



**CITY OF HAMILTON**

**PUBLIC WORKS DEPARTMENT**  
**Corporate Assets and Strategic Planning Division**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> WARD 2
<b>COMMITTEE DATE:</b> June 19, 2013	
<b>SUBJECT/REPORT NO:</b> Lease - Lister Block, 28 James Street North, Unit #114, Hamilton (PW13047) (Ward 2)	
<b>SUBMITTED BY:</b> Gerry Davis, CMA General Manager Public Works Department	<b>PREPARED BY:</b> Rom D'Angelo Director, Facilities Management & Capital Programs (905) 546-2424, Extension 4617
<b>SIGNATURE:</b>	Delfina Duarté Superintendent, Business Services & Technology (905) 546-2424, Extension 6627

**RECOMMENDATION**

- (a) That the City of Hamilton enters into a new lease agreement with "Brendon Coulter" for the property known as 28 James Street North, Unit 114 (also known as Lister Block), subject to the following terms and conditions:
  - (i) Term: One year commencing upon July 1, 2013 and ending June 30, 2014 with 2 x two year renewal options, if the Tenant is in good standing at the end of each renewal term;
  - (ii) Property: Lister Block, 28 James Street North, Unit #114, comprising of 480 sq. ft. gross rentable area as shown in Appendix "A" to Report PW13047. The space will be leased on an "as-is" basis with finishing subject to heritage restraints and building permits as applicable;
  - (iii) Landlord's Work: Install baseboards at Landlord's cost;
  - (iv) Tenant's Work: Finish floor with vinyl covering;
  - (v) Tenant Inducement: 30 days free rent for fit-up;
  - (vi) Rental Rates:

Year 1: \$15.00/sq.ft. net +HST  
(\$600.00/ monthly, \$7,200.00/annually)

If option 1 is exercised:

Year 2: \$15.00/sq.ft. net +HST (+0%)  
Year 3: \$15.38/ sq.ft. net +HST (+2.53%)

If option 2 is exercised:

Year 4: \$15.76/ sq.ft. net +HST (+2.47%)  
Year 5: \$16.15/ sq.ft. +HST (+2.48%)

- (vii) Parking: Initially no parking. Tenant has option to lease 1 parking spot at \$150.00 per month +HST;
- (viii) Operating Costs: The tenant will pay an additional \$12.00 /sq.ft. +HST in operating costs (\$480.00/month, \$5,760.00/annually);
- (b) That all rent be credit to account 46010 791550;
- (c) That the Mayor, General Manager of Finance and Corporate Services and City Clerk be authorized and directed to execute the Lease in a form satisfactory to the City Solicitor.

#### **EXECUTIVE SUMMARY**

In March of 2012, the City issued a Request for Quotation for Brokerage Listing services to market the remaining three units for lease at the Lister Block. The successful Broker was Blair Blanchard Stapleton Limited. Marketing took place through the Multiple Listing Service (MLS) system, at the Broker's web-site and through site location signage. The listing agreement was in place from April 11, 2012 to September 30, 2012. Although numerous possible tenants were entertained, no offers were received on Unit #114 despite the listing agreement being extended several times.

On May 8, 2013, Brendon Coulter and Valerie Cousens submitted an offer to lease the space for the purpose of displaying, promoting and selling local art work. Brendon Coulter and Valerie Cousens will start a new business called Lister Arts. This business will operate as an art collective which will allow local artists to feature and sell their art work.

Valerie Cousens is, herself, a local artist and fashion designer that has been recently featured in Hamilton Magazine recognizing her Eco Designs. The James Street BookSeller is currently featuring her Art & Fashion Exhibit until May 24, 2013. In addition she will be featured in The Hamilton Spectator in May/June. Valerie is also involved in a host of other community ventures including opening a Wellness Collective in 2012 on King William and being a founding member of Hamilton CarShare.

Brendon Coulter is the owner of Coulter Media Group, a Hamilton based printing company that does digital printing, signage, banners and other printed materials. Over

the years, Brendon has been amassing a collection of his own personal photography and is excited to finally display some of his work through this venture.

The use of unit #114 for featuring, promoting and selling local art work is consistent with the vision of Lister Block as a treasured jewel amidst a thriving local art community.

Over the past several months, City staff also worked with another proponent. The use was to be an architectural and interior designer's office. However, this offer did not materialize.

