



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 7, 2014
SUBJECT/REPORT NO:	Temporary Delegated Authority - Hamilton Downtown Multi-Residential Property Investment Program, Hamilton Tax Increment Grant Program, Office Tenancy Assistance Program, Commercial Corridor Housing Loan and Grant Program, Hamilton Community Heritage Fund Loan Program, ERASE Redevelopment Grant Program, LEED Grant Program and Downtown Hamilton/West Harbourfront Remediation Loan Program (PED14131) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Hazel Milsome (905) 546-2424 Ext. 2755
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the General Managers of the Finance and Corporate Services Department and Planning and Economic Development Department be authorized to approve loans/grants under the following financial incentive programs administered by the Urban Renewal Section on a temporary basis from October 1, 2014 until the inaugural meeting of the newly elected Council:
- i) Hamilton Downtown Multi-Residential Property Investment Program;
 - ii) Hamilton Tax Increment Grant Program;
 - iii) Office Tenancy Assistance Program;
 - iv) Commercial Corridor Housing Loan and Grant Program;
 - v) Hamilton Community Heritage Fund Loan Program;
 - vi) ERASE Redevelopment Grant Program;
 - vii) LEED Grant Program;
 - viii) Downtown Hamilton/West Harbourfront Remediation Loan Program;
- (b) That staff from the Urban Renewal Section be directed to report back to the newly elected Council in February 2015 on details of the loans/grants that were

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approved by the General Managers of the Finance and Corporate Services Department and Planning and Economic Development Department.

EXECUTIVE SUMMARY

In order to ensure that investment in property redevelopment in the City of Hamilton is not interrupted subsequent to the final meeting of the General Issues Committee and the inaugural meeting of the newly elected Council, staff are recommending that the General Managers of the Finance and Corporate Services Department and Planning and Economic Development Department be temporarily delegated the authority to approve loans and grants under the Hamilton Downtown Multi-Residential Property Investment Program, the Hamilton Tax Increment Grant Program, the Office Tenancy Assistance Program, the Commercial Corridor Housing Loan and Grant Program, the Hamilton Community Heritage Fund Loan Program, the ERASE Redevelopment Grant Program, the LEED Grant Program and the Downtown Hamilton/West Harbourfront Remediation Loan Program.

This temporary delegated authority was approved by the Economic Development and Planning Committee (PED10201) on September 7, 2010 for the previous municipal election and approved by Council on September 15, 2010.

Alternatives for Consideration Page 8

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Hamilton Downtown Multi-Residential Property Investment Program:
The cost to fund the program is the interest lost to the City which is funded through the Urban Renewal Section's Operating Budget contained in Account # 52901-815010.

Hamilton Tax Increment Grant Program:

The program is self-funded from increased taxes paid by the project's property owner. Due to the improvements to the property, the value of the property increases which increases the tax revenue. The City collects the increase in taxes and provides grants, based on the increase in the municipal portion only, attributable to the redevelopment of a property. 100% of the municipal portion of the increase in the taxes is granted in year one, 80% in year two, 60% percent in year three, 40% in year four and, 20% in year five. The City starts to realize the positive results of the program from a financial perspective in year two.

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Office Tenancy Assistance Program:

The cost to fund the program is the interest lost to the City which is funded through the Urban Renewal Section's Project ID # 8201003001 and 8201103100.

Commercial Corridor Housing Loan and Grant Program:

The cost to fund the loan component of the program is the interest lost to the City which is funded through the Urban Renewal Section's Operating Budget contained in Account # 52901-815010.

The grant component of the Commercial Corridor Housing Loan and Grant Program is funded from the Urban Renewal Section's Operating Budget contained in Account # 58201 815010.

Hamilton Community Heritage Fund Loan Program:

The cost to fund the program is the interest lost to the City which is charged to Account # 52901-815010. Any costs incurred for the program are funded from the Hamilton Community Heritage Fund Loan Program Reserve 102049.

ERASE Redevelopment Grant Program:

This program is self-funded from increased taxes paid by the project's property owner. Due to the remediation and development of property, the value of the property increases which increases the tax revenue. The City collects the increase in taxes and provides grants, based on the increase in the municipal portion only, attributable to the redevelopment of a property. 80% of the increase in the municipal portion of the taxes is granted over a 10 year period to a total maximum of the cost of the remediation. The City retains 20% of the municipal tax increment for 10 years up to an amount not to exceed 20% of the total remediation costs. These monies are deposited in the Brownfield's Pilot Project Account to be used by the City for its Municipal Acquisition and Partnership Program (MAPP). This program, as approved in the ERASE Community Improvement Plan involves the City acquiring key Brownfield sites, cleaning-up and redeveloping property it already owns, or participating in public/private partnerships to redevelop Brownfield properties.

