the program as well as these fourteen new applications. Staff has found that due to construction timing and the paying back of committed loans that the program will never have more than the \$20 million out at one time even if the loan commitment amount is increased to the requested \$26 million. Nonetheless Council authorization to exceed the \$20 million threshold to make loan

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commitments not to exceed \$26 million is required, while retaining no more than a total of \$20,000,000 advanced.

Additionally, in accordance with General Manager of Finance and Corporate Services' direction, all projects receiving City loans in excess of \$1 million will be required to submit a quantity survey by a City approved quantity surveyor prior to each loan advance.

Staffing: Administration of the Hamilton Downtown Residential Loan Program can be accommodated within the Downtown Renewal Division of the Planning and Economic Development Department, along with the Corporate Services Department.

Legal: Legal review of all documentation associated with each loan will be appropriately reviewed by the City Solicitor to meet the customer's needs while protecting the City's interests. In order to receive funding, projects must comply with any planning approvals that were required to bring the project forward and the building permits that were issued. Further, as projects move forward and complete construction, it is sometimes necessary to amend previously approved loan commitments/agreements. Therefore, staff recommends that the General Manager of Planning and Economic Development be authorized, with the input the General Manager of Finance and Corporate Services and the City Solicitor to amend loan commitments/agreements provided that the terms and conditions of the Hamilton Downtown Residential Loan Program are maintained.

POLICIES AFFECTING PROPOSAL:

The Downtown Hamilton Secondary Plan, the Hamilton Downtown Residential Loan Program, the Downtown Hamilton Community Improvement Plan and Zoning By-laws 6593 and 05-200 affect the development proposals outlined in this report. Resolution to any secondary plan and zoning issues must be met prior to the release of City funding under the terms of the Hamilton Downtown Residential Loan Program. The Downtown Renewal Division is working with the applicants to meet this end. Further, all the proposals fall within the Downtown Hamilton Community Improvement Project Area and therefore are eligible to receive funding from the City.

RELEVANT CONSULTATION:

The Finance and Corporate Services Department and the City Solicitor have been consulted. The Application Review Team consisting of staff from the Finance and Corporate Services Department and the Planning and Economic Development Department assessed each application and concur with the recommendation contained within Report PED06056.

CITY STRATEGIC COMMITMENT:

By evaluating the "Triple Bottom Line", (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. Yes No
Partnerships are promoted.

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Environmental Well-Being is enhanced. Yes No
The initiatives help to improve the quality of life of the residents.

Economic Well-Being is enhanced. Yes No
Investment in Hamilton is enhanced and supported.

Does the option you are recommending create value across all three bottom lines?
 Yes No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? Yes No

The recommendations result in tangible and positive change for downtown in line with Council's strategic direction and approved policy for downtown Hamilton. It is professionally rewarding to be able to be part of concrete measures to implement City Council's direction.

GM:JG
Attachs. (4)

Appendix "A" to Report PE06056
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Mailing Address:

City Hall, 71 Main Street West
Hamilton, Ontario,
Canada L8P 4Y5
www.hamilton.ca

Planning and Development Department, Downtown Renewal Division
Physical Address: 1 James Street South, 8th Floor, Hamilton ON L8P 4R5
Phone: 905-546-2424, Ext. 4178 Fax: 905-546-4107

Date

File:

File no.

Name & Address

Re: property address

The City of Hamilton is pleased to inform you that your application for financial assistance pursuant to the Hamilton Downtown Residential Loan Program has been approved, with the terms and conditions outlined herein. The purpose of this funding is to assist you in *(a) converting existing commercial space into apartments. (b) renovate existing apartments into compliance with the Property Standards By-law and Fire Code. (c) assist in the cost of creating new residential units on vacant land (Pick one, eliminate the rest)* The City of Hamilton has identified this financial assistance as a means to support development within the Downtown area, consistent with the principles and design themes outlined in the Downtown Hamilton Secondary Plan.

