CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Mayor and Members General Issues Committee	**WARD(S) AFFECTED:** WARD 2
COMMITTEE DATE: October 11, 2011	
SUBJECT/REPORT NO: Hamilton Downtown Property Improvement Grant Program – 68 George Street HDPIGP11/02 (PED11160)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	**PREPARED BY:** Hazel Milsome 905-546-2424 x 2755
SIGNATURE:	

RECOMMENDATION:

a) That a grant in the estimated amount of $813,923.60 under the Hamilton Downtown Property Improvement Grant Program (HDPIGP) for 7090153 Canada Inc., owner of the property at 68 George Street be authorized and approved in accordance with the terms and conditions of the Program;

b) That the Mayor and City Clerk be authorized and directed to execute the Grant Agreement attached as Appendix "A" to Report PED11160, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The Hamilton Downtown Property Improvement Grant Program (HDPIGP) application for the redevelopment of 68 George Street was submitted by 7090153 Canada Inc. the owner of the property. The applicant is proposing to develop a six-storey Staybridge Suites Hotel containing 127 rooms, 3,650 square feet of retail space with underground parking.

Development costs are estimated at $19,534,877 and it is projected that the proposed redevelopment will increase the current value assessment (CVA) of the property from its current $436,500 to approximately $11,000,000. This will increase total annual property taxes generated by the property. The municipal share of this property tax increase (municipal tax increment) will be approximately $271,307.86 of which 100% would be granted to the owner during year one (1), 80% or approximately $217,046.29 in year two (2), 60% or approximately $162,784.72 in year three (3), 40% or approximately $108,523.15 in year four (4) and 20% or approximately $54,261.58 in year five (5). The estimated total value of the grants is approximately $813,923.60.

Upon completion of the redevelopment and reassessment of the property by the Municipal Property Assessment Corporation (MPAC), staff will report back in an Information Update to Council on the actual redevelopment costs, the reassessment amount determined by MPAC and, the actual grant amount.

Alternatives for Consideration – See Page 7.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: The City will collect full property taxes on the property and in turn provide a grant for five (5) years declining each year after the first (1st) year by twenty percent (20%) based on the increase in the municipal portion of the taxes post-development completion of 68 George Street. Following year one (1) of the grant payment, the City will start to realize the positive results of the program from a financial perspective.

Staffing: Applicants and subsequent grant payments under the Hamilton Downtown Property Improvement Grant Program are processed by the Urban Renewal Section and Taxation Division. There are no additional staffing requirements.

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. Changes to a Community Improvement Plan or Community Improvement Project Area require formal amendments as dictated by the Planning Act.

The grant will be supported by a Grant Agreement (attached as Appendix “A” to Report PED11160) which has been developed in consultation with Legal Services and will be executed by the Applicant prior to commencing grant payments.

HISTORICAL BACKGROUND (Chronology of events)

City Council, at its meeting held August 22, 2001, approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced the HDPIGP (formerly titled the Enterprise Zone Grant Program). Since that time, a number of program refinements have been approved by Council. The HDPIGP applies to properties within the Downtown Hamilton Community Improvement Project Area. The terms of the program offer a five-year grant not to exceed the increase in municipal realty taxes as a result of the development. The program also allows a developer of residential condominium units to pass the grant to first condominium purchasers of each unit. The grant is to be in an amount which does not exceed 100% of the municipal realty tax increase during the first year, 80% in year 2, 60% in year 3, 40% in year 4, and 20% in year 5.

68 George Street is an eligible project under the terms of the HDPIGP. The applicant will qualify for the HDPIGP grant upon completion of the redevelopment project that will result in a former surface parking lot being developed into a six-storey Staybridge Suites Hotel containing 127 rooms, 3,650 square feet of retail space with underground parking. Development costs are estimated at $19,534,877. The total estimated grant over the five (5) year period is $813,923.60.

POLICY IMPLICATIONS

Report PED11160 relates to the processing of an application under the HDPIGP which is contained within the Downtown and Community Renewal Community Improvement Plan.

Conditional Site Plan approval for 68 George Street was issued on June 7, 2011. The proponent is working towards addressing the conditions.

The development is consistent with Zoning By-law 05-200, the Provincial Policy Statement and Growth Plan for the Greater Golden Horseshoe Area and, conforms with the City of Hamilton Official Plan.

