



Hamilton

CITY OF HAMILTON

PUBLIC WORKS DEPARTMENT
Corporate Assets and Strategic Planning Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: WARD 2
COMMITTEE DATE: February 6, 2013	
SUBJECT/REPORT NO: Lease - Lister Block, 28 James Street North, Unit #104, Hamilton (Ward 2) - (PW13008)	
SUBMITTED BY: Gerry Davis, CMA General Manager Public Works Department	PREPARED BY: Rom D'Angelo Director, Facilities Management & Capital Programs (905) 546-2424, Extension 4617
SIGNATURE:	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 Mezza Caffè Inc. for the property known as 28 James Street North, Unit 104 (also known as Lister Block), subject to the following terms:
 - (i) Term: Five (5) years commencing March 1, 2013, and terminating on February 28, 2018 with a five year renewal option.
 - (ii) Property: Lister Block, 28 James Street North, Unit 104, comprising of 852 sq.ft gross rentable area as shown on Appendix "A" to Report PW13008. The space will be leased on an "as is" basis with finishing subject to heritage restraints and building permits as applicable.
 - (iii) Rental Rate:
 - Year 1: \$15.00/sq.ft. net (\$1,065.00/mth or \$12,780.00 annum)
 - Year 2: \$17.50/sq.ft. net (\$1,242.50/mth or \$14,910.00 /annum)
 - Year 3: \$20.00/sq.ft. net (\$1,420.00/mth or \$17,040.00 /annum)
 - Year 4: \$20.50/sq.ft. net (\$1,455.00/mth or \$17,466.00 /annum)
 - Year 5; \$21.00/sq.ft. net (\$1,491.00/mth or \$17,892.00 /annum)

Percentage Rent (5%) will take effect after year 3 when 5% of the Gross Revenues exceeds the annual base rent payments.

- (iv) Parking: 1 parking spot will be provided to tenant at no additional cost.
 - (v) Operating Costs: In addition to base rent operating costs will be payable (estimated at \$12.00/ sq.ft for 2013). In addition Tenant pays for utilities.
- (b) That all rent be credited to account 791550-46010.
- (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 3 units for lease at the Lister Block. The successful Broker was Blair Blanchard Stapleton Limited. Marketing took place through the 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. All offers were received and held until the closing of the listing agreement with the Broker.

Upon closing, all offers were considered together in order to follow a fair and competitive process as well as to ensure non-competitive uses between the multiple tenancies.

The number of offers submitted for each unit is as follows:

- 3 offers were received for Unit #104
- 4 offers were received for Unit #106
- 0 offers were received for Unit #114

This report deals only with unit #104. The lease for unit #106 will be submitted to council for approval under a separate report once a suitable proponent is selected through the on-going negotiations.

This report seeks council's direction to permit Mezza Caffe Inc. to enter into a lease agreement for the space at 28 James Street North, Unit 104, in the Lister Block.

Mezza Caffe will offer coffee and other beverages, as well as, healthy light lunches including salads, soups and sandwiches in both a sit down and take out environment. They will also offer high end coffee machines and coffee accessories for sale. The cafe will seat 29 people.

The use for the space will be a cafe which conforms with the preferred use and criteria established by the Portfolio Management Committee on March 18, 2010.

Mezza Caffe is recommended for council approval, after having been selected from three proponents that submitted offers on the space.

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Mezza Caffè currently operates a similar café at 1142 Wilson St. West, Ancaster, which has been open since 2011 and will remain open as the central location for the preparation of baked goods that will be delivered to the Lister Block Location. They also have seven other locations in Venezuela.

Alternatives for Consideration - See Page 5

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: The tenant will pay monthly base rent as well as operating costs that will escalate annually over a five year term.

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 has an additional 5,700 sq.ft. of space on the ground floor that is to be leased out. There are 5 units of various sizes.

Uses for these areas were contemplated in March of 2010 by the city's Portfolio Management Committee 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"

In March 2012, Council approved leasing two of the units, a total of 1,115 sq.ft. to the Hamilton, Halton Brant Regional Tourist Association (HHBRTA) at gross rent of \$20.00 per sq.ft. (\$27,000 /annum) for 5 years.

The three units remaining to be leased are described as follows:

Unit #104 -852 sq.ft. with street access to King William Street

Unit #106 -3542 sq.ft with street access to King William and James St. North

Unit #144 -452 sq.ft. on north side of building with access only to the interior arcade

POLICY IMPLICATIONS

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

Community Services, Strategic Services
City Manager's Office, Legal Services
Portfolio Management Committee
Senior Management Team
Planning and Economic Development, Real Estate

ANALYSIS / RATIONALE FOR RECOMMENDATION

The offer submitted by Mezza Caffè meets all of the pre-defined criteria set by the city for leasing the space including;

1. Term: 5 Years plus 5 year renewal option
2. Portfolio Management Committee's preference for use -restaurant services
3. Meeting and respecting the heritage nature of the building image –café image and design layout are suitable
4. Financial criteria including - no capital investment by city, market rate rents with escalations, percentage rent at 5%, operating costs to be paid by tenant
5. Landlord's Work - none
6. Risk Management - healthy lease covenant, excellent credit and references
7. Experience - proven experience in food services/ customer service and business operations
8. Other Criteria - healthy, local foods, moderately priced, recycling, suitable hours
9. Fit-up period: 3 months

Market rates are estimated based on various sources of information including the Pocrinic Realty Advisors Inc. consultant study commissioned by the city in 2011.

In addition staff worked with the retained brokerage firm (Blair Blanchard Stapleton Limited) and had marketed the premises with a net range of \$20.00 to \$25.00/sq.ft net plus operating costs of \$12.00 /sq.ft.