TERMS AND CONDITIONS

Borrower: Name of Registered Owner of Property

Address for Notice along with telephone number, fax and e-mail

- Loan Amount:**
1. Principal Amount Canadian Dollars secured by a Second Collateral Mortgage.
 2. The maximum loan amount is calculated on the basis of \$20 per square foot of habitable floor space. The City reserves the right to decide what is considered habitable floor space under the terms of the program.

Purpose: *Provide exact details of the proposed project including residential unit amounts for the purpose of determining the amount of administration fee to be charged.*

This financial assistance shall not be used for any other purpose than as above stated, but the fact that the funds are used for some other purpose shall not affect the obligations of the Borrower to repay the City of Hamilton.

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- Term:** The maximum loan term is five (5) years (subject to prior termination on default). No extension or renewal shall be granted.
- Interest Rate:**
1. The loan interest rate will be at 0% interest.
 2. Interest arrears of 15% per annum or such tax arrears interest rate as may be established by Council from time to time.
- Advances:**
1. The City's funding will be advanced in three (3) stages, upon completion of sixty percent (60%), eighty percent (80%) and final completion of the proposed development.
 2. Advances are to be made within ten (10) working days upon written request. The Corporate Services Department is to receive verification of certain items which are standard form and available upon request.
- Repayment:** Principal is repayable in annual amounts of ten percent (10%), in twelve (12) equal monthly payments of the original loan amount. Payments will commence one (1) year following completion of construction. The balance outstanding will be paid by a balloon payment at the end of the five (5) year term.
- Administration Fee:** An administration fee of \$500 per unit for developments under fifty (50) units; \$400 per unit for developments between fifty (50) and one hundred (100) units and \$300 per unit for developments over one hundred (100) units is charged to the borrower and is due upon first advance from the City.
- Security:**
1. A Loan Agreement with the Borrower. The loan will be registered as a second mortgage upon first advance of funds.
 2. The City may request such security as may be required to secure a commercial loan, including the following: loan agreement; and/or promissory note; and/or personal property security; and/or personal guarantees; and/or lien on the property to be improved; and/or letter of credit in lieu of a second mortgage charge on the property (subject to the City's minimum equity requirements); and/or such other security which may be appropriate or available in the circumstance.
- Affirmative Covenants:**
1. Realty taxes must be paid current and in good standing throughout the development process, and during the term of the City loan.

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2. Ongoing compliance with the laws of the Province of Ontario, the Government of Canada and the City of Hamilton.
3. The City of Hamilton will require specific insurance terms to be met to protect the City's interest.

Negative Covenants:

1. Owner applicants shall have no less than 25% equity based upon the appraised value of the property offered as security, including cost of improvements being financed. The 25% equity in the project shall be maintained throughout the term of the City loan. An accredited member of the Appraisal Institute shall complete the property appraisal prior to funding within a timeframe acceptable to the City.
2. Upon sale of the property, the loan is due and payable on closing. Upon refinancing of the first mortgage the loan is due in full or in part if take out financing takes place in an amount higher than the existing first mortgage.
3. Upon sale of individual condominium units, the City will be repaid \$25.00 per square foot upon closing.

Reporting Covenants:

Until all debts and liabilities have been discharged in full, the Borrower will provide to the City the following:

- (i) Accountant prepared financial statements of the Borrower duly signed within 180 days of the Borrower's fiscal year end;
- (ii) Detailed monthly sales reports to be provided including date of sale, purchaser's name and address, unit number, square footage, selling price, deposit paid, amount due on closing subject to adjustments.
- (iii) Provide any other information as may be reasonably requested from time to time.

Events of Default:

Usual events of default and normal cure period will apply.

Costs:

1. The Borrower and Lender agree that all fees and costs incurred by or on behalf of the Lender, including but not being limited to legal, professional, registration, escrow agent, appraisal and survey costs and fees, Independent Engineer costs and Independent Insurance Advisor costs, are for the account of the Borrower, whether or not closing

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occurs.

2. All costs associated with the conversion or renovations are to be borne by the applicant including construction, design, administration fee, appraisals, inspections, legal and registration fees. The City retains the right to assess the reasonableness of costs and which costs are eligible under the terms of the program.

