SUBJECT: Declaration of Surplus Property - 281 Herkimer Street, Hamilton, former CIBC Building (PED05152) (Ward 1)

RECOMMENDATION:

That the lands identified as 281 Herkimer Street, Hamilton, described as Part Lot 24, Plan 280 (as shown on Appendices “A” and “B” to Report PED05152), having a frontage of 10.4 metres (34.3 feet), a depth of 32.2 metres (105.67 feet), and an area of 337.0 square metres (3628 sq. feet), be declared surplus to the requirements of the City of Hamilton in accordance with the “Procedural By-law for the Sale of Land”, being By-law No. 04-299.

Lee Ann Coveyduck
General Manager
Planning and Development Department

EXECUTIVE SUMMARY:

The purpose of this report is to request City Council’s approval to declare the subject property, municipally known as 281 Herkimer Street, Hamilton, surplus to the requirements of the City of Hamilton and offer the property for sale at market value. Prior to the lands being placed on the open market, Real Estate staff will investigate the highest and best use, and the potential for increased value through rezoning and re-development opportunities.
The information and recommendations contained in this report primarily affect Ward 1.

The subject property is located at the southeast corner of Herkimer Street and Locke Street. The land is occupied by a freestanding building with a full height basement and a small upper level mezzanine. The total building area is approximately 270.45m\(^2\) (2911 ft\(^2\)) which consists of a ground floor area of 140 m\(^2\) (1507 ft\(^2\)); second floor area of 13.4m\(^2\) (144 ft\(^2\)) and a basement area of 117m\(^2\) (1260 ft\(^2\)). The lot has a frontage of 10.46 metres (34.33 ft), a depth of 32.21 metres (105.67 ft), having a total lot area of approximately 336.92 m\(^2\) (3626.7 ft\(^2\)).

The property is zoned “D” (Urban Protected Residential, One and Two Family Dwellings, etc.) District and; designated “Residential” in the City of Hamilton Official Plan and; designated as Single and Double Residential in the Kirkendale North Neighbourhood Plan.

The subject property is currently listed on the City of Hamilton’s Inventory of Buildings of Architectural and/or Historical Interest.

By way of background, the subject property was donated to the City of Hamilton by the Canadian Imperial Bank of Commerce (CIBC) to be used as a public library branch. The intent of the transfer was to relocate the existing Locke Street Branch Library into the former CIBC building. It was assumed at the time of donation, that the major source of funding to renovate the building would have been derived from the sale of the existing Locke Street Library branch. It has now been concluded that the conversion of the CIBC building is impractical wherein the costs far exceeded anticipated budget parameters as originally envisioned. In this respect, the Hamilton Public Library Board passed the following motion in June 2004:

- “That the Hamilton Public Library Board advise the City of Hamilton that the donated building at 281 Herkimer cannot be converted to a branch library in a fiscally responsible manner.
- That the Hamilton Public Library Board requests the Chief Librarian to request that the funds from any sale of the building be used for the creation of a new library branch in the same general area.
- That should the City of Hamilton hold a public meeting with clients from Locke Street Branch, the Library Board members be prepared to participate and to communicate the decision made by the Library Board and the rational for such decision.
- That a new release be prepared now and made available at the Locke Street Branch announcing the Board's decision.”

With respect to the above, the Ward Councillor held a public meeting on November 15, 2004, to give the public an opportunity to hear the challenges associated with renovating the former CIBC building as a library branch, and to provide input into how to
improve services in the area. The minutes of this meeting are available on the Ward Councillor’s web site at www.brianmchattie.ca. A copy of the minutes/report is attached hereto as Appendix “C” to Report PED05152.

On May 11, 2005, the Ward Councillor held a “Charette” to explore the use of the CIBC building as a Library. As a result of the charette, it was suggested, as an option, to investigate the probability of leasing the building for a pre-determined period of time. (Five (5) year lease or a three (3) year lease with one (1) year renewal; the lessee could be offered the 1st option to purchase if it is decided to sell the building at the end of the lease).

