



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	August 10, 2015
SUBJECT/REPORT NO:	Office Tenancy Assistance Program, McMaster University's Downtown Accelerator Program – 245 James Street North, Hamilton (PED15063(a)) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Hazel Milsome (905) 546-2424 Ext. 2755
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That a conditional forgivable loan commitment totalling \$38,505 for McMaster University, the tenant leasing office space at 245 James Street North, Hamilton, attached as Appendix “A” to Report PED15063(a), be authorized and approved under the Office Tenancy Assistance Program (OTAP) in accordance with the Program’s terms and conditions;
- (b) That in order to earn forgiveness of the loan as recommended in Recommendation (a) of Report PED15063(a), McMaster University must occupy the space to which the loan was used for leasehold improvements for a 36 month period and the forgiveness will not be prorated if McMaster University vacates the space prior to the 36 month period;
- (c) That the Mayor and City Clerk be authorized and directed to execute the Loan Agreement together with any ancillary documentation required, to effect Recommendations (a) and (b) of Report PED15063(a) in a form satisfactory to the City Solicitor;

- (d) 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

McMaster University had originally planned to locate their Downtown Accelerator at 109 James Street North; however, due to significant delays in completing building improvements at 109 James Street North, McMaster is now locating its Downtown Accelerator Program to 245 James Street North. City Council, at its meeting held May 27, 2015, approved a forgivable loan commitment under the Office Tenancy Assistance Program to McMaster University for their Downtown Accelerator Program when it was to be located at 109 James Street North (Report PED15063). The application for 109 James Street North has been cancelled.

The Office Tenancy Assistance Program (OTAP) application for office tenant improvements at 245 James Street North, Hamilton, was submitted by McMaster University. McMaster University is proposing to lease space for its Downtown Accelerator Program at 245 James Street North, Hamilton, and to have leasehold improvements undertaken on 2,567 square feet of office space. The property is currently vacant.

The McMaster Downtown Accelerator Program is an incubator for young cultural and social innovators and will assist in launching and growing businesses based in Hamilton in the following sectors; digital media and information communication technology, tourism and culture, education and life sciences and advanced health.

The incubator will have ongoing activities that engage and educate aspiring young entrepreneurs and will host a formal accelerator program intended to grow companies. There will be three to five employees working at the location, along with 10 - 20 incubated companies per year.

The Office Tenancy Assistance Program allows for a forgivable loan versus a loan when an applicant is a not-for-profit publicly-funded educational establishment that is establishing its presence in Downtown Hamilton. The McMaster Downtown Accelerator Program meets those terms.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

- Financial:** Forgivable loans provided through the Office Tenancy Assistance Program are funded through the Urban Renewal Section's Capital Project #8201203201. Funds are currently available in this project account.
- 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.

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 to assist existing businesses to expand. An additional objective of the program is to encourage educational establishments to establish a presence in Downtown Hamilton.

The proposed project at 245 James Street North, Hamilton, is an eligible project under the terms of the OTAP.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject lands are municipally known as 245 James Street North, Hamilton, and are designated as “Downtown Urban Growth Centre” and “Primary Corridor” in Schedule “E” – Urban Structure and as “Mixed Use – Medium Density” in Schedule “E-1” – Urban Land Use Designation.

The function of the “Downtown Urban Growth Centre” is a significant node as a result of scale, density, range of uses, function and identity by residents. It is to be planned for a range of uses appropriate to its role as the City’s pre-eminent node. The Growth Centre is anticipated to accommodate 20% of the City’s residential intensification over the span of the Plan as well as 100,000 square metres of retail floor space.

This designation permits residential uses and some commercial uses. This designation provides policy with respect to encouraging higher density housing forms to be integrated with business uses which include retail and service commercial establishments on the ground floor. The primary goal is to ensure that development or redevelopment is well designed to accommodate the pedestrian environment through good urban design principles.

The “Primary Corridor” designation shall link two or more nodes, major activity centres or employment areas. They function as commercial spines providing retail stores and commercial services that cater primarily to the weekly and daily needs of residents as they will have higher order transit.

The proposal conforms with these policies.

West Harbour Secondary Plan

The subject lands are designated as “Prime Retail” in the West Harbour Secondary Plan – Land Use Plan Map B.6.5-1.

Policy 6.5.3.19 provides policy for “Prime Retail” which encourages mixed use development with ground floor, street-related commercial and community uses. The policy also promotes ground floor uses including retail stores, restaurants, take-out restaurants, business and personal services and/or professional offices. Development proposals within the “Prime Retail Streets” designation shall have ground floor façades that are designed with doors or windows open to the street.

This is a comprehensive Secondary Plan with other applicable policies including but not limited to urban design initiatives and guidelines not only for building design but also for the proposed building’s interface with James Street North. These policies are further

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outlined in Policy 6.5.5.2 “Streets and Road Network Policies” and 6.5.7 “Urban Design Policies”.

Cultural Heritage policies identified under Policy 6.5.6 would also apply to the proposed development. In this regard, the proposed design would need to respect the existing built heritage of the area through built form. The subject lands are listed in the City's Inventory of Architecturally / Historically Significant Buildings. The City's Cultural Heritage Planner needs to be contacted as the proposed façade improvements may necessitate the need for a Cultural Heritage Assessment.

The proposal is considered to be consistent with these policies.

Hamilton Zoning By-law No. 6593

The subject lands are zoned as “H” (Community Shopping and Commercial) District. The proposed business incubator would contain business and professional offices or consultative uses, which are permitted under the current zoning by-law regulations.

RELEVANT CONSULTATION

Staff from the Finance and Administration Division, Corporate Services Department were consulted and concur with the recommendations included in Report PED15063(a).

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

Supporting documentation to the application included annual financial reports of the Applicant to support the Applicant's capacity for loan repayment. Upon review of the documentation, staff are satisfied that the Applicant has the financial capacity to repay the loan if required.

Staff also undertook due diligence with respect to whether property taxes are paid current, and whether there are any Building Code, Fire Code or Property Standard violations outstanding on the property. Taxes were paid current and there were no violations on the property.

The forgivable loan is based on the lesser of 90% of leasehold improvement costs (total leasehold improvement costs are estimated at \$52,648.96) or, the square foot (in this case 2,567 square feet) multiplied by \$15 (as the term of the lease is three years). The lesser amount of the above two formulae is the square foot (2,567) multiplied by \$15 or, \$38,505. The forgivable loan will be based on earning 100% of the forgivable loan at the end of the 36th month of occupancy by McMaster of 245 James Street North. Forgiveness of the loan will not be prorated if McMaster vacates the property prior to a 36 month occupancy. Should McMaster vacate the property prior to the end of the 36th

month, the loan will be considered in default and interest will be such tax arrears interest rate as may be established by Council from time to time.

The loan may be advanced in up to three stages, upon 50%, 75% and 100% completion of improvements. Advances will be based on copies of paid invoices.

Appendix "A" to Report PED15063(a), attached, identifies the location of the property within the Downtown Hamilton Community Improvement Project Area.

ALTERNATIVES FOR CONSIDERATION

Decline the Loan

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

Approve 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 forgivable loan totalling approximately \$38,505 would not be issued.

Staffing: N/A

Legal: N/A

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous and 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 and 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" - Location Map

HM/hk