



Hamilton

INFORMATION REPORT

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: WARD 2
COMMITTEE DATE: January 15, 2014	
SUBJECT/REPORT NO: Community Improvement Initiatives Piers 5 - 8 (PED11188(d)) (Ward 2)	
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SIGNATURE:	

Council Direction:

In November 2011, City Council approved a series of recommendations to update the Downtown and Community Renewal Community Improvement Plan and Project Area and also directed staff “to investigate adding Piers 5 - 8 as part of an expanded community improvement project area.” City Council subsequently approved at its meeting held November 28, 2012 staff’s recommendation “that the decision to designate a Community Improvement Project Area at Piers 5 - 8 be deferred pending analysis of outcomes of ongoing studies at the waterfront.” The following information is provided now considering the results of the West Harbour Piers 5 - 8 Servicing Studies and Pro-Forma Analysis.

Information:

The West Harbour Piers 5 - 8 Servicing Studies Draft Summary Report attached as Appendix “A” to Report PED14002 to be considered by the General Issues Committee at its meeting scheduled January 15, 2014 confirms: i) that the preliminary pro-forma analysis for the anticipated mixed-use development on Pier 8 indicates that the return on investment is significant, and will be positively received by the private-sector investment community; and, ii) that the anticipated Pier 5 - 7 waterfront commercial development, as envisioned in the West Harbourfront Recreation Master Plan, although financially viable, will take longer to realize return on investment.

OUR Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

OUR Mission: WE provide quality public service that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Values: Accountability, Cost Consciousness, Equity, Excellence, Honesty, Innovation, Leadership, Respect and Teamwork.

The Environmental Soils section of the Draft Summary Report acknowledges that the upfront clean-up costs, potential delays and liability issues could be a challenge for future development. It also recognizes that the lack of confirmed soil conditions may add to the risk of additional unknown issues in the future.

Financial incentives to support the remediation of brownfield redevelopment in Piers 5 - 8 are currently offered by the municipality under the ERASE Community Improvement Project Area and corresponding Community Improvement Plan. An overview of all financial incentives currently offered in Piers 5 - 8 are as follows:

ERASE Redevelopment Grant Program (ERG)

The purpose of this program is to remove a serious financial impediment to brownfield redevelopment efforts, namely the large tax increase that can result when a brownfield property is redeveloped. The intent of the ERASE Redevelopment Grant Program (ERG) is to encourage environmental remediation, rehabilitation, redevelopment and adaptive re-use of brownfield sites. The program will provide a financial incentive in the form of a grant to help offset the cost of environmental remediation and rehabilitation of brownfield properties where redevelopment results in a re-valuation and tax increase on these properties. The grant is calculated at 80% of the increase in the municipal portion of property taxes and is paid on an annual basis for up to 10 years, commencing once the redevelopment is complete.

ERASE Tax Assistance Program

Similar to the ERASE Redevelopment Grant program (ERG), the Tax Assistance program will provide a financial incentive in the form of a freeze or cancellation of part of the educational tax portion of a brownfield property where redevelopment results in the re-valuation and tax increase on the eligible property. Under the program, the Province of Ontario may match the municipal tax treatment for the education portion of the property tax that results from remediation and rehabilitation of the property and is paid on an annual basis for up to three years, commencing once the redevelopment is complete.

ERASE Municipal Acquisition and Partnership Program

The ERASE Municipal Acquisition and Partnership Program is a program of City property acquisition, investment and involvement in pilot projects with the private sector to clean up and redevelop brownfield sites. Pilot projects can showcase the use of innovative tools such as new environmental remediation technologies. The City of Hamilton intends to be a leader in all areas of brownfield redevelopment, to provide stewardship in the administration of these programs and to be proactive in addressing opportunities associated with City owned properties.

ERASE Study Grant Program

Matching grants are available from the City to pay for up to one-half the cost of a Phase II and/or a Phase III Environmental Site Assessment (Remediation Action Plan). The maximum City contribution per study is \$20,000 to a maximum of two studies and \$25,000 per property. Property owners or potential purchasers of commercial or industrial properties within the project area are eligible to apply.

Development Charge Reduction Option

Once an application has been approved under the ERG, the applicant has the option of applying the costs of environmental remediation on that property against development charges payable for that property (after any demolition charge credits are applied). If the applicant chooses to exercise this option, the costs of environmental remediation applied against development charges payable will be deducted from eligible costs under the ERG.

LEED Grant Program

The purpose of the grant program is for the City to share (50/50) the incremental construction cost (to a maximum), consultation, energy modeling and certification fees with the applicant to achieve LEED certification. Grants are calculated on the basis of the rating of official certification under the LEED rating system by the Canadian Green Building Council (CaGBC). The program authorizes for each approved grant application, a five year grant, the amount of which is subject to Council approval, in an amount not exceeding the increase in municipal realty taxes as a direct result of the development/redevelopment of land and/or building. The grant which may be approved by Council shall be an amount which does not exceed 75% of the municipal realty tax increase during the term of the grant.