Governing Law: The validity, interpretation and performance of the transaction contemplated shall be governed by the laws in force in the Province of Ontario.

Lapsing Date: Legal closing and advance of funds to be prior to 200?.

The purpose of this letter is to confirm our mutual understanding of the general terms and conditions on which the financial assistance will be available to you.

You are asked to review this letter carefully with the assistance of your lawyer and accountant. Please note that neither the preparation nor the acceptance of this Commitment Letter shall bind the City of Hamilton to advance any amount under this letter unless and until such terms and conditions have been satisfied, and until all required security and loan documentation has been completed by you.

Further, the City of Hamilton shall not be obliged to advance any amount under this letter where at the time of closing of the transaction, you are, or if an advance was made, would be, in default under the terms of the Commitment Letter or any of the Security Agreements or other Loan Documentations.

We ask that you sign back you acceptance of the terms and conditions herein by no later than Signback by Date at which time this offer expires.

Yours truly,

Ronald M. Marini, MCIP, RPP
Director, Downtown Renewal
Planning and Development Department

GM:RMM:jcs

cc Don Fisher, Assistant Corporate Counsel, Legal Services Division
Lee Ann Coveyduck, General Manager, Planning & Development Department

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**Accepted this _____ day of _____, 2004 in the City of Hamilton,
Province of Ontario**

Name (Please print)

Signature

I have authority to bind the corporation.

Title

**SUMMARY OF THE TERMS OF THE
HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM
(APPROVED SEPTEMBER 25, 2002)**

PURPOSE OF THE LOAN

The Hamilton Downtown Residential Loan Program was developed as a catalyst for stimulating residential development within Downtown Hamilton as defined by the Downtown Hamilton Community Improvement Project Area. The program is intended to provide financial assistance for converting existing commercial space into apartments or renovations to bring existing apartments into compliance with the Property Standards By-law and Fire Code. The program is also intended to provide assistance for the costs of creating new residential units on vacant land.

Acting as a lender, the City provides financial support for the program and ensures that development arising from the program within the Downtown is consistent with the principles and design themes contained within the Downtown Hamilton Secondary Plan.

TERMS OF THE PROGRAM

1. The Loan interest rate will be at 0 % interest.
2. The Loan will be registered as a second mortgage upon first advance of funds.
3. Interest in arrears of 15% per annum or such tax arrears interest rate as may be established by Council from time to time.
4. The maximum Loan term is five years (subject to prior termination on default).
5. Principal is repayable in annual amounts of ten percent (10%), in 12 equal monthly payments, of the original loan amount. Payments will commence one year following completion of construction. The balance outstanding will be paid by a balloon payment at the end of the five year term.
6. The maximum loan amount is calculated on the basis of \$20 per square foot of habitable floor space. The City reserves the right to decide what is considered habitable floor space under the terms of program.
7. The City will periodically review the terms and the duration of the program and make appropriate revisions as per the direction of City Council.
8. The City may request such security as may be required to secure a commercial loan, including the following: loan agreement; and/or promissory note; and/or personal property security; and/or personal guarantee's; and/or

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lien on the property to be improved; and/or mortgage charge registered on the property to be improved; and/or letter of credit in lieu of a second mortgage charge on the property (subject to City's minimum equity requirements); and/or such other security which may be appropriate or available in the circumstance.

