



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	January 17, 2018
SUBJECT/REPORT NO:	Office Tenancy Assistance Program – 96 MacNab Street North, Hamilton (PED18025) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Lisa Browett (905) 546-2424 Ext. 7519
SUBMITTED BY:	Glen Norton Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a conditional loan commitment totalling \$99,325 for 2461473 Ontario Inc., carrying on business as Cubicle Fugitive (Kalvin MacLeod, Morgan MacLeod), the owner of the property at 96 MacNab Street North, 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 PED18025, 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 96 MacNab Street North, Hamilton, was submitted by 2461473 Ontario Inc., carrying on business as Cubicle Fugitive (Kalvin MacLeod, Morgan MacLeod). The Army and Navy Veterans Society will continue to occupy the ground floor of 96 MacNab Street North. 2461473 Ontario Inc., carrying on business as Cubicle Fugitive

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will be establishing a new office on the second floor of the building, moving their existing offices in Burlington to Downtown Hamilton. Total square footage for the office space to be occupied by 2461473 Ontario Inc., carrying on business as Cubicle Fugitive is 3,973 square feet.

The loan is based on the lesser of 90% of leasehold improvement costs (total office leasehold improvement costs are estimated at \$400,000) or, the square foot (in this case 3,973) multiplied by \$25. The lesser amount of the above two formulae is 3,973 feet x \$25 per foot, or \$99,325.

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 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 #8201703100) is used to subsidize the interest expense. The estimated interest cost to the City over the five-year period is \$16,140.31. As of November 2, 2017 Capital Project 8201703100 which is used to subsidize the interest rate charged on loans had a balance of \$81,716.00.

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.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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). Initially the Program provided a low-interest loan to either building owners or tenants for eligible leasehold improvements to office buildings located within the Downtown Hamilton Community Improvement Project Area. Since that time, City Council has approved refinements to expand 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 and to offer a zero interest loan rather than low interest loan as an added incentive to encourage office use.

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 usage from outside the City, and assist existing businesses to expand.

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The proposed project at 96 MacNab 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 96 MacNab Street North and are designated as “Downtown Urban Growth Centre” in Schedule “E” – Urban Structure and as “Downtown Mixed Use Area” on Schedule “E-1” – Urban Land Use Designation.

Downtown Hamilton Secondary Plan

The lands are designated Local Commercial in Map B.6.1-1 – Land Use Map. This designation shall accommodate sidewalk oriented service and retail activities geared to the daily needs of area residents. The proposed Office use would conform.

Zoning By-law No. 05-200

The subject property is zoned Downtown Local Commercial (D4) Zone. The proposed use of an office is permitted.

Built Heritage

The property is included in the City of Hamilton’s Register of Property of Cultural Heritage Value or Interest as a non-designated property.

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 PED18025.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Supporting documentation to the application included financial statements of the applicant to support the applicant’s capacity for loan repayment. A bankruptcy search was undertaken on the directors of the corporation and 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 director 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.

The map, attached Appendix “A” to Report PED18025, 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 \$99,325 would not be issued.

Staffing: Not Applicable

Legal: Not Applicable

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.

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED18025 - Location Map

LB/dt