SUBJECT: Lease Agreement for the Proposed Parking Structure at 166-190 Main Street West and 57 George Street (PED05105(b)/FCS07040) (Ward 2)

RECOMMENDATION:

a) That the City of Hamilton enter into a lease agreement with Mikron Properties for the proposed parking structure to be constructed on the lands known as 166-190 Main Street West and 57 George Street, Hamilton, subject to the following terms and conditions:

i) Special Conditions

(1) The Landlord has agreed that there will be a condition precedent in the lease agreement requiring the Landlord to construct a parking structure on the lands known municipally as 166-190 Main Street West, Hamilton and 57 George Street, Hamilton, before the lease agreement becomes binding. The Landlord further agrees that this parking structure will be constructed in a good workman like manner and to the satisfaction of the Manager of the Hamilton Municipal Parking System. The Landlord agrees to comply with all applicable by-laws and/or to obtain all necessary government approvals. Failing the satisfaction of this condition precedent by the Landlord the lease
agreement shall become null and void and no longer binding between the parties.

(2) The Landlord will be required to submit a site plan application for the proposed parking structure which site plan shall implement the policy provisions of the Downtown Hamilton Secondary Plan and shall be to the satisfaction of the Director of the Development and Real Estate Division of the Planning and Economic Development Department.

(3) The Landlord has agreed not to apply to Council for any grants that may be available under the Enterprise Zone Municipal Realty Incentive Grant Program; even if the development is eligible for any grant.

(4) The lease will be prepared by the Landlord in accordance with the terms and conditions set out herein and will be in a form satisfactory to the City Solicitor.

(ii) Term: Fifteen (15) year term.

(iii) Rental Rate: For the proposed term of the lease shall be set as follows:

Year 1 – 3: $95 per space per month
Year 4 – 6: $105 per space per month
Year 7 – 10: $115 per space per month
Year 11 – 15: $125 per space per month

(iv) That throughout the term of any extension of the lease, the Owner (Landlord) shall provide to the City of Hamilton (Tenant) three hundred (300) parking spaces on the subject site based on current parking needs. The Landlord further agrees that infrastructure shall be in place to accommodate future expansion of the parking structure to meet future parking demands.

(v) The Landlord will not offer any free parking incentives in the parking structure.

(vi) That the Mayor, General Manager of Finance and Corporate Services and City Clerk be authorized and directed to execute the Lease in a form satisfactory to the City Solicitor.

b) That the annual operating shortfall of $150,000 to $175,000 be recovered through the operating budget starting in 2008-2009.
c) That Hamilton Municipal Parking System staff be directed to assess short-term parking needs in the area of the structure with a view to discouraging street meters and encouraging the use of the municipal parking structure.

**EXECUTIVE SUMMARY:**

Report PED05105(b)/FCS07040 recommends the terms and conditions that should be included in a lease agreement for the proposed parking structure at 166-190 Main Street West and 57 George Street. The subject property is illustrated in Appendix ‘A’. The parking structure will ensure the provision of adequate parking for existing and future development in this area of Downtown, and particularly for the Hess Village Entertainment District. The development must implement the policy provisions and urban design principles of the Downtown Hamilton Secondary Plan.

By proceeding with this parking structure there will be an annual shortfall of $150,000 to $175,000 annually. However, a parking facility is required in this area for the public interest and in order to support the entertainment district and to replace lost parking at sites in the area are redeveloped. It is recommended that the annual shortfall be recovered from the operating budget starting in 2008-2009.

In order to encourage the utilization of this parking structure, Hamilton Municipal Parking System staff should be directed to assess short-term parking needs in the area with a view to recommending changes so as to discourage the use of street meters and to encourage use of the parking structure.