RELEVANT CONSULTATION

Staff from the Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager's Office, were consulted and the advice received is incorporated into Report PED11160.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Urban Renewal staff, in co-operation with staff from the Taxation and Legal Services Divisions, developed an estimated schedule of grant payments under the terms of the program. The final schedule of grant payments will be contingent upon a new assessment by MPAC following completion of the project. The Applicant will be required to sign the Grant Agreement attached as Appendix "A" to Report PED11160. The Grant Agreement contains provisions for varying the grant payment in each and every year based on MPAC's assessed value. By signing, the Applicant will accept the terms and conditions outlined therein prior to any grant payments being made. The following provides an overview of the estimated grant calculation for 68 George Street as presented in Appendix "A" to Report PED11160.

The estimated grant shall be calculated according to the following formulas:

Grant Level:	100%	
Total Eligible Costs (Maximum):	$ 19,534,877.00	
Pre-project CVA: (*GT class – Parking Lot)*	$ 436,500.00	Year: 2010
Municipal Levy:	$ 11,210.86	
Education Levy:	$ 6,744.80	
Pre-project Property Taxes	$ 17,955.66*	

*Note: this figure is based on the 2010 municipal and education levy amounts.

Estimated Post-project CVA: *(XT class - Commercial – New Construction)*	$ 11,000,000.00	Year: TBD
Estimated Municipal Levy:	$ 282,518.72	
Estimated Education Levy:	$ 157,300.00	
Estimated Post-project Property Taxes:	$ 439,818.72	

Municipal Tax Increment = Post-project Municipal Taxes (actual) - Pre-project Municipal Taxes

"Grant Payment in Year 1" (first full calendar year after re-valuation of the completed and occupied project by MPAC) or the "Initial Grant Payment" = Municipal Tax Increment*100%

Calculation of **Estimated** Grant Payment in Year 1 (Initial Grant)

Pre-project Municipal Taxes = Municipal Levy = $11,210.86
Municipal Tax Increment = $282,518.72 - $11,210.86 = $271,307.86
Payment in Year 1 = $271,307.86 x 1.0 = $271,307.86

ESTIMATED GRANT PAYMENT SCHEDULE
(subject to re-calculation each year and up to the total eligible costs)

Year*	Grant Factor	Tax Increment	Grant
1	100%	$271,307.86	$271,307.86
2	80%	$271,307.86	$217,046.29
3	60%	$271,307.86	$162,784.72
4	40%	$271,307.86	$108,523.15
5	20%	$271,307.86	$54,261.58
Total		$1,356,539.30	$813,923.60

Grant Terms

The Agreement also outlines the terms and conditions of the grant payments over the five-year period. Key terms and conditions include the following:

- Property owner must maintain property taxes in good standing. Properties must have no outstanding work orders and/or orders or requests to comply from any City department or other regulatory authority.
- The grant payment is recalculated annually.
- Annual grant payments after the first grant payment are adjusted downwards in the event the municipal tax increment in any subsequent year has been reduced.
- The property must be maintained in its rehabilitated state.
- If property taxes are owing for more than one (1) full year, the City will have the option, without notice and at its own discretion, to terminate all future Grant payments.
- In the event of the sale, conveyance, transfer or entering into of any agreement of sale or transfer of the title of the Property the City shall have absolute discretion in ceasing any further grant payments.
- Where, in the opinion of Council, the commercial relationship between the City and the Applicant has been impaired by, but not limited to**,** the applicant being involved in litigation with the City, the City may, at its discretion and without notice, terminate all future Grant payments. Applicants are individuals; corporate entities and individuals behind the corporation (Officers/Directors/Shareholders).

In addition, on an annual basis, prior to the issuance of a grant payment, the property owner will be required to sign an affidavit attesting to compliance with the terms and conditions outlined within the Agreement.

68 George Street - Pre-development

68 George Street – Proposed-Development

68 George Street pre-development and proposed-development are shown in the photographs above. Appendix 'B' to Report PED11160 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 PED11160 or, reducing the amount of the annual grant payment would undermine the principles of the Hamilton Downtown Property Improvement Grant Program and downtown renewal efforts in general. These alternatives are not recommended.

Financial: Grants totalling approximately $813,923.60 over a five (5) year period 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 residential intensification and the reuse of existing building stock and infrastructure.

Healthy Community

- Partnerships are promoted.

