



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	April 17, 2019
SUBJECT/REPORT NO:	Office Tenancy Assistance Program - 286 Sanford Avenue North, 3 rd Floor, Hamilton (PED19021) (Ward 3)
WARD(S) AFFECTED:	Ward 3
PREPARED BY:	Carlo Gorni (905) 546-2424 Ext. 2755
SUBMITTED BY:	Glen Norton Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a conditional loan commitment totalling \$250 K for 2580922 Ontario Inc. (Meir Dick and Ray Hutton) the owner of the subject property leasing office space at 286 Sanford Avenue North, 3rd Floor, Hamilton, 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 PED19021, 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 286 Sanford Avenue North, 3rd Floor, Hamilton was submitted by

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2580922 Ontario Inc. (Meir Dick and Ray Hutton), carrying on business as Arthouse Commercial Concepts GP. The applicant is proposing to carry out renovations at 286 Sanford Avenue North, 3rd Floor, Hamilton to create new co-working space that can be used by new and small businesses who require and can use such facilities to establish and expand their business. A lease has been signed with Branch HQ Inc. who will use the space for this purpose. This space will include a business centre to allow for collaboration and networking between the businesses using the space and the hosting of other business functions including meetings with outside clients.

The tenant will undertake leasehold improvements on 10,000 square feet of office space on the 3rd floor of the building. Prior to these extensive renovations being undertaken on the building, it had been vacant for a number of years.

McCallum Sather Architects will occupy 10,000 square feet of the same building on the 2nd floor. 2580922 Ontario Inc. has also applied for a loan under the OTAP for this part of the subject property. The recommended loan for this application is detailed separately in Report PED19020.

Except in cases where the application is from an owner not involving a lease, the loan is based on the lesser of 90% of leasehold improvement costs or the square foot (in this case 10,000 square feet) multiplied by a dollar amount that corresponds to the term of the lease.

The estimated leasehold costs are \$659,500. Ninety percent of these costs is \$593,550. The lease is for 10,000 square feet for a five-year period. At this lease term, the floor area to be leased is multiplied by \$25 for a total of \$250 K. Therefore, the recommended loan is for \$250 K.

The loan may be advanced in three stages, upon 50%, 75% and 100% completion of eligible leasehold improvements.

The loan may be advanced as follows:

- (i) at the 50% completion stage the amount advanced shall equal the amounts invoiced for eligible improvements less 10% up to a maximum amount of 50% of the Loan amount;
- (ii) at the 75% completion stage the amount advanced shall equal the amounts invoiced for eligible improvements less 10% up to a maximum of 25% of the Loan amount; and,

- (iii) at the 100% completion stage the amount advanced shall equal the amounts invoiced for eligible improvements less 10% up to a maximum of 25% of the Loan amount.

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. The loan interest rate will be 0% for the repayment term.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Loans provided through the OTAP 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 No. 8201703100 is used to subsidize the interest expense. The estimated interest cost to the City over the five-year period is \$43,750.00. As of March 1, 2019, Capital Project No. 8201703100 which is used to subsidize the interest rate charged on loans had a balance of \$106,623.81.

Staffing: Administration of the OTAP 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 OTAP.

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 OTAP (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 286 Sanford Avenue North, 3rd Floor, 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 286 Sanford Avenue North and are designated as “Employment Lands” in Schedule “E” – Urban Structure and as “Industrial Land” on Schedule “E-1” – Urban Land Use Designation. The use of the property conforms to the above designations.

Zoning By-law No. 05-200

The subject property is zoned Light Industrial (M6) Zone. The proposed use of an office is permitted.

Built Heritage

The property is designated under Part IV of the *Ontario Heritage Act* by municipal by-law 88-202 as a property of cultural heritage value.

Site Plan Control

The property is subject to site plan control as such development or redevelopment of the property may be subject to site plan control.

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 PED19021.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Bankruptcy searches on the corporation and its shareholders were undertaken. Upon review of this and other documentation, 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.



286 Sanford Avenue North, Hamilton

Appendix “A” to Report PED19021 identifies the location of the property.

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 \$250 K would not be issued.

Staffing: N/A

Legal: N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A”-Location Map

CG:dt