The rents offered by Mezza Caffe are within the City's market research numbers noting that Mezza will complete all the fitup work. Mezza's net rents range from \$15.00 to \$21.00 /sq.ft. over the 5 year term with a percentage rate of 5% after year 3 when the 5% of the Gross Revenues exceeds the annual base rent payment. In addition, all operating costs will be paid at \$12.00/sq.ft. (2013 estimate) and the tenant will pay for utilities.

Lastly, there will be between 4 and 6 net new jobs created within the community.

ALTERNATIVES FOR CONSIDERATION

In addition to the offer being recommended for unit #104 in this report, PW13008, there were two other offers considered; (1) Joseph's Hair Salon; and (2) Café Oranje. Mezza Caffe met all the criteria and the leasing requirements set out by the Portfolio Management Committee and provided the city with the most favourable financial package.

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization

- An excellent use for a small retail space fronting King William Street. Use will meet the needs of building occupants for light meals and beverages.

Financial Sustainability

- Five year steady rental revenues.

Growing our Economy

- Tenant is opening a second Hamilton based location. Four to six new jobs for the local community.

Social Development

- A new option for downtown community to gather for a meal or beverage and socializing.

Healthy Community

- A new option and healthy competition.

APPENDICES / SCHEDULES

Appendix "A" - Location Map

Appendix "B" - Unit Location within Building

APPENDIX "A"
REPORT PW13008



● Location



Ward 2 Key Map

N.T.S.

Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:
28 James St N

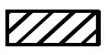
Date:
January 14, 2013

Appendix "A"

Scale:
N.T.S.

Planner/Technician:
DD/NB

Subject Property

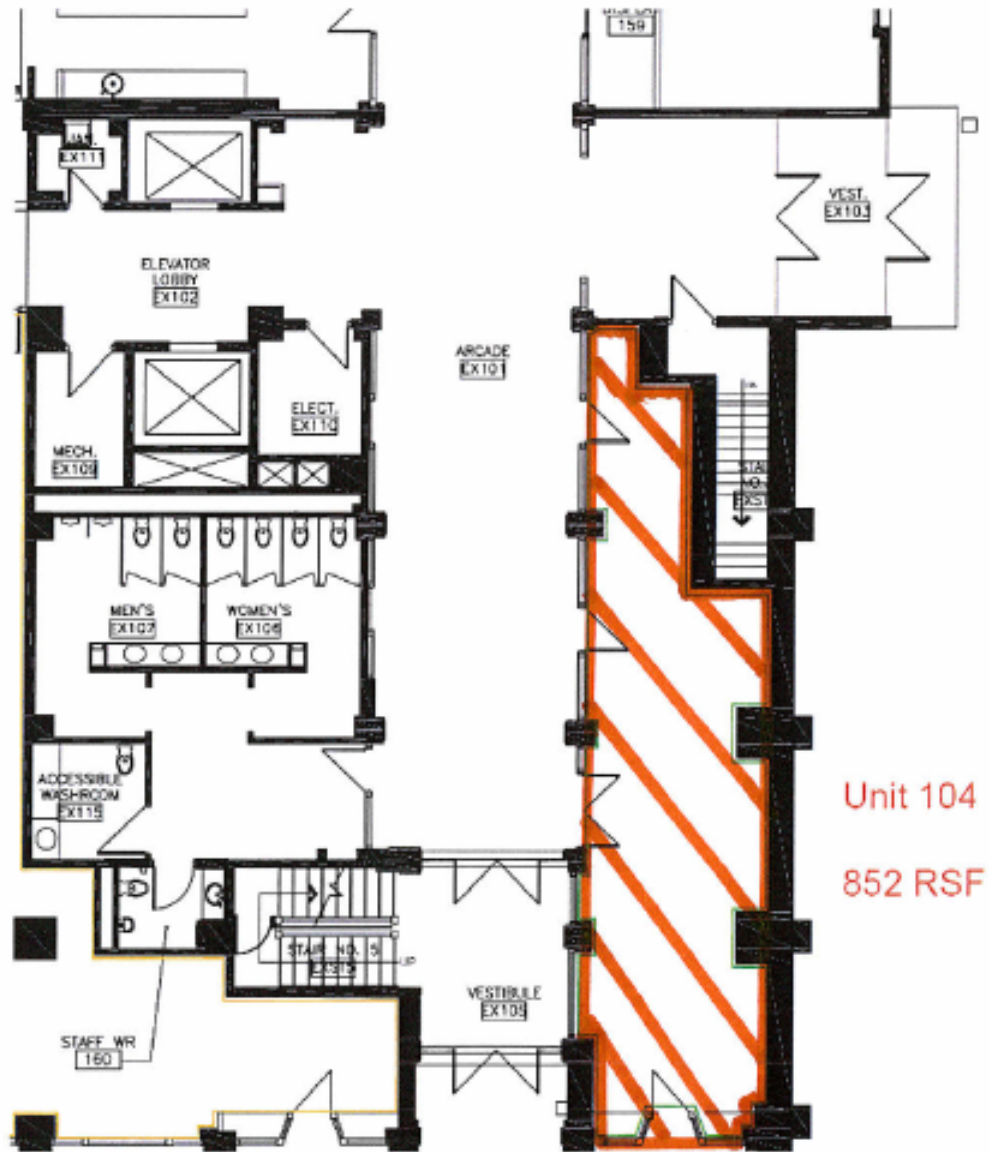


28 James Street North, Hamilton
Lister Block

Lease to Mezza Coffe

Ground Floor Unit # 104
Unit size 852 sq ft

Unit#104 - Location within Building



Unit 104
852 RSF