APPENDICES / SCHEDULES

Appendix “A” to Report PED11160 – Grant Agreement
Appendix “B” to Report PED11160 - Location Map

HM/dkm

City of Hamilton

HAMILTON DOWNTOWN PROPERTY IMPROVEMENT GRANT PROGRAM

Grant Payment – Agreement

Application No. HDPIGP 11/02

DATE: October 11, 2011

PROPERTY INFORMATION

Name of registered property owner: 7090153 Canada Inc.
Attention: Darko Vranich

Address of property (subject of Grant Program): 68 George Street
Hamilton

Roll Number(s): 020122508200000

Mailing Address of Owner (where address is different from address of property)

7090153 Canada Inc.
366 King Street West
Hamilton, Ontario
L8P 1B3

Attention: Darko Vranich

GRANT CALCULATION

The estimated grant shall be calculated according to the following formulas

Grant Level:		100%	
Total Eligible Costs (Maximum):	$	19,534,877.00	
Pre-project CVA: (*GT class – Parking Lot)*	$	436,500.00	Year: 2010
Municipal Levy:	$	11,210.86	
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Estimated Post-project CVA: $ 11,000,000.00 Year: TBD
(XT class - Commercial – New Construction)

Estimated Municipal Levy: $ 282,518.72
Estimated Education Levy: $ 157,300.00
Estimated Post-project Property Taxes: $ 439,818.72

Municipal Tax Increment = Post-project Municipal Taxes (actual) - Pre-project Municipal Taxes

"Grant Payment in Year 1" (first full calendar year after re-valuation of the completed and occupied project by MPAC) or the "Initial Grant Payment" = Municipal Tax Increment*100%

Calculation of **Estimated** Grant Payment in Year 1 (Initial Grant)

Pre-project Municipal Taxes = Municipal Levy = $11,210.86
Municipal Tax Increment = $282,518.72 - $11,210.86 = $271,307.86
Payment in Year 1 = $271,307.86 x 1.0 = $271,307.86

ESTIMATED GRANT PAYMENT SCHEDULE
(subject to re-calculation each year and up to the total eligible costs)

Year*	Grant Factor	Tax Increment	Grant
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5	20%	$271,307.86	$54,261.58
Total		S1,356,539.30	$813,923.60

Grant Terms

1. The actual amount of annual Grant payments are subject to re-calculation of (Municipal Tax Increment*the applicable %) in each and every year.

2. The total value of the sum of the annual Grant payments that may be provided under the Hamilton Downtown Property Improvement Grant Program shall not exceed the total eligible costs of the said redevelopment that have been accepted by the City ($19,534,877).

3. Annual Grant payments shall be paid, subject to these terms and conditions, by the City to a maximum of 5 payments. Such payments shall cease when the total amount paid out equals the total eligible cost amount as determined by the City, or after 5 grant payments, whichever comes first.

4. The total value of the eligible Grant provided under this Program shall be reduced by the amount of any property tax arrears in respect of any and all taxes that have been cancelled or reduced on the subject property by the City under any other programs or by relief allowed under any statute.

5. The Grant Payment in Year 1 and subsequent annual Grant payments are calculated based upon changes in property taxes as a result of completion of the accepted eligible works and construction and improvement to the property.

6. If at any point after the original redevelopment of the land, new construction is added to the land that is not part of the original Hamilton Downtown Property Improvement Grant Program application, the Grant will be calculated only in respect of the original eligible costs, original redevelopment works, and original building size contained in the original Hamilton Downtown Property Improvement Grant Program application.

7.1 The initial Grant payment is not payable by the City until each of the following conditions are fulfilled to the satisfaction of the City:

(a) redevelopment of the property is completed in accordance with the proposed redevelopment as specified in the Hamilton Downtown Property Improvement Grant Program application;

(b) the Owner has supplied the City with evidence satisfactory to the City as to the amount of the eligible costs incurred by the Owner;

(c) the Owner has satisfied the City that the total eligible costs, incurred in respect of the redevelopment have been paid in full and that there are no liens, claims or litigation in respect of the Owner's obligation to pay the total eligible costs;

(d) the Owner has satisfied the City that the accepted redevelopment that is subject of the Grant application has not been substantially altered or has not been demolished;

(e) the Owner has satisfied the City that there are no outstanding work orders and/or orders or requests to comply from any City department or other regulatory authority in respect of the redevelopment, the property and the business of the Owner conducted on the land;

(f) the Owner has satisfied the City that the Owner, its redevelopment and property are in full compliance with:

   (i) any Agreement(s) relating to the property in favour of the City, including any Agreement relating to: condominium, service, site plan approval, encroachment, joint sewer & water use, easement or other Agreement; and,

   (ii) by-laws of the City and provincial and federal legislation and regulations.

