



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
*Economic Development Division*

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	September 4, 2014
<b>SUBJECT/REPORT NO:</b>	Hamilton Tax Increment Grant Program (HTIGP) – 189 King Street East, Hamilton (PED14183) (Ward 2)
<b>WARD(S) AFFECTED:</b>	Ward 2
<b>PREPARED BY:</b>	Hazel Milsome (905) 546-2424 Ext. 2755
<b>SUBMITTED BY:</b>	Jason Thorne General Manager Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That a Hamilton Tax Increment Grant Program (HTIGP) application submitted by Peter Desotto, owner of the property at 189 King Street East, Hamilton, for an HTIGP grant estimated at \$2,131.57 over a maximum of a five-year period and based upon the incremental tax increase attributable to the redevelopment of 189 King Street East, 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 PED14183, in a form satisfactory to the City Solicitor.

**EXECUTIVE SUMMARY**

The Hamilton Tax Increment Grant Program (HTIGP) application for the redevelopment of 189 King Street East, Hamilton was submitted by Peter Desotto, owner of the property. The applicant proposes to redevelop the two existing vacant residential units on the second and third floors of the property and improve the exterior of the building.

Development costs are estimated at \$95,000 and it is projected that the proposed redevelopment will increase the value assessment of the property from its current \$124,000 to approximately \$184,000. 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 \$710.53 of which 100% would be granted to the

owner during year one, 80% or approximately \$568.42 in year two, 60% or approximately \$426.31 in year three, 40% or approximately \$284.21 in year four and 20% or approximately \$142.10 in year five. The estimated total value of the grants is approximately \$2,131.57.

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 6***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The City will collect full property taxes on the property and, in turn, provide a grant for five years declining each year after the first year by 20% based on the increase in the municipal portion of the taxes post-development completion of 189 King Street East, Hamilton. Following year one of the grant payment, the City will start to realize the positive results of the Program from a financial perspective. Based on the projected increase in taxes and the estimated total grant amount to the applicant over a five-year period, the City will retain an additional \$1,421.08 in taxes over five years and the total grant over five years will be \$2,131.57.

**Staffing:** Applicants and subsequent grant payments under the HTIGP 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 PED14183) which has been developed in consultation with Legal Services and will be executed by the Applicant prior to commencing grant payments.

**HISTORICAL BACKGROUND**

City Council, at its meeting held August 22, 2001, approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced

the HTIGP. Since that time, a number of Program refinements have been approved by City Council, the most recent amendment being the expansion of the Program to Community Downtowns, Business Improvement Areas, the Mount Hope/Airport Gateway and the corridors of Barton Street and Kenilworth Avenue, as identified in the Downtown and Community Renewal 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 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 two, 60% in year three, 40% in year four, and 20% in year five.

The proposed project at 189 King Street East, Hamilton is an eligible project under the terms of the HTIGP. The applicant will qualify for the HTIGP grant upon completion of the redevelopment project which will result in the redevelopment of two existing vacant residential units on the second and third floors of the property and improvements to the exterior of the property. Development costs are estimated at \$95,000. The total estimated grant over the five-year period is \$2,131.57.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Report PED14183 relates to the processing of an application under the HTIGP which is contained within the Downtown and Community Renewal Community Improvement Plan.

Dwelling units located above a broad range of ground floor commercial uses are permitted in the Downtown Hamilton Secondary Plan's Prime Retail Streets land use designation and Zoning By-law 05-200's D2 Zone applicable to the property. Building façade improvements/alterations are subject to the D2 Zone's Heritage Character Zone regulations.

## **RELEVANT CONSULTATION**

Staff from the Taxation Division, Corporate Services Department, and the Legal Services Division, City Manager's Office, was consulted and the advice received is incorporated into Report PED14183.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

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 PED14183. 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

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following provides an overview of the estimated grant calculation for 189 King Street East, Hamilton, as presented in Appendix “A” to Report PED14183.

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

Grant Level:	100%	
Total Eligible Costs (Maximum):	\$ 95,000	
Pre-project CVA: (CT)	\$ 124,000	Year: 2014
Municipal Levy:	\$ 2,907.48	
Education Levy:	\$ 1,613.02	
Pre-project Property Taxes:	\$ 4,520.50	
<b>*Estimated</b> Post-project CVA: (CT, RT)	\$ 184,000	Year: TBD
<b>**Estimated</b> Municipal Levy:	\$ 3,618.01	
<b>Estimated</b> Education Levy:	\$ 1,734.82	
<b>Estimated</b> Post-project Property Taxes:	\$ 5,352.83	

\*The actual assessed value, tax classification(s) and value partitioning (where applicable) to be determined by the Municipal Property Assessment Corporation

\*\*2014 tax rates used for calculation of estimated property taxes

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

“Grant Payment in Year One” (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 One (Initial Grant)

Pre-project Municipal Taxes = Municipal Levy = \$2,907.48

Municipal Tax Increment = \$3,618.01 - \$2,907.48 = \$710.53

Payment in Year One = \$710.53 x 1.0 = \$710.53

**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%	\$710.53	\$710.53
2	80%	\$710.53	\$568.42
3	60%	\$710.53	\$426.31
4	40%	\$710.53	\$284.21
5	20%	\$710.53	\$142.10
<b>Total</b>		<b>\$3,552.65</b>	<b>\$2,131.57</b>

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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 downward 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 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; and,
- 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).



*189 King Street East*

Appendix “B” to Report PED14183 identifies the location of 189 King Street East, Hamilton.

## **ALTERNATIVES FOR CONSIDERATION**

### **Decline the Grant and Approve a Reduced Amount**

Declining a grant and/or approving a reduced amount would undermine the principles of the HTIGP and regeneration efforts, in general, and could potentially terminate or delay the project. This alternative is not recommended.

**Financial:** Grants totalling approximately \$2,131.57 over a five-year period would not be issued.

**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**

Appendix “A” to Report PED14183 - Grant Agreement

Appendix “B” to Report PED14183 - Location Map

HM/dkm