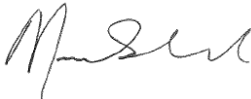




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	October 18, 2023
SUBJECT/REPORT NO:	Downtown Hamilton Office Report Update (PED23081(a)) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Karol Murillo (905) 546-2424 Ext. 7859
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the terms for the Commercial Vacancy Assistance Program, being Appendix “I” to the Revitalizing Hamilton’s Commercial Districts Community Improvement Plan, be amended as contained in Appendix “A” to Report PED23081(a);
- (b) That the Commercial Vacancy Assistance Program otherwise scheduled to cease on October 22, 2023, be made permanently available;
- (c) That staff be directed to continue engagement with downtown office landlords and property owners to discuss the feasibility of expanding and introducing new office-related incentive programs in the Downtown Hamilton Community Improvement Project Area;

EXECUTIVE SUMMARY

This Report provides an overview of the seven actions from the Downtown Hamilton Office Report PED23081 presented at the General Issues Committee on June 14, 2023. Council approved seven actions to address and advance the recovery of Downtown Hamilton’s office market.

Action 1 focused on launching the Downtown/West Harbour Coordinating Committee. This Committee was restarted with senior leadership in all departments and divisions who work to enhance the downtown business community. An early win from this group includes collaboration with staff from the Planning and Economic Development and Public Works Departments resulting in upgraded service level enhancements to improve the overall cleanliness and appearance of the Downtown.

Action 2 and Action 3 centred on reviewing existing municipal incentives to maintain a healthy office market. One opportunity did emerge within an existing program – Commercial Vacancy Assistance Program - that could be made permanent while continuing to support at-grade commercial occupancy with expanded uses. Due to the uncertainty in the office market, staff will directly engage with downtown office landlords to discuss and test the feasibility of new office-related incentive programs. Action 3 was achieved as Council approved a new program focused on vandalism and addressed through Report PED23140 at General Issues Committee meeting held on September 6, 2023.

Action 4 explored office-to-residential programs and found a significant amount of direct funding would be required to implement this Action. Staff is not planning on introducing a new office conversion program at this time. Secondly, there were recent modifications that support and enable conversion through existing loan programs specifically the expanded eligibility of units that would be created through the conversion of existing non-residential floor space. Staff launched an office-focused campaign in fall 2023 which addressed Action 5 to support office targeted efforts.

Action 6 which focused on placemaking has begun internal and external discussions to develop a formal placemaking program focused on 2024 activities with initial events commencing in late 2023.

Action 7 is in progress as supporting transportation planning and parking initiatives will be discussed at the Downtown/West Harbour Coordinating Committee in order to identify opportunities to enhance and align current transportation initiatives with the attraction and retention of office workers

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Grants under this Program are funded from the existing Commercial District Revitalization Grant Program Project ID 8201703703 which itself is funded through block funding provided annually to the Commercial Districts and Small Business Section of the Economic Development Division for the provision of non-tax increment-based grant and loan

programs. All proposed modifications will not have an impact to existing funding.

Staffing: The Program is administered by staff from the Commercial Districts and Small Business Section of the Economic Development Division with support from staff in various divisions including Building, Legal Services, and Planning. There are no new staffing requirements required as a result of the recommendations of this Report.

Legal: N/A

HISTORICAL BACKGROUND

This Report provides an overview of the status of recent actions by city staff to address and alleviate the challenging state of Hamilton's office market outlined in the Downtown Hamilton Office Report PED23081 presented to the General Issues Committee on June 14, 2023. Several actions have been implemented to date.

Action 1 to formalize a central staff liaison between downtown businesses and the delivery of city services in Downtown Hamilton was achieved. The Downtown/West Harbour Coordinating Committee meeting was held in September 2023. All key senior leadership representatives with a downtown focus are members of this group. An early win was new Downtown Hamilton Service Level Enhancements. These service level enhancements are being funded by the Economic Development Division through to July 2024 with a total funding commitment of \$817,206 from the Economic Development Initiatives Capital Project (3621708900). Beginning in July 2023, the Downtown saw an increase of litter collection and sidewalk sweeping with additional service level enhancements for roadway and cycle lane sweeping, weed trimming, debris pickup and graffiti removal beginning in October 2023.