9. Upon proof satisfactory to the City that the proposed development is 60% complete and that equity and/or financing required to that stage of completion has been injected into the development then the approved City funds will be made available and released proportionately based upon the approved source of funds (equity/financing/City funds). The calculation of the proportion to be advanced will reflect that the first 60% of funding is from non-City sources. Advances will be made in conjunction with financing advances or after proof of equity injections.
10. Owner applicants shall have no less than 25% equity based upon the appraised value of the property offered as security, including cost of improvements being financed. The 25% equity in the project shall be maintained throughout the term of the City loan. An accredited member of the Appraisal Institute shall complete the property appraisal prior to funding within a time frame acceptable to the City.
11. An administration fee of \$500.00 per unit for developments under 50 units; \$400.00 per unit for developments between 50 and 100 units and \$300.00 per unit for projects under 100 units, is charged to the borrower and is eligible to be paid out of the loan proceeds.
12. Realty taxes must be paid current and in good standing throughout the development process, and during the term of the City loan.
13. Eligible existing buildings/vacant properties must be located in the Downtown Hamilton Community Improvement Project Area. Only class C/D commercial buildings with a pre-existing annual vacancy of not less 20% are eligible. Vacant lands include properties developed as parking lots.
14. Site Plan drawings in a form acceptable to the City must accompany the application form. Architectural renderings of the proposed completed development must also be submitted and must meet the objectives of the Downtown Hamilton Secondary Plan as determined by City staff.
15. Advances are made by the City, upon proof by a quantified surveyor or architect/engineer confirming the value of the work completed.
16. All costs associated with the conversion or renovations are to be borne by the applicant including construction, design, administration fee, appraisals, inspections, legal and registration fees. The City retains the right to assess the reasonableness of costs and which costs are eligible under the terms of the program.

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17. Upon sale of the property the loan is due and payable upon closing. Upon refinancing of the first mortgage the loan is due in full or part if take out financing or refinancing takes place in an amount higher than the existing first mortgage.
18. Upon sale of individual condominium units, the City will be repaid \$25.00 per square foot upon closing.
19. The proposed development must conform to the City of Hamilton Official Plan and Zoning By-law, and to the Downtown Hamilton Secondary Plan.
20. The City of Hamilton will require specific insurance terms to be met to protect the City's interest.
21. Deadlines for the submission and approval of building permits and construction start dates are established following a report to Council for approved applications.

HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM

DOCUMENTS REQUIRED

Personal

- Net Worth Statement
- Completed Application
- Two Years Income Tax Returns

Corporate

- Two Years Financial Statements
- Incorporation Documents

Liabilities

- Current Institutional Bank or Banks
- Lawyers Name and Address

The Property

- Site Plan or Survey
- Proposed Building Architectural Drawings
- Breakdown of Construction Cost
- Contracts in Place
- Original Purchase Price
- Current Registered Mortgages
- Details of Primary Construction Lending
- Details of Any Secondary Financing
- Appraisal (performed by A.A.C.I) Today's Value
- Appraisal Upon Completion
- Phase 1 Environmental Report
- Breakdown of other uses i.e. (commercial component)

Marketing

- Projected Rental Rates per unit or per sq foot
- Any Leases currently in place
- Letters of Intent to Lease
- Projected Expenses or Actual if Available
- List any Advantages of Leasing for the Property

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HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM
APPLICATION FOR FINANCING

PERSONAL	
Applicant's Name:	
Address:	
Telephone (Home):	Business:
Date of Birth:	S.I.N.
Spouse's Name:	
Bank:	Account:
Credit Cards:	
No. of Dependents:	
Employer:	
Address:	

BUSINESS	
Company Name:	
Address:	
Telephone:	
Date of Registration:	
Name of Registered Shareholders:	
Solicitor's Name:	
Address:	
Telephone:	Fax:
Accountant's Name:	
Telephone:	

THE PROPERTY	
Address	
Date of Purchase:	Purchase Price:
Appraised Value:	
Current Mortgage Amount.	
Rate:	Term: Date of Maturity:
Secondary Financing:	
Name on Title:	

PROPOSED	
Estimated Cost:	Cost per sq. foot:
No. of Proposed Units:	
Current Use:	
<i>Please provide survey or site plan.</i>	

**HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM
APPLICATION FOR FINANCING**

DECLARATION

I/We hereby grant permission to the City of Hamilton or its agents, to carry out the necessary inquiries for the purpose of determining my/our income, assets, liabilities and credit information.