### **Alternatives for Consideration - See Page 5**

## **FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

**Financial:** This lease will generate gross revenues of \$12,960.00 annually and requires minimal investment by the City of Hamilton.

**Staffing:** There are no increases to staff levels associated with the recommendations in this report.

**Legal:** Legal Services Division will review the lease.

## **HISTORICAL BACKGROUND**

After a lengthy restoration, the City of Hamilton took over the Lister Block on March 31, 2012 and various city departments moved into the building during the month of April 2012, occupying floors 2 to 6. Additionally, Tourism Hamilton occupies space on the ground floor of the building. The building had an additional 5,700 sq.ft. of space on the ground floor that was to be leased out. With Councils approval of this lease all available retail space will be leased out.

Uses for these areas were contemplated in March of 2010 by the city's Portfolio Management Committee (PMC) and it was determined that the preferred uses would be a restaurant service for the spaces with street access and for the interior spaces, uses that;

- support the heritage nature of the building
- support and contribute to the community building and revitalization
- support community services
- sensitive and support Tourism Hamilton's mandate
- uses that forestall or prevent inappropriate uses that could otherwise be attracted to low cost, downtown space
- uses that do not place increased burden on facility operating costs without offsetting revenue.

PMC stated that "all potential uses for the space, both retail and other uses, should be measured against these criteria"

### **POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

The recommendations are consistent with the City's Real Estate Portfolio Management Strategy Plan as approved by City Council on November 24, 2004 and Procedural By-Law No. 04-299. City Council, in approving the Consolidation of Routine Real Estate Matters, authorized the delegation of authority to approve the acquisition, disposition or lease as follows:

- General Manager or designate for a lease value not exceeding \$150,000 annual rental: and,
- City Manager or designate for a lease value not exceeding \$250,000 annual rental.

As the lease is a new agreement, Council approval is required to approve the recommendations contained in this Report.

### **RELEVANT CONSULTATION**

Portfolio Management Committee (PMC) – Uses for Lister Block retail space were contemplated in March of 2010 by PMC and it was determined that the preferred uses would be a restaurant service for the spaces with street access (Units 104 & 106) and that community based groups were acceptable for unit #114.

Senior Management Team (SMT) – Staff sought direction from SMT for leasing all spaces at Lister Block.

City Manager's Office, Legal Services - Once the agreement is approved by Council, a lease will be executed in a form satisfactory to the City Solicitor.

Planning and Economic Development, Tourism Hamilton – were consulted to ensure uses are consistent with their strategic objectives.

Corporate Services Department – Corporate Assets & Strategic Planning was consulted for revenue allocation.

### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

The offer submitted by Brendon Coulter and Valerie Cousens meets all of the pre-defined criteria set by the city for leasing the space including;

1. Term: 1 year + 2 x two year renewal options
2. Meets Portfolio Management Committee's preference criteria as noted in the Historical Background Section of this report.
3. Meeting and respecting the heritage nature of the building
4. Financial criteria - fair market rates and recovery of operating costs
5. Landlord's Work - minimal work to install missing baseboards
6. Risk Management - although a start-up company, the risk is off-set by the contribution to the community revitalization and demonstrates the city's commitment to supporting the local art community

7. Other Criteria - synergies with other two new tenants (Mezza Caffé and 28 Lister Restaurant) that will also feature local art work. Excellent fit with Tourism Hamilton and Art Crawls
8. Fit-up period: 30 days from Council approval

The rates in this lease are well within estimated market rates for current market conditions. Staff used several sources of information to determine market rates including analysing asking lease rates for comparable space currently available and referring to the Pocrinic Realty Advisors Inc. consultant study commissioned by the city in 2011.

### **ALTERNATIVES FOR CONSIDERATION**

Unit #114 has some limitations that prevent it from being readily leasable, including that it is in the interior of the Arcade space (no street entrance) and the shape of the unit is long and narrow, which restricts and reconfiguration of the space. Lastly, the square footage available is 480 sq. ft., thus making the rent revenues to minor to warrant the significant investment requirement of bringing amenities, such as plumbing, to the space.

Over the last year, staff has entertained numerous possible tenants including a credit union, a watch repair shop, a discount goods shop and most recently an architect's/interior designer office. In each case, the business case was proven not viable either for the tenant or the City.