Action 2 included a preliminary review of the city's existing incentive programs available Downtown. Staff identified further actions to support Downtown through recommended updates to the existing Commercial Vacancy Assistance Program contained in Appendix "A" to Report PED23081(a). Additional office-related amenity program areas were reviewed and will be tested in future roundtables with downtown office landlords. Action 3 sought to support businesses experiencing vandalism. Following the release of the June Report, staff continued engagement with major Hamilton landlords and businesses. These discussions highlighted the recurring themes and concerns related to safety and vandalism. Specifically, safety continues to be the top concern for employers who shared recent incidents where their employees felt unsafe. Hamilton Police Services have started a new "core patrol" in the downtown where they have seen an increase in reported crimes and complaints from various businesses. Hamilton Police Services is also aligned with Downtown/West Harbour Coordinating Committee.

On September 13, 2023, City Council approved the Recommendations of Report PED23140 to amend the Commercial District Revitalization Grant Program to provide improved access and new grants for commercial property owners and businesses to support the removal of graffiti or undertake building repairs resulting from acts of vandalism. These new grant opportunities came into effect on September 14, 2023, in Downtown Hamilton and in other strategic commercial districts and corridors throughout the city which are currently identified as a Community Improvement Project Area under By-law 21-163. Action 4 explored office-to-residential programs. As this Report highlights, staff will not be pursuing this focus area due to the significant amount of direct funding that would be required to launch this type of program.

Action 5 was completed as staff launched an office focused campaign in fall 2023. In addition, Action 6 which sought to further enhance Downtown Placemaking Initiatives was initiated as the Creative Placemaking team, Economic Development Division staff have been working towards formalizing the Placemaking Program. This Program will focus on animating public spaces, instilling community engagement and maximizing the potential of underutilized downtown spaces (i.e. developing a set list of criteria and characteristics). Currently, staff is defining project priorities for the development and implementation of placemaking and animation projects and programs in the Downtown Core (e.g. Commercial areas – Business Improvement Areas and non-Business Improvement Areas). 2024 Projects are being reviewed and finalized with initial events commencing in late 2023.

Lastly, Action 7 is in progress as supporting transportation planning and parking initiatives will be discussed at the Downtown/West Harbour Coordinating Committee in order to identify opportunities to enhance and align current transportation initiatives with the attraction and retention of office workers

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Under Section 28 of the *Planning Act*, municipalities with enabling policies in their Official Plans may adopt Community Improvement Plans to provide financial assistance/incentive programs otherwise prohibited under Subsection 106(2) of the *Municipal Act*, if such programs will provide grants and/or loans to property owners or tenants that will support physical improvements to buildings and property within specific geographic areas (referred to as Community Improvement Project Areas).

Recommendation (b) consists of an update to the Program terms of the existing Commercial Vacancy Assistance Program (see Appendix “A” to Report PED23081(a)) which is implemented as Appendix “I” to the authorizing Revitalizing Hamilton’s Commercial Districts Community Improvement Plan. As this Program’s terms are implemented as an appendix not forming part of the authorizing Community Improvement Plan itself nor its implementing By-Law No. 21- 164, and as the

recommended amendments do not alter the intent of the Program under its authorizing Plan, an amendment to the Revitalizing Hamilton's Commercial Districts Community Improvement Plan under Section 28 of the *Planning Act* is not required to implement staff's Recommendations

RELEVANT CONSULTATION

The following city divisions and external organizations were consulted in preparing this Report:

- (a) Tourism and Culture Division;
- (b) Geographical Information Systems – Planning and Analysis, Planning Division;
- (c) Waste Management Division, Public Works Department; and,
- (d) Major Downtown Hamilton office landlords, office tenants, major downtown employers, and Downtown Business Improvement Areas.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The following highlights the analysis and rationale for Action 2 and Action 4:

Action 2: Increased Municipal Incentives for Tenanting Vacant Office Space

As part of a preliminary review of the city's existing incentive programs available Downtown, staff identified a further action to support Downtown through recommended updates to the existing Commercial Vacancy Assistance Program contained in Appendix "A" to Report PED23081(a).