In determining whether the lands should be leased, a “business case” analysis had been prepared to assist the Ward Councillor and the Library Board members. The assumption that had been made by Real Estate Staff, as part of the analysis, was on the premises that the lands would be rezoned to allow some form of commercial uses and; the City having to incur upfront capital costs in the amount of approximately $150,000 (architectural & structural requirements - estimated costs 2002) to bring the building to a rentable standard. Note: the upfront capital costs do not take into account the cost for environmental remedial works, i.e. lead paint, asbestos. The average net lease rate based on MLS listing, range from $8 to $10 per square foot. Taking into account the initial outlay by the City and a net lease rate of $8 per square foot, with a term of 5 years, the following is provided:

- City to recapture its initial outlay in capital repairs: $2,500/month
- Fixed Lease Rate @ $8.00/sq.ft. $1,100/month
- Total Lease Payments $3,600/month

In addition to the above costs, the tenant will be responsible for all taxes, leasehold improvements, capital and operating costs. As the leasehold improvements and operating costs vary depending on the tenant use, these costs have not been included in the evaluation. However, it is estimated that the commercial taxes for the site is $10,300 per year ($860/month).

Based on the business case analysis, leasing the building for a short term is not a viable option in view of the needed repairs and the lease costs the City must obtain to break even.

Upon completion of the business case analysis, a meeting was convened by the Ward Councillor on June 30, 2005, with members of the Library Board and Real Estate staff. It was concluded that leasing the building was not a feasible option.

On September 12, 2005 a public meeting was held by the Ward Councillor to apprise the community that leasing the building was not a viable option. However, the community was assured that a further public meeting would be held to discuss the potential uses anticipated by staff and the community for the site. Upon consensus of
the proposed uses and obtaining final zoning approval, the lands will then be placed on the open market for sale.

ANALYSIS OF ALTERNATIVES:

As part of Real Estate staff’s due diligence in managing the City’s real estate portfolio, staff must determine the present value cost of doing nothing (continue to own/operate the property); the present value of disposal; identify all deficiencies to be remedied and their costs; identify all cost reductions, savings, or quantifiable benefits associated with the property; identify whether the use is a mandated program of the City of Hamilton and if there is a need for the City of Hamilton to maintain the municipal asset.

From a business case perspective by the City opting to dispose of the lands, this action would reduce future capital cost expenditures estimated at $150,000+. As the building is not currently in use for a mandated municipal program, nor earmarked for a future municipal facility that has been identified in the long-term capital plan, the sale of the subject lands will eliminate the financial burden, long-term capital costs and liability associated with the City owning this asset. Further, the Hamilton Public Library Board had advised the City of Hamilton that the donated building at 281 Herkimer cannot be converted to a branch library in a fiscally responsible manner and that the funds from any sale of the building will be used for the creation of a new library branch in the same general area.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: In accordance with corporate policy.

Staffing: With the disposal of the subject property, the City will no longer be responsible for the maintenance and upkeep of the property.

Legal: With the disposal of the subject property, the City will no longer be responsible for the property.

POLICIES AFFECTING PROPOSAL:

This recommendation is consistent with the Real Estate Management Portfolio Strategy Plan, as approved by Council on November 24, 2004, to dispose of under utilized non core real estate assets and “Procedural By-law for the Sale of Land”, being By-law #04-299.

CONSULTATION WITH RELEVANT DEPARTMENTS/AGENCIES:

The Real Estate Section completed a circulation to all City Departments and outside agencies requesting comments on any current and future possible use for the site. All comments received indicated that none of the outside agencies require the subject
lands nor were there any municipal requirements for the property. The following comments were provided from the Community Planning and Design Section:

**Building Heritage**

“The subject property is currently listed on the City of Hamilton’s Inventory of Buildings of Architectural and/or Historical Interest. The building dates 1920 and was built as a branch for the Bank of Hamilton, later the Bank of Commerce. For historical and architectural reasons the building has been identified for Designation under Part IV of the Ontario Heritage Act. At their meeting of January 17, 2005, the Hamilton LACAC (Municipal Heritage Committee) made a recommendation that “staff be directed to prepare a Cultural Heritage Assessment of 281 Herkimer Street, Hamilton, to determine whether the property is worthy of designation, and further, if the property is determined to be of cultural heritage value or interest, that staff prepare “Reasons for Designation” for consideration by the Hamilton LACAC (Municipal Heritage Committee), through its appropriate sub-committee”.

