



City of Hamilton Report for Consideration

To: Chair and Members
Planning Committee

Date: May 23, 2025

Report No: PED24163(b)

Subject/Title: Implementation of the Pilot Downtown Hamilton
Office Conversion Grant Program

Ward(s) Affected: Ward 2

Recommendations

- 1) That draft amending by-law number one to By-law 21-163 (Revitalizing Hamilton's Commercial Districts Community Improvement Project Area), prepared in a form satisfactory to the City Solicitor and attached as Appendix A to Report PED24163(b), **BE ENACTED**;
- 2) That draft amending by-law number one to By-law 21-164 (Revitalizing Hamilton's Commercial Districts Community Improvement Plan), prepared in a form satisfactory to the City Solicitor and attached as Appendix B to Report PED24163(b), **BE ENACTED**;
- 3) That the implementing Downtown Office Conversion Grant Program description and terms, attached as Appendix C to Report PED24163(b), **BE APPROVED** and appended as Appendix L to the Revitalizing Hamilton's Commercial Districts Community Improvement Plan on such day that amending by-law number one to By-law 21-164, comes into effect; and
- 4) That draft amending by-law number one to By-law 21-165 (delegated authority to the General Manager of Planning and Economic Development for financial incentive programs), prepared in a form satisfactory to the City Solicitor and attached as Appendix D to Report PED24163(b), **BE ENACTED** and come into effect on such day that amending by-law number one to By-law 21-164, comes into effect.

Key Facts

- The purpose of this Report is to fulfil the Council approved recommendations of Report PED24163(a) to bring forward the necessary implementing by-law amendments required to implement a Pilot Downtown Hamilton Office Conversion Grant Program (the Program).
- The recommended Program is intended to remove financial barriers associated with office conversions which have the potential to mitigate future increases in the Downtown office vacancy rate and transition underutilized and vacant spaces into new housing and hotel opportunities supporting Downtown revitalization.

Financial Considerations

No new funding or staffing resources are required to implement any of the recommendations in this Report PED24163(b).

Following Council's approval of the recommendations contained in Report PED24163(a) on March 26, 2025, a new Downtown Office Conversion Program Project ID 8202503001 has been established and funded with \$2,500,000 the necessary project ID has been established and funded with an initial \$2,500,000 from existing resources currently allocated to the Economic Development Division.

Background

On December 11, 2024, Council approved the following recommendation from the Downtown Hamilton Office and Storefront Commercial Sector Update and Action Report (PED24163):

- “(c) That staff be directed to develop a pilot Downtown Office to Residential Conversion Financial Incentive Program, to be funded from existing annual budget allocations to the Economic Development Division, and that the draft Program be brought forward for consideration to a General Issues Committee meeting in the first quarter of 2025;”

On March 19, 2025, the proposed Program was presented and discussed at General Issues Committee with the following recommendation from PED24163(a), approved by Council on March 26, 2025, giving rise to the recommendations of this Report PED24163(b):

- “1) That staff **BE DIRECTED** to bring forward to the Planning Committee the proposed pilot Downtown Hamilton Office Conversion Grant program, contained in Appendix A to Report PED24163(a), along with all necessary implementing by-law amendments, including those required to the Revitalizing Hamilton's Commercial Districts Community Improvement Plan and Community Improvement Project Area, for a statutory public

meeting and Planning Committee consideration in accordance with Section 28 of the *Planning Act*.”

Analysis

Why is an incentive needed?

As further discussed in Report PED24163(a), office vacancies Downtown have increased as existing tenants ‘right-size’ their office needs as leases come up for renewal to reflect current and on-going hybrid work arrangements; a trend staff anticipate continuing for the foreseeable future. The resulting increase in underutilized/vacant office space means fewer office employees in the Downtown on any given weekday and reduced activity, vibrancy and demand for commercial services and amenities.

The conversion of excess office space for residential/hotel uses provides an opportunity to turn under-utilized buildings into new housing and attract additional tourists and events to Downtown that have the potential to support City revitalization efforts.

However, staff’s review has identified the following potential barriers to the viability of conversion projects Downtown:

- Prohibitive costs due to significant retrofits required, particularly in terms of upgrades and expansions required to key services including electricity and plumbing within an existing structure;
- The inherent inefficiency of many typical office floor plates for residential uses when compared to new residential builds making conversions less profitable and thus less appealing to undertake; and,
- The unpredictability of potentially unknown additional costs that must be considered when working with older, existing buildings including the potential for asbestos and other hazardous materials requiring abatement and removal.