(g) the Owner has satisfied the City that the assessed value of the subject property has increased as a result of the said redevelopment to the property and that the assessed value was increased for reasons that meet the eligibility requirements of the City's Hamilton Downtown Property Improvement Grant Program;

(h) the Owner or the municipality has not appealed said increased assessed value and there exists no other pending appeal which has not been settled completely in respect of the assessed value as of a date which is either in advance of or as of a date, which follows the said redevelopment;

(i) the Owner has satisfied the City that the property taxes for the year during which property taxes were calculated pursuant to the said increased assessment and for each of the preceding years, have been paid in full, have not been deferred and there are, at the time of application for payment of the annual Grant payment, no instalments for the current year remaining to be invoiced and paid;

(j) the Owner has satisfied the City that the Owner, as of the date of the proposed Grant payment, has paid in full and not deferred all other charges (where applicable) against the property in favour of the City, including but not limited to: Development Charges, park land dedication fees, special assessments and frontage charges;

7.2 Subsequent annual grants as set out herein will be payable each year upon the written request of the Owner where the Owner has satisfied the City as to the matters set out in paragraphs 7.1 (d), (e), (f), (h), (i) and (j) above.

7.3 The amount of each subsequent grant is equivalent to the Municipal Tax Increment (MTI) for the year in which payment is to be made. The MTI shall be calculated as shown in Section 3 of this Agreement. It is acknowledged that the amount of this grant may vary up or down from year to year during the term of this Agreement. No grant is payable where the MTI is zero or a negative value.

8. The decision of the City regarding the total amount of eligible costs and the calculation of the actual total redevelopment Grant and annual Grant payments is final.

9. Payment of the Grant and the actual amount of the total Grant will be subject to the City's review and satisfaction with all reports and documentation submitted in support of the application, including but not limited to: documentation of the estimated and actual costs of eligible works. Any and all of these costs may be, where required by the City subject to verification, third party review or independent audit, at the expense of the Owner.

10. Grants are not payable by the City until such time as all taxes eligible for a Grant have been billed by the City, and all outstanding taxes have been paid in full for all years by the Owner. Grant cheques will not be issued if there is an outstanding tax payment. Penalty/interest will be charged on all outstanding taxes. Penalty/interest on arrears will be 12% per annum or such tax arrears interest rate as may be established by Council from time to time.

11. On an annual basis, the City, upon ascertaining that the Owner is in compliance with this Agreement and has met all and any other requirements of the City, shall pay the annual Grant payment.

12. If in the opinion of the City the property is not maintained in its rehabilitated condition, the City may, at its own discretion and without notice, terminate all future Grant payments and require repayment of all Grant payments already paid out by the City to the Owner.

13. The City retains the right at all times not to make any or all of the Grant payments or to delay payment where the City deems that there is non-compliance by the Owner with this Agreement. In particular, without limiting the generality of the foregoing, the Grant is conditional upon periodic reviews satisfactory to the City to there being no adverse change in the redevelopment and to there being compliance on the part of the Owner with all other requirements contained in this Agreement.

14. Where property taxes are in arrears on the subject property for a year or more, the City may, at its discretion and without notice, terminate all future Grant payments.

15. In the event of the sale, conveyance, transfer or entering into of any agreement of sale or transfer of the title of the Property the City shall have absolute discretion in ceasing any further grant payments.

16. Where the Owner is a corporation the Owner covenants and agrees that in the event that:

    a) the Owner fails to supply the City, in a form satisfactory to the City such information relating to the ownership of its shares as the City may from time to time require: or

    b) without the written consent of the City first had and obtained:

        i) the Owner issues or redeems any of its shares or transfers any of its shares;

        ii) there is a sale or sales of the shares of the Owner which result in the transfer of the legal or beneficial interest of any of the shares of the Owner; or

        iii) the Owner amalgamates, merges or consolidates with any other corporation

    and the result of any of the foregoing is a change in the effective control of the majority of the voting shares of the Owner, or the requested information is not provided, then future grant payments under the Program shall cease at the absolute discretion of the City.

IN WITNESS WHEREOF the parties duly execute this Agreement, as follows as of the day and date set out in the date of this Agreement:

Approved As To Form: **CITY OF HAMILTON**

Legal Services

(1 -)