Initial assessment has determined that the property is worthy of designation. A Cultural Heritage Assessment Report is currently being prepared by Heritage staff and it is anticipated that the Designation By-law will be in place prior to the sale of the property.

The Portfolio Management Committee has endorsed the recommendation and the interim leasing of this property could not be supported by the Committee.

**CITY STRATEGIC COMMITMENT:**

These recommendations have regard to Council’s approved goal including, more specifically, Goal 5 – “A City That Spends Wisely and Invests Strategically.”
Appendix "A" To Report PED05152

LOCATION PLAN

281 Herkimer Street

CITY OF HAMILTON

Real Estate Section
Planning & Economic Development Department

LEGEND

SUBJECT LAND

SCALE
NOT TO SCALE
DATE
2005-10-12

REFERENCE FILE NO: 2004 180
Appendix “B” to Report PED05152

AERIAL PLAN

281 Herkimer Street

CITY OF HAMILTON

Real Estate Section
Planning & Economic Development Department

LEGEND

SUBJECT LAND

NOT TO SCALE 2005-10-12

REFERENCE FILE NO: 2004 180
Report on the Public Meeting
Held November 15, 2004

Locke Library – CIBC Building

This meeting was called to give the public an opportunity to hear the challenges associated with renovating the CIBC building (at Herkimer and Locke Streets) as a library, and to provide input into how to improve library services in the area.

Over 60 people attended the meeting. Ken Roberts, Chief Librarian at the Hamilton Public Library gave some background to bring everyone up to date. The former CIBC building at the corner of Locke and Herkimer was donated to the City of Hamilton in 2002 for the purpose of using the building as a library. It should be noted that the CIBC did not attach limitations to the donation (with the exception of requiring that the site not be used for another bank branch). The plan was to renovate the building and move the branch from the existing location.

The Library had budgeted approximately $250,000 for renovations. Some of this money would be raised by selling the existing branch on Locke. However the quotes came in at a cost of at least $600,000. In addition, the resulting available space would be less than the existing branch.

It was difficult for the Library Board to justify this level of expenditure, especially since a new branch in this area does not fall into the top seven or eight capital needs.

As a result, the Library Board passed the following motion in June 2004:

That the Hamilton Public Library Board advise the City of Hamilton that the donated building has significant structural limitations and that it cannot be converted to a functional branch in a fiscally responsible manner

That the Hamilton Public Library Board realizes that the intent of the donation was to improve library facilities in the area and requests that the City sell the building and transfer the funds from any such sale to a library reserve that will be established specifically for library improvement in the area.
That should the City of Hamilton hold a public meeting with clients from the Locke Street Branch, that Library Board members be prepared to participate and to communicate the decisions made by the Library Board and the rationale for such decisions.

That a news release be prepared now and made available at the Locke Street Branch announcing the board's decision.

Meeting attendees spoke overwhelmingly in favour of trying to find a way to use the CIBC building as a library. To that end, Councillor McHattie will be working with staff and the community to look at the costs and the design and to consider possible fundraising possibilities, both monetary and in-kind.

It was also suggested that an open house be held at the CIBC building so the public can have a look at the space and the plans to understand the Library Board's position.

Brian cautioned everyone that it is necessary to deal with city wide issues and so it is not possible to promise anything at this time. However, it is equally important for the community to investigate every option towards finding a creative solution.

Ken Roberts and Brian will be conducting tours of both the existing Locke Branch and the CIBC building on Saturday, January 8, 2005 from 1:00 p.m. to 2:30 p.m.

Please meet at the Locke Branch (285 Locke Street South).

Brian McHattie © 2005