



**CITY OF HAMILTON**

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT  
Downtown and Community Renewal Division**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> WARD 1
<b>COMMITTEE DATE:</b> March 22, 2011	
<b>SUBJECT/REPORT NO:</b> Hamilton Downtown Office Tenancy Assistance Program – 354-368 King Street West – OTAP10/02 (PED11051)	
<b>SUBMITTED BY:</b> Tim McCabe General Manager Planning & Economic Development	<b>PREPARED BY:</b> Hazel Milsome 905-546-2424 x 2755
<b>SIGNATURE:</b>	

**RECOMMENDATION:**

- a) That a loan commitment totalling \$150,000 for leasehold improvements at 354-368 King Street West, be approved in accordance with the terms and conditions of the Hamilton Downtown Office Tenancy Assistance Program.
- b) That the Mayor and City Clerk be authorized and directed to execute the loan agreement and security documentation with respect to sub-section (a) above in a form satisfactory to the City Solicitor.
- c) That the General Manager of the Planning and Economic Development Department be authorized and directed to amend the loan agreement as required provided that the terms and conditions of the Hamilton Downtown Office Tenancy Assistance Program as approved by City Council are maintained.

**EXECUTIVE SUMMARY**

Report PED11051 recommends the approval of a loan commitment under the Hamilton Downtown Office Tenancy Assistance Program for 354-368 King Street West. The applicant/owner of the property, King West Crossing Limited, is proposing to undertake

leasehold improvements to the basement, ground and second floor of the 2-storey building municipally known as 366-368 King Street West, in order to accommodate 6,000 square feet of office space for Vrancor Group Inc./Vrancor Restaurant Group Inc. that are currently located in Burlington and moving their offices to Downtown Hamilton. Vrancor Group Inc./Vrancor Restaurant Group will employ 20-25 individuals at this location.

The loan is based on the lesser of 90% of leasehold improvement costs (total leasehold improvement costs are estimated at \$500,000) or, the square foot (in this case 6,000 square feet) multiplied by \$25 (as the term of the lease is five (5) years). The lesser amount of the above two formulae is the square footage multiplied by \$25: \$150,000.

Loan repayment will commence following the final advance of the loan and no later than four (4) months following the first advance. The loan will be repaid over a five (5) year term at one percent (1%) below the prime rate as established by the Royal Bank of Canada. The rate will be established at the time of the first advance of the loan by the City and reset annually on the anniversary date of the first advance.

**Alternatives for Consideration – See Page 4.**

<b>FINANCIAL / STAFFING / LEGAL IMPLICATIONS</b> (for Recommendation(s) only)
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**Financial:** Loans provided through the Hamilton Downtown 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 Downtown and Community Renewal Division's program budget is used to subsidize the interest rate charged on the loans which is the difference between the five year borrowing rate for the City as indicated by RBC Capital Markets plus 25 basis points (which is currently about 3% + 25 basis points) and the current cost of money for the City which is about 5% plus 25 basis points. Funding to subsidize the interest rate charged on the loan is funded from capital project #8201003001.

**Staffing:** Administration of the Hamilton Downtown Office Tenancy Assistance Program can be accommodated within the Downtown and Community Renewal Division of the Planning and Economic Development Department as well as 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. City Council, at its meeting held March 10, 2010, amended the Downtown and Community Renewal Community Improvement Plan by adding the Hamilton Downtown

Office Tenancy Assistance Program. The amendment came into force on April 12, 2010.

#### **HISTORICAL BACKGROUND** (Chronology of events)

City Council, at its meeting held March 10, 2010, approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced 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 located within the Downtown Hamilton Community Improvement Project Area. The intent of the program is to reduce the Downtown office vacancy rate by attracting new office tenants and owner-occupied office uses from outside the City, and to assist existing Downtown businesses to expand in the Downtown.

#### **POLICY IMPLICATIONS**

The Hamilton Downtown Office Tenancy Assistance Program is affected by land use policies that direct significant office development to the area in which the program is delivered, and coincides with the Downtown Hamilton Urban Growth Centre identified in the Council adopted Urban Official Plan and the Places to Grow Growth Plan for the Greater Golden Horseshoe. The Hamilton Downtown Office Tenancy Assistance Program assists the implementation of those plans and the growth objectives.

The Downtown Hamilton Urban Growth Centre is described in the Urban Official Plan as the “pre-eminent centre in Hamilton for commercial and office development”. Regarding jobs, Section E.2.3.1.4 states that “The Downtown Urban Growth Centre shall function as a major employment centre for the City. Major business, professional and government offices shall be directed to the Downtown”.

#### **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 PED11051.

#### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

The property is situated within the H District Zone, Section 14 of Zoning By-law 6593 which permits “a business or professional person’s office”. The application is for leasehold improvements to the basement, ground and second floor of 366-368 King Street West.

**SUBJECT: Hamilton Downtown Office Tenancy Assistance Program – 354-368 King Street West – OTAP10/02 (PED11051) (Ward 2) - Page 4 of 5**

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Due diligence in processing the loan application was undertaken including the review of Kings West Crossing Limited's financial capacity to repay the loan. Staff will work with the applicant through the City's planning and building approval process.



366-368 King Street West, where the leasehold improvements are being undertaken, is shown in the above photograph to the left. 354 King Street West is shown in the photograph to the right. By virtue of the Planning Act, these two properties have merged in title as they are held by the same entity in the same capacity and, as such they now constitute one property. Previously these were two separate properties, of which only 354 King Street West was within the boundary of the Downtown Hamilton Community Improvement Project Area (DHCIPA). Due to the merge in title 366-368 King Street West, which previously fell outside of the boundary of the DHCIPA, is now considered part of the DHCIPA and, therefore, eligible for the Downtown Hamilton Office Tenancy Assistance Program.