LEED Grant Program:

The program is self-funded from increased taxes paid by the project's property owner. The program provides the applicant with an annual grant

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equivalent to 75% of the increase in municipal taxes, up to the total eligible costs, or up to five years, whichever comes first (total eligible costs calculated on the basis of the rating of official certification under the LEED rating system by the Canadian Green Building Council). The City starts to realize the positive results of the program from a financial perspective in the first year.

Downtown Hamilton/West Harbourfront Remediation Loan Program:

The cost to the City for the program is the interest lost which is funded through Urban Renewal Section's Project ID # 8200903900.

Staffing: Administration of the financial incentive programs can be accommodated within the Urban Renewal Section, Planning and Economic Development Department as well as the Taxation and the Finance, Administration and Revenue Generation Divisions of the Corporate Services Department.

Legal: Legal Services Division, City Manager's Office will continue to provide counsel to staff, when required, on applications received under the financial incentive programs. Relevant loan/grant documentation will also continue to be developed in consultation with staff from the Legal Services Division, City Manager's Office.

As the delegating authority is for a temporary period only, a by-law authorizing the delegation is not required. The confirming by-law of the City Council wherein Council authorizes the temporary delegation is sufficient.

HISTORICAL BACKGROUND

The Urban Renewal Section, Economic Development Division administers fourteen financial incentive programs, namely:

1. Hamilton Downtown Multi-Residential Property Investment Program
2. Hamilton Tax Increment Grant Program
3. Office Tenancy Assistance Program
4. Business Improvement Area Commercial Property Improvement Grant Program
5. Hamilton Heritage Property Grant Program
6. Commercial Corridor Housing Loan and Grant Program
7. Gore Building Improvement Grant Program
8. Commercial Façade Property Improvement Grant Program

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9. Hamilton Community Heritage Fund Loan Program
10. Hamilton Heritage Conservation Grant Program
11. ERASE Redevelopment Grant Program
12. ERASE Study Grant Program
13. LEED Grant Program
14. Downtown Hamilton/West Harbourfront Remediation Loan Program

City Council, at its meeting held January 27, 2010, authorized the General Manager of the Planning and Economic Development Department to approve loans and grants to a maximum of \$200,000 under the Business Improvement Area Commercial Property Improvement Grant Program, the Commercial Corridor Housing Loan and Grant Program, and the Hamilton Heritage Property Grant Program, directing staff to report back on a quarterly basis on details of the loans / grants that the General Manager approves. By-law 10-052, enacted by City Council at its meeting held March 10, 2010, delegates the aforementioned authority.

City Council, at its meeting held November 16, 2011, enacted By-law 11-274 that amends By-law 10-52 authorizing the General Manager of the Planning and Economic Development Department to also approve grants under the Gore Building Improvement Grant Program and the Commercial Façade Property Improvement Grant Program.

City Council, at its meeting held April 9, 2014, enacted By-law 14-085 that amends By-law 10-52 authorizing the General Manager of the Planning and Economic Development Department to approve grants under the Hamilton Heritage Conservation Grant Program.

Approval of loans / grants under the financial incentive programs contained in By-law 10-52 as amended will not be interrupted during the pending municipal election period with the exception of loan commitments in excess of \$200,000 under the Commercial Corridor Housing Loan and Grant Program.

Hamilton Downtown Multi-Residential Property Investment Program:

Development projects in Downtown Hamilton that convert existing commercial space into residential units, renovate existing residential units, or create new residential units, may be eligible for this program. It provides an interest free loan calculated on the basis of 25% of the cost to construct budget (to a maximum of \$5,000,000) including uses accessory to the residential development. City funds are advanced in three stages, upon completion of 60%, 80% and substantial completion of the project. The loan is interest-free for the first five years of a maximum term of five years and six months from the date of the final advance. Repayments commence one year following the final

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advance. However, if the project contains condominium units, the loan is repaid at 25% of the sale price of each unit at time of sale until the City's loan has been paid in full.

Hamilton Tax Increment Grant Program:

The program provides a tax increment equivalent grant to projects that develop or renovate residential and / or commercial land and buildings. Based on pre-development and post-development assessments, the five year grant is equivalent to 100% of the municipal realty tax increase during the first year, 80% in year two, 60% in year three, 40% in year four, and 20% in year five. Grants are not assignable by the property owner to anyone except purchasers of new condominium units. The grant may also be applied to the repayment of a City loan issued under the Hamilton Downtown/West Harbourfront Remediation Loan Program.