In many instances, these challenges, and their associated costs, have meant many conversion projects have not been financially viable for the private sector relative to other potential development opportunities that may exist.

Furthermore, in secondary office markets, such as Hamilton, where office supply remains generally unchanged year-over-year and where ownership consists of long-term investors with a primary focus on office/commercial holdings with limited residential experience, there is evidence of a stronger sentiment to maintain the status quo even in the face of rising vacancies and diminished demand.

It is further noted that current owners of office buildings may be unwilling to ‘surrender’ to the realities of the current market due to concerns that reducing lease rates or selling existing properties could realize building valuation losses due to the current market conditions.

As such, staff's recommended Program is intended to not only to mitigate the costs of office conversions, but also serve as a catalyst for current office owners to reexamine their long-term plans for existing vacant/under-utilized office space Downtown.

Notable Eligibility Criteria

The recommended Program contains key eligibility criteria highlighted below with accompanying rationale:

- The conversion must be in a building containing at least 465m² (~5,000ft²) of office space which is intended to ensure alignment with the City's annual Office vacancy survey in terms of reporting key performance metrics and program success as it relates to its impact on the Downtown office vacancy;
- Only units created above the first storey will be eligible in order to recognize the importance of continuing to support active, and engaging street facing uses Downtown to maintain a vibrant and pedestrian-focused public realm; and,
- Conversions may include those established via a long-term lease hold of no less than 99 years to provide greater flexibility for owners to consider housing opportunities involving a variety of long-term ownership structures and potential partnerships, particularly where a conversion will occur in only a portion of an existing office building.

Area of Program Availability

The majority of current City Downtown incentive programs intended to support investment and revitalization are made available in the current Downtown Community Improvement Project Area approved by Council via By-law 21-163. This existing area is delineated in Appendix A to Report PED24163(b).

Staff believe that the current Downtown Hamilton Community Improvement Project Area encompasses a far greater area than needed for the purposes of the recommended Program, as the vast majority of the City's major office supply is concentrated in a concentrated area generally comprising the City's former Urban Growth Centre.

As such, recommendation 1) delineates and implements a new "Sub-Area 1: Central Business District" within the Downtown Hamilton Community Improvement Project Area in which the recommended Program would be made available. This new sub-area is based on the former Urban Growth Centre boundary and identified in Appendix A Report PED24163(b).

Hotels as an Eligible Conversion

As further discussed in Report PED24163(a), staff identified an additional area of opportunity to support Downtown revitalization through the conversion of office space to hotels. Such conversions incur many of the same costs required to convert office space to residential (such as electrical and plumbing retrofits) and face similar financial viability challenges as a result.

Incentivizing the creation of new hotel space in the Downtown will support a number of City objectives respecting tourism and major event attraction and directly supports Action 16 of the recently approved 2024-2028 Tourism Strategy to “Execute a tourism business attraction strategy to secure business investments that enhance Hamilton's destination offerings by filling identified gaps in accommodations, attractions, and cultural venues”.

Grant Amounts

In developing the per unit grant amounts, staff recognized an opportunity to leverage the Program to incentivize not only conversions of surplus Downtown office space for residential and hotel uses, but also support additional community and Council priorities respecting family friendly housing. As such, grants under the Program have been scaled to provide increasing per unit incentives based on the number of bedrooms provided per unit as detailed below:

Use	Minimum Bedrooms	Grant Amount
Residential	0 Bedroom (studio)	\$10,000 per unit
	1 Bedroom	\$12,500 per unit
	2 Bedroom	\$15,000 per unit
	3+ Bedroom	\$20,000 per unit
Hotel	n/a	\$10,000 per hotel room

Eligible units will be required to meet the Building Code’s minimum size requirement for a bedroom of 7m² (75ft²) along with any other applicable requirements under the Building Code.

Eligibility of Feasibility Studies

The recommended Program includes the ability to provide cost-sharing grants to support the undertaking of feasibility studies that may be required by the City through the Site Plan process. These studies could include requirements associated with, but not limited to, waste collection, noise/vibration and water/wastewater capacity.

