



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
*Economic Development Division*

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	May 6, 2015
<b>SUBJECT/REPORT NO:</b>	Office Tenancy Assistance Program, High Romance Music Inc. – 23 Griffin Street, Waterdown, (PED15049) (Ward 15)
<b>WARD(S) AFFECTED:</b>	Ward 15
<b>PREPARED BY:</b>	Hazel Milsome (905) 546-2424 Ext. 2755
<b>SUBMITTED BY:</b>	Jason Thorne General Manager Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That a conditional loan commitment totalling \$43,985.25 for High Romance Music Inc. (Geoff Kulawick, Harvey Glatt, Michael Pilon) the owner of the company leasing office space at 23 Griffin Street, Waterdown, be authorized and approved under the Office Tenancy Assistance Program in accordance with the Program’s terms and conditions;
- (b) That the Mayor and City Clerk be authorized and directed to execute the Loan agreement together with any ancillary documentation required, to effect recommendation (a) of Report PED15049, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized to approve and execute any loan amending agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions of the Office Tenancy Assistance Program, as approved by City Council, are maintained.

**EXECUTIVE SUMMARY**

The Office Tenancy Assistance Program (OTAP) application for office tenant improvements at 23 Griffin Street, Waterdown was submitted by High Romance Music Inc. (Geoff Kulawick, Harvey Glatt, Michael Pilon). The company is proposing to lease space at 23 Griffin Street, Waterdown and undertake leasehold improvements on 2,000 square feet of office space. The property was formerly owned and occupied by Barnard & Speciale Interior Design and has a gross building floor area of 5,401 square feet.

High Romance Music Inc. is currently located in Burlington and will relocate its office and six employees to Hamilton. A related company, Linus Entertainment Inc., will occupy 2,000 square feet of the same building and has also applied for a loan under the Office Tenancy Assistance Program. The recommended loan for Linus Entertainment is detailed separately in Report PED15050.

The loan is based on the lesser of 90% of leasehold improvement costs (total leasehold improvement costs are estimated at \$48,872.50) or, the square foot (in this case 2,000 square feet) multiplied by \$25 (as the term of the lease is five years). The lesser amount of the above two formulae is 90% of the leasehold improvements or, \$43,985.25.

The loan may be advanced in up to three stages, upon 50%, 75% and 100% completion of improvements based on 90% of the eligible leasehold improvement costs incurred as evidenced by copies of paid invoices.

Loan repayment will commence following the final advance of the loan and no later than four months following the first advance. The loan will be repaid over a five-year term at 1% below the prime rate as established by the Royal Bank of Canada. The rate will be established at the time of the first advance of the loan by the City and reset annually on the anniversary date of the first advance.

***Alternatives for Consideration – See Page 5***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** Loans provided through the Office Tenancy Assistance Program will be funded by creating a receivable on the City's balance sheet. As loan repayments are made, the receivable is reduced. Funding provided through the Urban Renewal Section's program budget (Capital Project #8201003001) is used to subsidize the interest rate charged on the loans which is the difference between Royal Bank of Canada Prime Rate minus 1%, and the five-year borrowing rate for the City plus 25 basis points.

**Staffing:** Administration of the Office Tenancy Assistance Program can be accommodated within the Urban Renewal Section of the Planning and Economic Development Department as well as the Finance and Administration Section of the Corporate Services Department.

**Legal:** Section 28 of the *Planning Act* permits a municipality, in accordance with a Community Improvement Plan, to make loans and grants which would otherwise be prohibited under Section 106(2) of the *Municipal Act*, to registered / assessed owners and tenants of lands and buildings. A Community Improvement Plan can only be adopted and come into effect within a designated Community Improvement Project Area. Changes to a Community Improvement Plan or Community Improvement Project Area

require formal amendments, as dictated by the *Planning Act*. The Downtown and Community Renewal Community Improvement Plan and Project Area, provides the authorization for the City to offer loans under the Office Tenancy Assistance Program.