Date

Signature

Date

Signature

**HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM
SECURITY DOCUMENTATION**

The security documentation for the Hamilton Downtown Residential Loan Program was prepared specifically for the program by the law firm of:

Simpson, Wigle
Barristers & Solicitors
Suite 400
Commerce Place
21 King Street West
Hamilton ON L8P 4W7

Timothy Bullock

HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM SECURITY DOCUMENTATION

To ensure any Applicant understands the processing procedure and all terms and conditions of the loan, the Processing Procedures document should be provided to each Applicant and the application form completed with the terms and conditions of the loan signed prior to City approval. The terms and conditions of loan approval are not a loan commitment or an agreement to provide a loan. It is part of the application form to ensure that the Applicant understands upon what basis the City will be approving the loan and the types of terms and conditions that will be in the Loan Agreement to be prepared after Solicitor's office to prepare the necessary loan documentation and complete the necessary searches to secure the City's position. In addition, the Applicant is to provide all necessary information required to satisfy any conditions of the loan such as an appraisal, names of cost consultants, contractors, bonding information, insurance information and any other items required and recommended arising from the risk analysis.

The security documentation should be drafted to include all standard requirements of the loan program and any special terms or conditions contained in the Council approval or report to Council. The critical documentation would be a Loan Agreement and a Collateral Mortgage. This would be consistent with the loans done to date. The Loan Agreement adopts standard terms and conditions and any special provisions related to the loan. The Loan Agreement includes the principal amount, the terms of repayment, arrears and events of default. A standard form has been prepared and is presently in use. A Collateral Mortgage has also been prepared. It provides for remedies upon default and would normally be registered as a second charge upon the property.

In addition to the Loan Agreement and Collateral Mortgage security documentation would include a Resolution of the company, and Officer's Certificate, a legal opinion from the solicitor or borrower as to due execution of all documentation and authority. Dependent upon the risk analysis, there may be a personal guarantee required, performance bonds, letters of credit or security on other assets such as a family home. The additional types of security would depend upon the application and the risk analysis.

For purposes of searches to secure title, the following would be recommended:

- *Search of Title;*
- *Execution Search;*
- *Tax Search;*
- *Evidence of Building Permit;*
- *Evidence of Zoning Compliance;*
- *Confirmation that there are no outstanding Work Orders;*
- *Confirmation that any site plan agreement has been complied with;*
- *Fire Department search;*

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- *Certificate of status for corporation;*
- *Bankruptcy search;*
- *GST search (priority may be claimed by Federal government in respect of arrears of GST existing at the time of registration of the mortgage)*
- *Subsearches should be done at the time of each advance and depending upon the lapse of time others of the above searches may be redone;*
- *There should be a lien holdback on each advance in accordance with the Construction Lien Act.*

Many of the searches to be done are with the City itself. To the extent a simplified process can be established such that an individual in each of the Building and Planning Departments are responsible for advising then written requests and fees would not have to be paid.

A miscellaneous item to be considered in risk analysis is the first mortgagee. If the first mortgagee is a private lender is the City satisfied with their due diligence and analysis. There is potential for fraud if it is a private lender and funds advanced by the City are paid to the private lender to keep the first mortgage in good standing. This would be particularly true near the end of a project which is when the City is stepping in with their funds.

Consideration should be given to having the City do cheques to the trades themselves. This is not an uncommon situation on construction projects. Some lenders do make the cheque payable to both the borrower and the trade. This should form part of your risk analysis as to whether this is a step to be completed dependent on the borrower's financial strength, experience and viability of the project.

Payment of trades and review of outstanding accounts is critical on large loans and requires a cost consultant or quantity surveyor.

HAMILTON DOWNTOWN RESIDENTIAL LOAN PROGRAM UNDERWRITING AND RISK ASSESSMENT PROCESS

To properly assess risk and underwrite any income property (residential or commercial) or potential condo conversion, the process must begin with the proper information accompanying the application. This information is used in assessing the risk and determining if the loan amount applied for falls within the income capability of the property. The underwriting approach should address the project from a financial, market and construction risk point of view.

To support the underwriting process, it is considered prudent to retain a Quantity Surveyor/Construction Cost Consultant to review:

A. The project budget and construction schedule proposed:

- at each advance to review cost to date;
- at each advance to review the timeliness of the proposed construction schedule.

An equally important consideration is the monitoring of the project as funds are advanced to ensure:

A. Loan funds are being used properly:

- Project schedule is on time;
- Cost over runs are being funded by borrower equity and/or primary lender loan increases.