A maximum of one application under the Program may be submitted per site for such feasibility studies with the maximum grant being 50% of the total cost to a maximum of \$20,000.

Legislated Requirements

- *Planning Act* Compliance

Under Section 28 of the *Planning Act*, municipalities with enabling policies in their official plans may adopt a community improvement plan for the purposes of providing grants and/or loans which would otherwise be prohibited under Subsection 106(2) of the *Municipal Act*. These grants/loans may be provided to the registered owner(s), assessed owner(s) or tenant(s) (or their respective assignees) of lands within an area delineated as a community improvement project area via by-law.

Municipal authorization for the establishment of a community improvement plan is contained in Chapter F, Section 1.15 of the Urban and Rural Hamilton Official Plans.

The adoption of a community improvement plan by a municipality must be conducted in accordance with the applicable policies under Sections 17 and 28 of the *Planning Act* as well as the City's Public Participation and Notification Policies contained in Chapter F, Section 1.17 of the Urban and Rural Official Plans. These policies include requirements for stakeholder engagement, public notice and a statutory public meeting.

In accordance with the above, public notice of the statutory public meeting at which this Report PED24163(b)'s recommendations are being considered was published in The Hamilton Spectator on May 2, 2025.

- By-laws Forming part of this Report PED24163(b)

The draft amending by-law to the existing Revitalizing Hamilton's Commercial Districts Community Improvement Project Area By-law 21-163, contained in Appendix A to Report PED24163(b), establishes a new Sub-Area 1: Central Business District of the Downtown Hamilton Community Improvement Project Area in which the recommended Program will be made available.

The draft amending by-law to the existing Revitalizing Hamilton's Commercial Districts Community Improvement Plan By-law 21-164, contained in Appendix B to Report PED24163(b), incorporates the new Program into the existing community improvement plan to provide the authorization for the Program's implementation. This amending by-law will come into effect in accordance with subsection 28(4) of the *Planning Act* after the conclusion of the applicable appeal period.

The draft amending by-law to the existing delegated authority By-law 21-165, contained in Appendix D to Report PED24163(b), provides delegated authority to the General Manager of Planning and Economic Development to approve grants under the Program to a maximum of \$200,000 consistent with existing delegated authority provided to the General Manager for other programs under this community improvement plan.

Alternatives

- Delaying Program implementation so as to form part of the scheduled comprehensive review of the Revitalizing Hamilton's Commercial Districts Community Improvement Plan and all associated financial incentive programs made

available Downtown. This review is scheduled to commence in late 2025 with Recommendations to Council in 2026; or

- Not pursue the recommended Program at all.

Given the urgency for action needed to support the Downtown, the need for housing in our community and a rising risk for office vacancies in the near future, staff do not recommend delaying or not pursuing the recommended Program.

Relationship to Council Strategic Priorities

Staff's recommendations are intended to support key Council priorities respecting Downtown revitalization and increasing the supply of housing.

Previous Reports Submitted

- [Proposed Pilot Downtown Hamilton Office Conversion Grant Program \(PED24163\(a\)\)](#)
- [Downtown Hamilton Office and Storefront Commercial Sector Update and Action Report \(PED24163\)](#)

Consultation

- Michael Kovacevic, Solicitor, Corporate Services Department; and,
- Internal and external consultation undertaken throughout the original development of the recommended Program is detailed in Report PED24163(a).

Appendices and Schedules Attached

Appendix A: Draft Amending By-law Number One to By-law 21-163 to Designate the Revitalizing Hamilton's Commercial Districts Community Improvement Project Area

Appendix B: Draft Amending By-law Number One to By-law 21-164 to Adopt the Revitalizing Hamilton's Commercial Districts Community Improvement Plan

Appendix C: Pilot Downtown Hamilton Conversion Grant Program Description

Appendix D: Draft Amending By-law Number One to By-law 21-165 to Delegate Authority to the General Manager Planning and Economic Development for Certain Grants and Loans under the Revitalizing Hamilton's Commercial Districts Community Improvement Plan and *Ontario Heritage Act*

Prepared by: Phil Caldwell, Senior Business Development Consultant
Planning and Economic Development Department, Economic
Development Division

**Submitted and
recommended by:** Norm Schleeahn, Director Economic Development,
Planning and Economic Development Department