Office Tenancy Assistance Program (OTAP):

The program provides a low interest loan to building owners or tenants to support eligible leasehold improvements to office buildings. The amount of the loan depends on the square foot area and term of lease or owner-occupied status of the office space, to a maximum of \$450,000 per application. City funds begin to flow upon 50% completion of the work. The maximum loan term is the term of the lease and/or shall not exceed five years from the date of the final advance. Loan repayments commence one month following the final advance and no later than four months following the first advance.

Commercial Corridor Housing Loan and Grant Program:

The Program offers financial assistance for the construction of new residential units, renovation of residential units, or conversion of existing commercial space into residential units. The loan is calculated on the basis of \$15,000 per dwelling unit, to a maximum of \$600,000 per property. The grant provides up to \$5,000 per property for professional fees paid. A minimum of 50% of the loan per unit must be spent on the dwelling unit while the remaining 50% can cover the cost of common elements of the property such as roofing, fire escapes, furnaces and entranceways.

Hamilton Community Heritage Fund Loan Program:

The 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.

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ERASE Redevelopment Grant Program:

The program provides a financial incentive in the form of a grant to help off-set 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 and reassessed by the Municipal Property Assessment Corporation. The grant may also be applied to the repayment of a City loan issued under the Hamilton Downtown/West Harbourfront Remediation Loan Program.

LEED Redevelopment Grant Program:

The purpose of the program is for the City to share (50/50) the incremental construction cost (to a maximum) of consultation, energy modelling 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. The program offers a five year grant, in an amount not exceeding the increase in municipal realty taxes as a direct result of the redevelopment of land and/or building. The grant shall not exceed 75% of the municipal realty tax increase during the term of the grant.

Downtown Hamilton/West Harbourfront Remediation Loan Program:

The program provides financial assistance through a low interest loan equal to 80% of the cost of remediating a property to a maximum of \$400,000 per property/project within Downtown Hamilton or the West Harbourfront. The loan is to be a “bridge” until such time as the property owner receives their ERASE Redevelopment Grant or their Hamilton Tax Increment Grant.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Hamilton Downtown Multi-Residential Property Investment Program, the Hamilton Tax Increment Grant Program, the Office Tenancy Assistance Program, and the Commercial Corridor Housing Loan and Grant Program are contained within the City’s Downtown and Community Renewal Community Improvement Plan.

The ERASE Redevelopment Grant Program, the LEED Grant Program and the Downtown Hamilton/West Harbourfront Remediation Loan Program are contained within the ERASE Community Improvement Plan.

The Hamilton Community Heritage Fund Loan Program supports the restoration/conservation of heritage properties which is important to the urban

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revitalization and regeneration of Hamilton. Volume 1, Section 3.4 - *Cultural Heritage Resources Policies* of the Urban Hamilton Official Plan states that the City shall “protect and conserve the tangible cultural heritage resources of the City, including archaeological resources, built heritage resources, and cultural heritage landscapes” (Volume 1, 3.4.2.1(a)), and “identify cultural heritage resources through a continuing process of inventory, survey, and evaluation, as a basis for the wise management of these resources” (Volume 1, 3.4.2.1(b)). The policies also provide that the “City may, by By-law, designate individual and groups of properties of cultural heritage value under Parts IV and V, respectively, of the Ontario Heritage Act” (Volume 1, 3.4.2.3). These policies demonstrate Council’s commitment to the identification, protection, and conservation of the cultural heritage resources.

RELEVANT CONSULTATION

The General Manager of Finance and Corporate Services and staff from Legal Services Division, City Manager’s Office were consulted and the advice received is incorporated into PED14131.

ANALYSIS AND RATIONAL FOR RECOMMENDATION

In order that there are no interruptions in the delivery of loan and grant approvals under the financial incentive programs during the municipal election campaign, temporary delegated authority to the General Managers of Finance and Corporate Services and Planning and Economic Development is required. Delaying loan or grant approvals for redevelopment projects within the city could cause significant uncertainty in a project’s feasibility and overall costs.

Staff will continue to undertake due diligence on each application received including: a financial risk analysis; confirmation of compliance with zoning; determination of outstanding Work Orders, Fire Code Orders and Property Standards Infractions, status of taxes. Upon confirmation that all terms and conditions have been met, staff will recommend approval of the loan/grant to the General Managers.

Staff will report back on all loans and grants approved by the General Managers of Finance and Corporate Services and Planning and Economic Development to the General Issues Committee in February 2015.

ALTERNATIVES FOR CONSIDERATION

An alternative is not to delegate temporary authority to the General Managers of Finance and Corporate Services and Planning and Economic Development which could

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cause the delay or cancellation of a redevelopment project. In order to provide a seamless service, this alternative is not recommended.

Financial: Not applicable.

Staffing: Not applicable

Legal: Not applicable

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.3 Enhance customer service satisfaction.

APPENDICES AND SCHEDULES ATTACHED

N/A

HM/dkm