Prior to the first advance of funding from the City, the applicant will be required to execute a Loan Agreement and General Security Agreement. All documents and required searches will be developed and undertaken in consultation with Legal Services.

As projects move forward, it is sometimes necessary to amend previously approved loan agreements and any ancillary documentation. Therefore, staff recommends that the General Manager of Planning and Economic Development be authorized to amend loan agreements and any ancillary documentation, provided that the terms and conditions of the OTAP are maintained.

## **HISTORICAL BACKGROUND**

City Council, at its meeting held March 10, 2010, approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced the Office Tenancy Assistance Program (formerly titled the Hamilton Downtown Office Tenancy Assistance Program), a program that provides a low-interest loan to either building owners or tenants for eligible leasehold improvements to office buildings. Initially the Program was offered to office buildings located within the Downtown Hamilton Community Improvement Project Area only. Since that time, a number of Program refinements have been approved by City Council, the most recent amendment being the expansion of the Program to Community Downtowns, the Mount Hope / Airport Gateway, Business Improvement Areas and the corridors of Barton Street and Kenilworth Avenue, as identified in the Downtown and Community Renewal Community Improvement Project Area.

The intent of the Program is to facilitate the increased attractiveness and marketability of the office stock, reduce the office vacancy rate by attracting new office tenants and owner-occupied office uses from outside the City, and assist existing businesses to expand.

The proposed project at 23 Griffin Street, Waterdown, is an eligible project under the terms of the OTAP.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### Urban Hamilton Official Plan

The subject lands have the following designations in the Urban Hamilton Official Plan “Mix Use – Medium Density” in “Schedule E-1 – Urban Land Use Designations” and “Community Node” in “Schedule E – Urban Structure”.

The Mixed-Use Medium Density designation is generally found within the Community Nodes and permits a full range of retail, service commercial, entertainment, and residential accommodation at moderate scale. The designation recognizes traditional mixed use main streets which are to serve the surrounding community or a series of neighbourhoods and intended to evolve and intensify into mixed use, pedestrian oriented areas.

The former downtown of Waterdown is recognized as a Community Node. A range of uses are permitted within Community Nodes which include housing, employment, services and recreation. The function of Community Nodes is intended to provide services to residents within the former area municipalities and surrounding neighbourhoods in a mixed use environment.

### Town of Flamborough Zoning By-law No. 90-145-Z

The subject lands are within the Business District Zone – BD. The proposed music company offices are permitted.

## **RELEVANT CONSULTATION**

Staff from the Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager’s Office, were consulted and concur with the recommendations included in Report PED15049.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Supporting documentation to the application included audited financial statements of the applicant to support the applicant’s capacity for loan repayment. Bankruptcy searches on the corporation and its shareholders were also undertaken as well as a credit check on the corporation. Upon review of the documentation and the results of the searches, staff is satisfied that the applicant has the financial capacity to repay the loan.

Staff also undertook due diligence with respect to undertaking a search to determine whether the applicant or shareholders of the corporation are in litigation with the City of Hamilton, whether property taxes are paid current, and whether there are any Building Code, Fire Code or Property Standard violations outstanding on the property. There were no issues with the aforementioned.



*23 Griffin Street, Waterdown*

Appendix “A” to Report PED15049 identifies the location of the property within the Waterdown Business Improvement Area.

## **ALTERNATIVES FOR CONSIDERATION**

### **Decline the Loan**

Declining the loan could terminate or delay the project. This alternative is not recommended.

### **Approved a Reduced Loan Amount**

Council may decide to approve a reduced loan amount. This would compromise the intent of the OTAP, as well as undermine the renewal efforts in general. This alternative is not recommended.

**Financial:** A loan totalling approximately \$43,985.25 would not be issued.

**Staffing:** Not applicable.

**Legal:** Not applicable.

## **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.
- 1.5 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).

**Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.3 Enhance customer service satisfaction.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PED15049 - Location Map

HM/dkm