**BACKGROUND:**

City Council, at its meeting held September 28, 2005, authorized staff to issue a Request for Information (RFI) to gauge the level of interest from the private sector to participate with the Hamilton Municipal Parking System in the development of a parking structure within the Downtown Hamilton Community Improvement Project Area. An RFI issued in November 2005 generated five (5) proposals that were evaluated by a Staff Review Committee.
Staff reported the results of the RFI to the Economic Development and Planning Committee on August 8, 2006. Subsequently, City Council at its meeting held August 9, 2006 approved the following recommendations:

1) That staff be authorized and directed to enter into negotiations with Mikron Properties for a joint venture agreement respecting the development of a parking structure located at 166-190 Main Street West and 57 George Street to the satisfaction of the Manager of the Hamilton Municipal Parking System;

2) That, as part of the negotiations, Mikron Properties being the owner of 166-190 Main Street West and 57 George Street, be required to submit a conceptual plan for the parking structure and site that satisfies the policy intent of the Downtown Secondary Plan and that is satisfactory to the Manager of the Community Planning and Design Section of the Planning and Economic Development Department and which will form the basis of any subsequent site plan requirements under the Planning Act; and,

3) That staff be directed to report the results of the negotiations at a future meeting of the Economic Development and Planning Committee.

Staff from the Downtown Renewal Division, the Hamilton Municipal Parking System (HMPS) and the Community Planning and Design Section of the Development and Real Estate Division have been involved in the review of the proposed development concept. Downtown Renewal and HMPS staff also have been developing a business case and negotiating the details of the proposed lease agreement with Mikron Properties. At this juncture, staff are recommending principles upon which a lease will be negotiated. We are asking for Council’s endorsement of same in order to proceed with preparation of the lease document.

**ANALYSIS/RATIONALE:**

The proposed development concept for the property contains a parking structure and retail uses. It will be built and owned by Mikron Properties, with the Hamilton Municipal Parking System to lease and operate the parking structure.

There is a weak financial business case for a parking structure as there is a projected loss in the range of $150,000 to $175,000 annually. However, the development of the principal commercial uses, namely Shoppers Drug Mart and an LCBO store, will generate an estimated $324,000 in taxes annually. Coupled with the estimated annual taxes of $255,000 on the parking structure, total annual taxes are estimated to be $579,000. Staff recommend that the shortfall in the parking revenues be recovered through the operating budget starting in 2008-2009. Staff consider the parking structure to be in the public interest as it will provide parking for the Hess Village Entertainment District, thereby offering alternatives to parking within the surrounding residential neighbourhoods. In addition, as existing surface parking lots are redeveloped, there will be increased demand for public parking.
Because tax dollars from the development are needed to support the parking structure, the lease agreement must stipulate that the proponent will not apply to Council for grants available under the Enterprise Zone Municipal Realty Incentive Grant Program, although the development is eligible.

The recommendations of Report PED05105(b)/FCS07040 outline the other essential principles to be included in the lease. They include:

- The term of the lease will be 15 years;
- The parking structure will provide 300 spaces based on current need, built with the infrastructure in place for expansion should additional spaces be required in the future;
- The maximum the City will pay in rent is:
  - Years 1-3: $95 per space per month,
  - Years 4-6: $105 per space per month,
  - Years 7-10: $115 per space per month,
  - Years 11-15: $125 per space per month;

Staff would point out that because of the market rates in the area, staff conservatively estimated the leasing rate for monthly stall holders to be a maximum of $85 per month. This contributes to the shortfall in the business case.

- The site plan must implement the policy provisions and urban design principles of the Downtown Hamilton Secondary Plan to the satisfaction of the Director of Development and Real Estate Division of the Planning and Economic Development Department;
- The site plan must be approved first and the parking structure must be built before the lease agreement becomes binding on both parties;
- No free parking.

Staff of the Hamilton Municipal Parking System will need to assess short-term parking needs in the area of the structure with a view to discouraging the use of street meters and encouraging the use of the municipal parking structure.
SUBJECT: Lease Agreement for the Parking Structure at 166-190 Main Street West and 57 George Street (PED05105(b)/FCS07040) (Ward 2)

Page 6 of 8

**ALTERNATIVES FOR CONSIDERATION:**

Non-acceptance of the recommendations contained within Report PED05105(b)/FCS07040 would ultimately result in the loss of a joint venture opportunity for a parking structure within the block bounded by Main, Hess, George and Caroline Streets. The provision of adequate parking for existing and future development in this area of Downtown, and particularly for the Hess Village Entertainment District, would not be assured.