### **ALIGNMENT TO THE 2012 - 2015 STRATEGIC PLAN**

#### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

#### **Strategic Objective**

- 1.1 Continue to grow the non-residential tax base.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

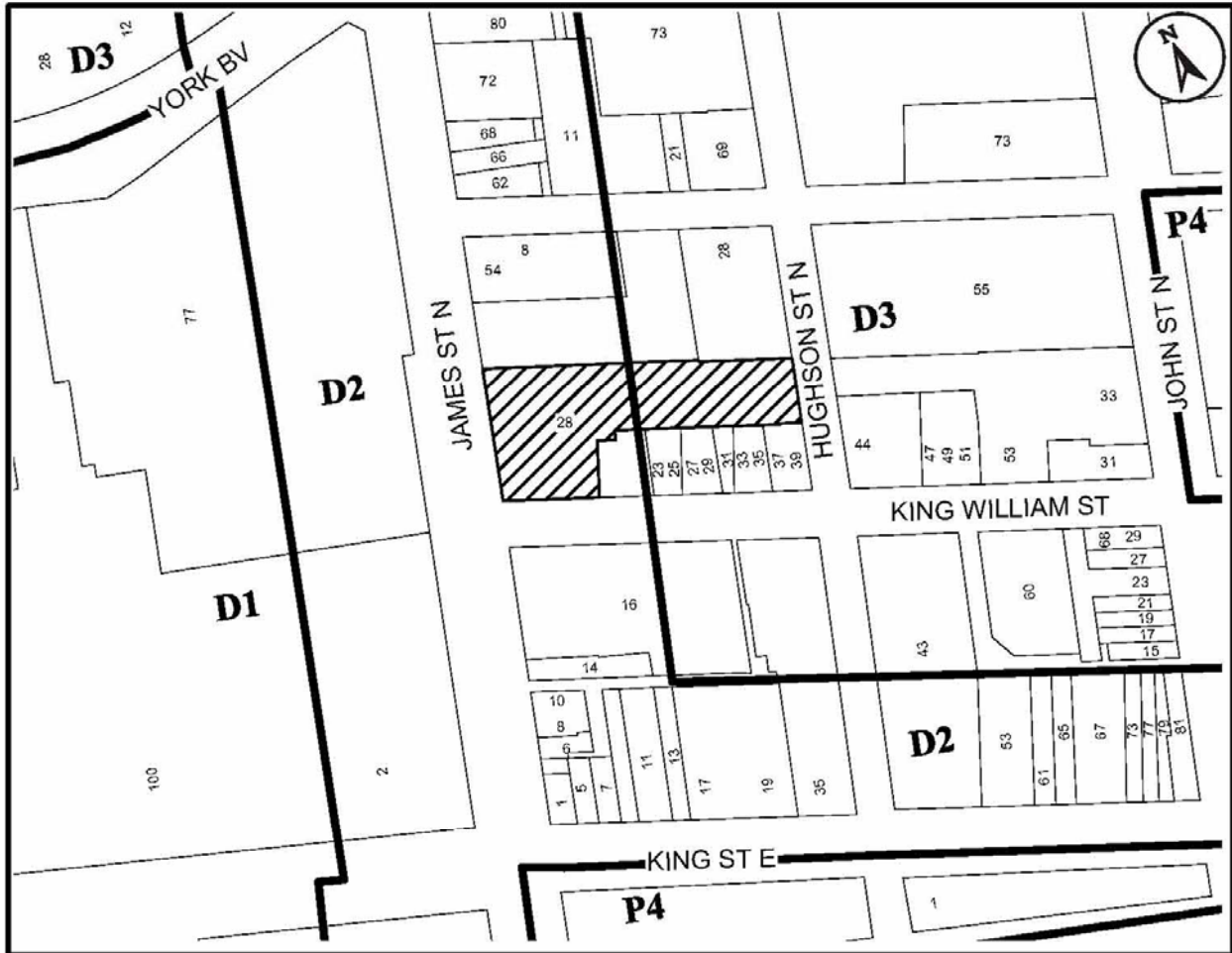
### **APPENDICES / SCHEDULES**

Appendix "A" - Unit Location within building

Appendix "B" - Location Map

# Lister Block Arcade Space - Unit 114





## Location Map

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number: 28 James St N	Date: March 6, 2013
Appendix "A"	Scale: N.T.S.
Planner/Technician: DD/NB	

**Subject Property**

28 James Street North, Hamilton  
Lister Block

Lease of Unit#114 to Lister Arts - A  
Collection of Local Artists

Ground Floor 480 sq. ft.

N.T.S.