Downtown Hamilton/West Harbourfront Remediation Loan Pilot Program

The Hamilton Downtown/West Harbourfront Remediation Loan Pilot Program was first introduced as a low-interest loan towards the cost of remediating properties for residential or commercial use within the Downtown Hamilton Community Improvement Project Area and the area defined by the Setting Sail Secondary Plan boundaries. The program was created to fill the gap left by traditional financial institutions for securing financing for the remediation of properties. The program offers a low-interest loan equal to 80% of the cost of remediation to a maximum of \$400,000. The interest rate on the loan is 1% below the prime rate as established by RBC. The interest rate is established at the time the first instalment of the loan is advanced by the City.

Hamilton Heritage Property Grant Program

This program offers grants up to \$150,000 for the conservation and restoration of heritage features of properties designated under Parts IV or V of the Ontario Heritage Act. Works required to restore heritage buildings to structural soundness are also eligible for funding. Properties must be located in the Downtown Hamilton Community Improvement Project Area, an active Business Improvement Area or, located within the lower City between Highway 403 and the Red Hill Valley Parkway and used for commercial, institutional or multi-residential purposes. The Program also offers a \$20,000 grant for heritage studies.

Hamilton Community Heritage Fund Loan Program

Offered to owners of properties within the City of Hamilton that are designated under Parts IV or V of the Ontario Heritage Act, this program offers a 0% interest loan to a maximum of \$50,000 for the restoration and conservation of heritage features of properties designated under Parts IV or V of the Ontario Heritage Act. Repayment of the loan is repayable monthly up to a maximum of 10 years or, repayable commencing one year after final completion of the works, in annual amounts of 10% of the loan for four years at the end of which the balance will be paid by a balloon payment.

One of the seven recommendations contained in the West Harbour Piers 5 - 8 Servicing Studies and Pro-Forma Analysis Draft Summary Report recommended for approval through Report PED14002 is as follows:

“Develop a broader real estate development strategy for the study area. Over the course of the last several years, the City has continued to implement a series of projects and programs that are intended to reduce the redevelopment barriers on Piers 5 - 8. These actions include this study, the preparation of the Setting Sail Secondary Plan, the Waterfront Recreation Master Plan, the renegotiation/termination of leases on Pier 8 as well as a number of other complementary initiatives, such as the marina replacement/slip upgrades and the breakwater. As the primary property owner, the City should prepare a real estate and redevelopment strategy for Piers 5 - 8. The real estate strategy should articulate:

- (a) The City’s financial goals for redeveloping Piers 5 - 8 and its role in the redevelopment process;*
- (b) The expected role of the private sector in the redevelopment process;*
- (c) How far the City intends to proceed with the removal of redevelopment barriers and whether the City intends to prepare a plan of sub-division for Piers 5 - 8;*
- (d) Whether or not specific incentives are needed to ensure the timely completion of the redevelopment; and,*
- (e) A detailed action plan.*

Upon substantial completion of recommendations two (Harmonize planning regulations and proceed with the urban design study for the West Harbour) and three (Complete Phase 1 and 2 Environmental Site Assessments and Geotechnical Study for Piers 5 - 8), the City should be in a position to prepare its real estate strategy”.

Conclusion:

Based on the preliminary pro-forma analysis undertaken as part of the Hamilton West Harbour Piers 5 – 8 Servicing Studies, the expansion of financial incentive programs for Piers 5 – 8 is not recommended at this time. The introduction of financial incentive programs to Downtown Hamilton was in response to the perceptions and realities of the downtown environment. The perceptions were that the downtown was unsafe and unclean. The realities were that people were not attracted to living in the downtown, the condo market was unknown and, developers could not obtain financing for projects. In comparison, people are attracted to living by water and, the pro-forma analysis confirms that the return on residential development on the Piers will be significant (albeit the market is unknown at this time). However, staff is cognizant that the pro-forma analysis predicts it will take longer to realize a return on investment for commercial development. Therefore, at this time, if financial incentive programs are introduced in the future for development on Piers 5 - 8, it could likely be to assist commercial development. Incentives could be tax incentives or loans/grants for the redevelopment of commercial property. A final decision on whether to introduce additional financial incentives on Piers 5 - 8 will be made as part of the broader real estate development strategy for the study area (pending City Council approval of the recommendation to develop the strategy in Report PED14002).

In 2014, as part of Urban Renewal Section’s promotional initiatives for the financial incentive programs, staff will create a financial incentive brochure focussed on the boundaries of the Setting Sail Secondary Plan highlighting all financial incentives offered within the area. Once produced, the brochures will be provided to prospective investors.

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