Most importantly, we would continue to have a surface parking lot on George Street. This is a highly undesirable outcome considering that George Street is envisioned in the Downtown Hamilton Secondary Plan to be a pedestrian friendly, landscaped street featuring a mix of grade oriented restaurant and commercial uses.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial – The financial cost to the municipality is in the amount of $150,000 to $175,000 annually.

Staffing – The business plan developed includes the appropriate staffing levels to support the structure.

Legal – Staff from the Downtown Renewal Division will consult with Legal Services and the Real Estate Section to ensure the lease agreement is satisfactory to the City Solicitor and General Manager of Finance and Corporate Services prior to forwarding the lease agreement to the Mayor and Clerk for execution.

**POLICIES AFFECTING PROPOSAL:**

The policy provisions of the Downtown Hamilton Secondary Plan and the Downtown Transportation Master Plan are relevant considerations.

The land use designations applied to the property by the Downtown Hamilton Secondary Plan include "Mixed Use" along the Main Street frontage and "Specially Commercial" along the George Street frontage. The Specialty Commercial policies state that "George Street, Hess, and Bay Streets will be redeveloped as landscaped streets supporting a mix of grade oriented restaurant and commercial uses. George Street will provide a pedestrian route to the Central Business District."

The land use policies are supported by urban design principles that must be addressed by new development and/or redevelopment. Specific to the issue of parking, the principles include "eliminating street level parking lots and vacant properties along major streets", which would be achieved through the proposed parking structure development. Other principles relate to ensuring compatibility between new development and existing structures and streetscapes through design; creating a barrier-free pedestrian
environment and sense of place; and, eliminating expanses of blank walls along street frontages. Providing ground floor windows and doors oriented to the street is a common design theme in the Secondary Plan.

The Downtown Transportation Master Plan recognizes that the large amount of surface parking lots on the edge of the Downtown creates a break in the street façade between central retail and office uses and nearby residential uses. The development of a parking structure with commercial use at the ground level will address this issue in an extremely visible block within our Downtown, and will enhance the pedestrian experience. The Transportation Master Plan supports the increase of short-term, on-street parking, and supports a limit to growth of off-street parking lots. It recommends that the City provide fewer, more strategically placed public parking facilities, especially in areas of new development, commercial and retail areas, and where there is high potential for after-business-hours use.

**RELEVANT CONSULTATION:**

The Downtown Renewal Division and Hamilton Municipal Parking System consulted with the General Manager of Corporate Services in the negotiation of the lease principles, and the Community Planning and Design Section with respect to the design principles of the development.

The Hamilton Street Railway (HSR) had representation on the Request for Information Staff Review Committee and concluded that the development of a parking structure at 166-190 Main Street West and 57 George Street would not adversely affect any transit policy or initiatives, as noted in Report PED05105(a).

Staff from the Downtown Renewal Division, Legal Services, Real Estate and the Community Planning and Design and Development Planning sections of the Development and Real Estate Division will continue to meet with Mikron Properties for the purpose of finalizing the lease and acceptable design details.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.** ☑ Yes ☐ No

Partnerships are promoted.

**Environmental Well-Being is enhanced.** ☑ Yes ☐ No

The elimination of a surface parking lot in the Downtown allows for more efficient and effective use of land and City services as well as protecting human health and safety. The consolidation of parking facilities through the conversion of surface lots to other land uses is transit supportive.
Economic Well-Being is enhanced. ☑ Yes □ No

Investment in Hamilton is enhanced and supported. Property owners invest in Downtown properties leading to property assessment increases through the development of buildings and lands.

Does the option you are recommending create value across all three bottom lines? ☑ Yes □ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes □ No

Hamilton continues to lead initiatives related to renewal. Such initiatives are professionally stimulating and result in Hamilton being a choice for employment to those interested in bettering community life.

GM:HM
Attach. (1)