Each of these elements of the process is detailed below.

A) INFORMATION REQUIRED

Background and complete disclosure of project ownership

At least three years of Audited or Review Engagement financial statements with the most recent year end no longer than nine months old. The statements are to be accompanied by explanation of any non-project assets, liabilities as well as income and expenses.

The project's construction and soft cost budget.

A pro forma income and expense budget for the project.

A detailed construction schedule for the project.

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Appraisal Report from a qualified appraiser acceptable to the City of Hamilton based on the completed project and using an income approach based on current market rents/values and capitalization rates.

At least a Phase I Environmental Report.

A resume of the construction team including architect, engineer, major trades, bonding and insurance company.

A copy of a construction and take out commitment from a financial institution acceptable to the City of Hamilton.

Personal and/or Corporate financial statement of any proposed guarantor.

B) FINANCIAL RISK ASSESSMENT

Review and assess projected income and expenses in relation to current market comparables.

Assess total construction and soft cost budget in relation to current market costs.

Ensure sufficient contingencies have been provided for in the construction budget.

Review the make up and confirm proposed borrower equity contribution meets the 25% requirement.

Assess market value of the completed project.

Confirm the project Loan to Value ratio (LN: Value), including the first mortgage conform to normal lending industry procedures.

Confirm that Debt Service Coverage Ratio (DSC), including the first mortgagee conform to normal lending industry procedures.

C) Ensure all environmental issues have been satisfied.

Assess the adequacy of construction and soft cost budget as well as contingencies.

Confirm that the proposed construction schedule is achievable.

Assess the financial strength and performance ability of the general contractor as well as all major sub trades.

Ensure adequate bonding is in place for the general contractor and key sub trades.

Ensure adequate construction All Risk Insurance is in place.

Determine key shareholders/guarantors have sufficient financial strength of fund cost over runs if required.

D) MARKET RISK ASSESSMENT

Assess projected rental/sales agent has sufficient experience/track record to achieve the projected lease up/sales.

E) MONITORING

Each advance to be accompanied by a breakdown of hard costs to date and costs to complete certified by an Engineer.

At the time of each advance, review the timing of the project construction schedule. Confirmation that any cost over runs have been funded by borrower equity and/or an increased construction loan from the primary lender.

A monthly report as to the current status of lease up/sales. Through a title subsearch, ensure any liens or executions have been discharged or removed.

If construction has not been completed after loans have totally advanced, to continue to be provided with a report of project costs to date and cost to complete certified by an engineer.

If construction has not been completed after loan has been totally advanced, to continue to provide an update of the construction schedule of the project.

After loans have been totally advanced and until repayment commences, to continue to be provided with a monthly report as to the current status of lease up/sales.