_____
Bob, Bratina, Mayor

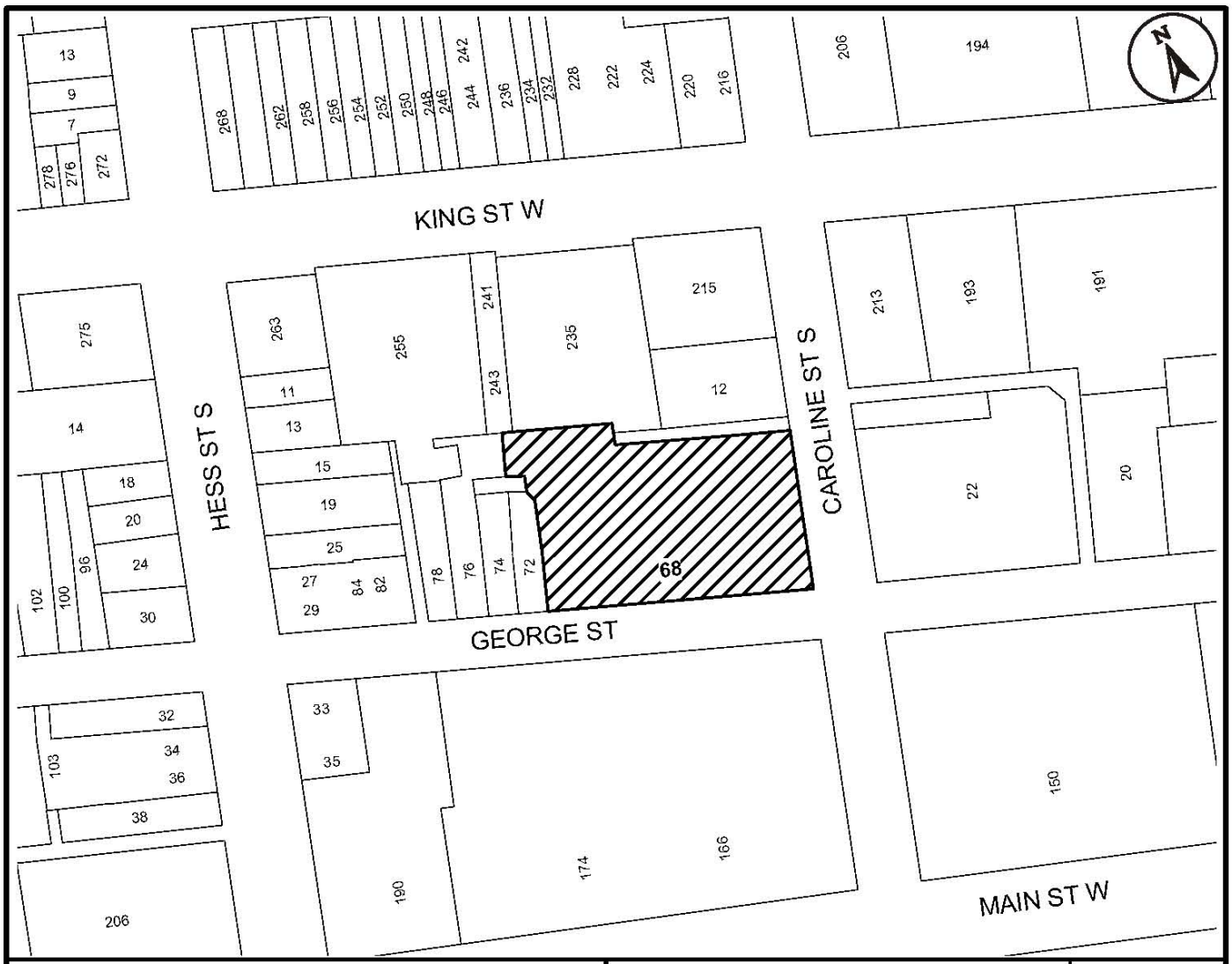
_____c/s
Rose Caterini, City Clerk

. **OWNER**

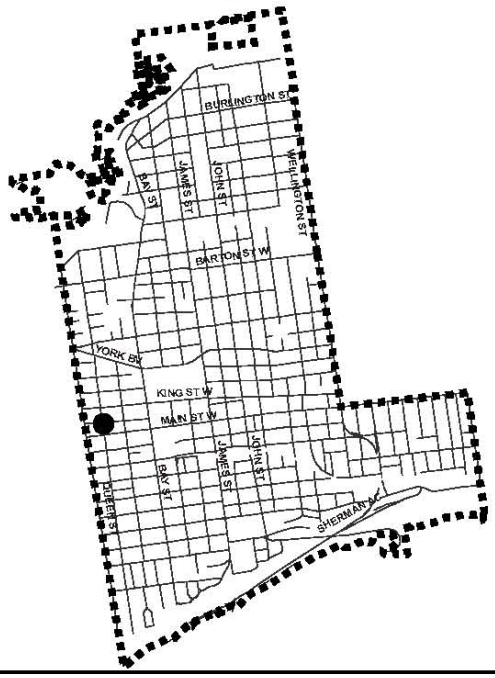
per: _____

per: _____c/s

I/We have authority to bind the corporation



● Site of the Application



Ward 2 Key Map

N.T.S.

Location Map

Hamilton

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:	Date:	
68_GeorgeSt	August 29, 2011	
Appendix "A"	**Scale:** N.T.S.	**Planner/Technician:** HM/KA

Subject Property

68 George Street