Appendix 'A' to Report PED11051 identifies the location of the property within the Downtown Hamilton Community Improvement Project Area.

**ALTERNATIVES FOR CONSIDERATION:**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Non-acceptance of the recommendations contained in Report PED11051, or reducing the amount of the loan, would undermine the principles of the Hamilton Downtown Office Tenancy Assistance Program and downtown renewal efforts in general. These alternatives are not recommended.

**Financial:** A loan in the amount of \$150,000 would not be issued.

**Staffing:** Not applicable.

**Legal:** Not applicable.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,  
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,  
6. Environmental Stewardship, 7. Healthy Community

***Growing Our Economy***

- ◆ Investment in Hamilton is enhanced and supported. Property owners invest in their properties leading to property assessment increases.

***Environmental Stewardship***

- ◆ Financial incentive programs support the reuse of existing building stock and infrastructure.

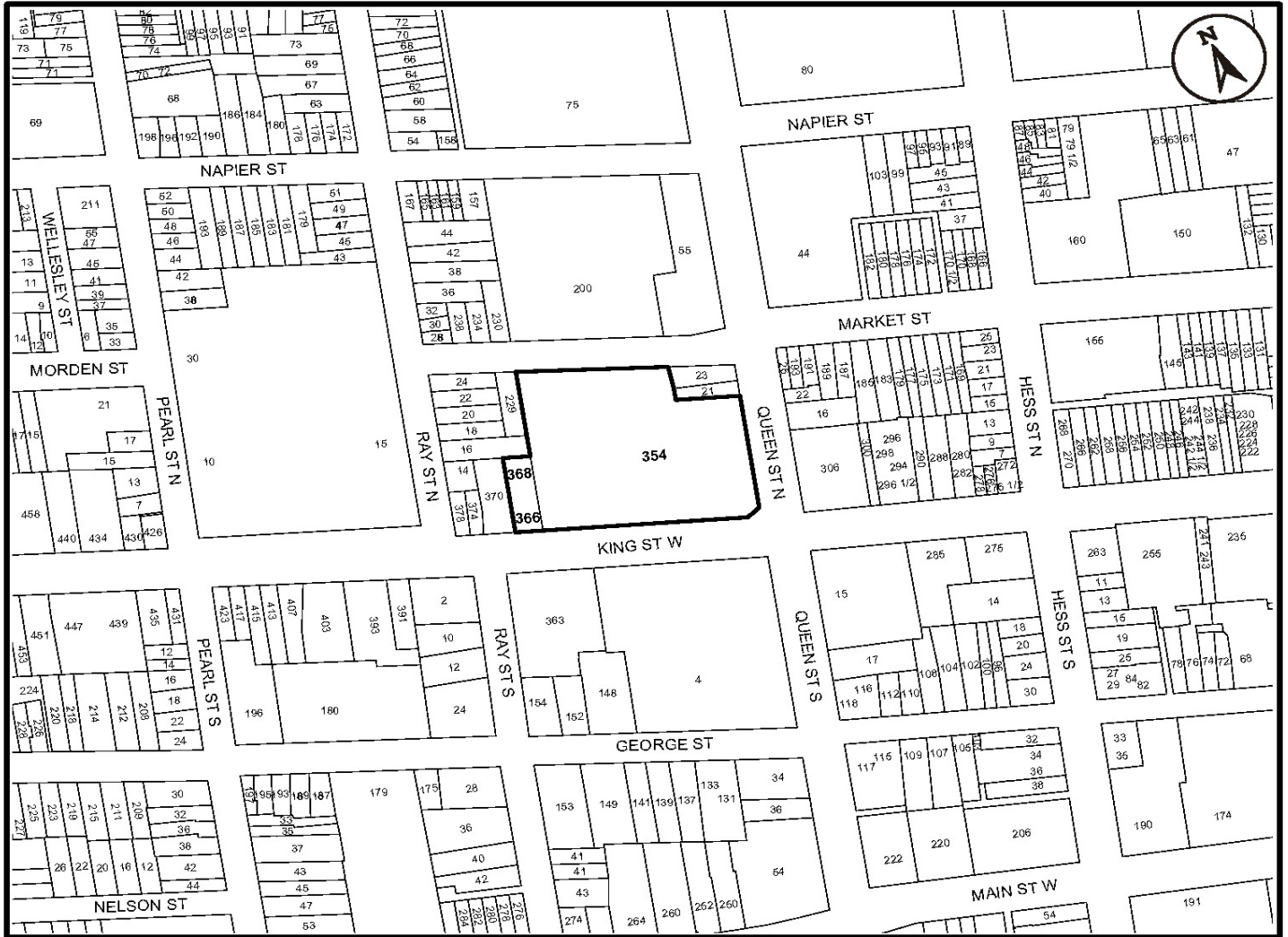
***Healthy Community***

- ◆ Partnerships are promoted.

**APPENDICES / SCHEDULES**

Appendix “A” to Report PED11051 – Location map.

HM:vk



● Subject Property



Ward 1 Key Map

N.T.S.

# Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:  
354-368 King St W

Date:  
Feb. 14, 2011

Appendix "A"

Scale:  
N.T.S.

Planner/Technician:  
HM/AL

### Subject Property

354 - 368 King Street West