This Commercial Vacancy Assistance Program was first introduced in October 2021 on a two-year pilot basis as part of the 2021 Revitalizing Hamilton's Commercial Districts Community Improvement Plan comprehensive review. The Program was intended to provide cost-sharing grants of up to \$10,000 to businesses for interior improvements when establishing a permanent or 'pop-up' business in a currently vacant at or below grade commercial space within Downtown and other strategic commercial districts and corridors in the city. The Program was a direct response to staff concerns about a potential rise in commercial storefront vacancies resulting in the aftermath of the COVID-19 pandemic.

Although the Program was intended as a pilot program set to expire in October 2023, staff believe that the continued challenges facing the Downtown office market arising from current remote work trends, will continue to pose challenges to commercial

storefront occupancies due to reduced office workers in the core. As such staff believe that the Commercial Vacancy Assistance Program continues to have the potential to play an important role in reducing storefront vacancies. As such staff are recommending that the Program be made permanent.

In addition, staff are recommending amendments to the Commercial Vacancy Assistance Program terms to expand the range of commercial uses which may utilize the Program. Currently the Program is available to a limited range of uses which support pedestrian activity and vibrancy such as retail and dine-in/take-out restaurants. Staff are recommending that the eligible uses be expanded to include personal service business, microbreweries and commercial entertainment and recreation uses. Staff believe these additional uses will further contribute to creating a vibrancy and activity by supporting uses that both provide commercial amenities to office workers during business hours as well as further support the Downtown night-time economy for visitors and residents downtown.

Staff recommend making the Commercial Vacancy Assistance Program permanent (Attached Appendix "A" to Report PED23081(a)) and with expanded eligible uses such as personal services, start-up office uses and increasing the grant amount.

Action 4: Explore Strategies to Determine the Feasibility of Office-to-Residential Conversions

Staff have completed an initial scan of potential comparator programs and referred to the Canadian Urban Institute recent report titled, The Case for Conversions focused on office conversions in six Canadian cities. The Report outlined and provided a toolkit with various tactics and tools centred on funding, policy and program options.

A key barrier is the funding required to implement these types of projects. As cited in the Canadian Urban Institute Report, municipalities are investing direct funding and incentives ranging from capital grants, tax exemptions, and various other fee waivers/funding. In addition, cities such as the City of Calgary have invested upwards of \$100M with conversion projects receiving up to \$10M per project. The cost to convert has been cited to approximately \$225 per sq ft. in Calgary and noted to further range between \$375 to \$450 per sq ft. in other cities. Another consideration is the potential loss of revenue from these office buildings who are currently taxed double the rate of residential uses. Many of Hamilton's municipal incentive programs are based on the net benefit of new taxes resulting from redevelopment projects. In this case, there would be no or minimal tax uplift from these conversion projects.

Although cost is often the major obstacle, other factors such as floor-plate size and building form weigh into these deliberations. Many examples cited in the Canadian Urban Institute Report identify buildings' floor plates that ideally require window to core distance of 40 ft (i.e. shallow floor plates). A full comprehensive inventory of downtown

office buildings would be required. In addition, a complete evaluation of licensed brokerage data to access the viability of potential candidates to determine the market for these new incentives. Recent studies by Urban Land Institute found conversions feasible but highly individualized given so many factors at play. Furthermore, a recent study of 300 North American office properties determined only 30% of buildings were suitable (Retrieved September 1, 2023, from <https://www.altusgroup.com/insights/remaking-obsolete-office-space>).

Staff will not be introducing a new program focused on office to residential conversions at this time.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED23081(a) - Commercial Vacancy Assistance (CVA)
Program Terms Updated

KM/jrb