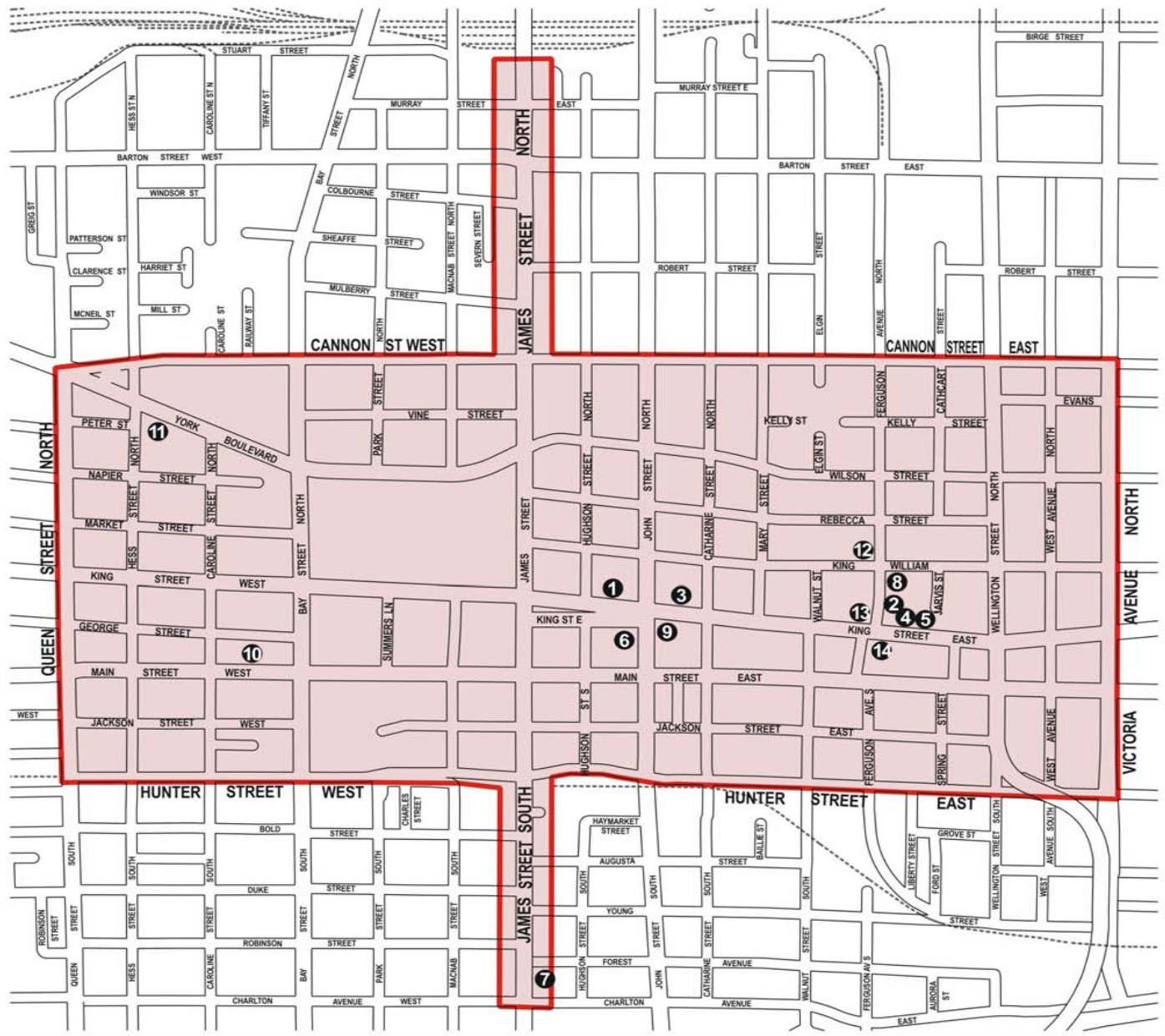
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Evaluation of the proposed development at:

Evaluation Criteria and Weighted Factors	Total Points	Comments
Commercial and Financial Risk evaluation of project - proponents equity contribution - business plan quality	/20	
General location, Impact of proposal on immediate area - Appropriateness of urban & architectural design - Impact on vehicular & pedestrian traffic - Implications to area parking	/20	
Completed value of individual units - Rank relative to other proposals - Marketability - Presale or reservations - Rent ability	/20	
Financial assessment of borrower - past performance of developer - financial ability to complete -mortgage positioning	/10	
Ancillary value to the neighbourhood - Significance to the general vicinity from a commercial and/or residential perspective	/10	
Compliance with Secondary Plan and Zoning By-law - Height - Land Use - Built Form	/10	
Project Timeline - building schedule	/10	
Total Points	/100	

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- ① 53 King Street East
- ② 12 Ferguson Avenue
- ③ 119 King Street East
- ④ 267 King Street East
- ⑤ 275 King Street East
- ⑥ 66,68 King Street East
- ⑦ 4,8,14 Forest Avenue
- ⑧ 212 King William
- ⑨ 92-112 King Street East
- ⑩ 132 Main Street West
- ⑪ 221 York Boulevard
- ⑫ 189 King William Street
- ⑬ 245 King Street East
- ⑭ 260 King Street East



N
Not to Scale
Date:
January, 2006

2005 Hamilton Downtown Residential Loan Program Projects

 Downtown Hamilton Community Improvement Area Boundary

