



INFORMATION REPORT

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	September 1, 2015
SUBJECT/REPORT NO:	3210 Homestead Drive, Mount Hope (PED15131) (Ward 11) Outstanding Business List
WARD(S) AFFECTED:	Ward 11
PREPARED BY:	John Hamilton 905-546-2424 Ext. 7045
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

Council Direction:

City Council, on May 14, 2014, approved Planning Committee Report 14-010, Item 5.9, directing the Real Estate Section of the Planning and Economic Development Department to pursue available options respecting the possible property acquisition of the leased 447 Wing Royal Canadian Air Force Association (RCAFA) property located at 3210 Homestead Drive, Mount Hope and to report back to City Council.

Information:

The RCAFA had requested the City to purchase the third-party owned property at 3210 Homestead Drive and lease it back to RCAFA for a long term at nominal consideration. This parcel measures 1.83 acres in size with a two storey building that is 70+ years old and is in fair condition. The second storey contains three self-contained apartment units.

Real Estate staff met with Bill and Margaret Grahman – President and Treasurer respectively of the RCAFA, to discuss their occupancy needs and abilities. The group operates a restaurant under lease at 3210 Homestead Drive, which they have occupied for six years following displacement from space at the Hamilton Airport. The restaurant occupies 5,516 square feet on the main floor and has use of 4,210 square feet in the basement along with 38 outdoor parking spaces. The lease has been on overhold since April 30 2014; the RCAFA pays rent at market rate, plus 75% of all utilities. The RCAFA confirms that it has difficulty in meeting its rental obligations and expenses, and has spent time and expense on renovating the restaurant area.

The current use of the property does not reflect its highest value; Real Estate staff has been advised that the rental amount is sufficient for the owners to pay the mortgage. During a meeting held on July 7, 2015, the property owners stated they have no desire to sell the property at this time as it is being held as a long-term investment for redevelopment. Similar types of properties along Upper James Street, south of Rymal Road have sold in the \$1.5 million range.

Given the organizational and financial difficulties at the RCAFA, staff deems it a risk to recommend acquiring this property at a speculative price.

Real Estate staff has also explored the possibility of relocating the RCAFA to alternative locations. Suitable property has not been found within a reasonable distance of Mount Hope. Rental properties were examined but initial fit-up costs between \$100,000 - \$200,000 are beyond the reach of the RCAFA.

RCAFA has determined that due to its extensive investment in renovations, time and effort to improve the property and developing clientele, it would be beneficial to remain in their current location. Mr. and Mrs. Grahlman understand the need for greater membership engagement in the Club's operations and recognize that the RCAFA should renew its lease to assure continued operation of the Club.

Additionally, staff in Real Estate reviewed the existing lease terms and provided RCAFA with clarity on tenant and landlord responsibilities, recommending that the RCAFA retain a lawyer to review the lease contract. Real Estate staff also provided suggestions for the RCAFA to consider in its lease renewal negotiations.

Finally, RCAFA has been advised that the Real Estate Section does not find a compelling case to recommend the City acquire the subject property.

JH/sd