



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	January 14, 2014
SUBJECT/REPORT NO:	Hamilton Tax Increment Grant Program (HTIGP) – 140 Main Street West, Hamilton (PED15003) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Hazel Milsome (905) 546-2424 Ext. 2755
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a Hamilton Tax Increment Grant Program (HTIGP) application submitted by 150 Main Street West Holdings Inc. (Darko Vranich), for the property at 140 Main Street West, Hamilton, for a Hamilton Tax Increment Grant Program (HTIGP) grant estimated at \$953,172.19 over a maximum of a five-year period, and based upon the incremental tax increase attributable to the redevelopment of 140 Main Street West, 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 PED15003, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The Hamilton Tax Increment Grant Program (HTIGP) application for the redevelopment of 140 Main Street West, Hamilton was submitted by 150 Main Street West Holding Inc. (Darko Vranich). The applicant proposes to develop a 28 storey, 322 unit apartment building over an existing parking garage.

Development costs are estimated at \$40,000,000 and it is projected that the proposed redevelopment will increase the value assessment of the property from its current \$1,601,000 to approximately \$30,000,000. 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 \$317,724.07 of which 100% would be granted to

the owner during year one, 80% or approximately \$254,179.25 in year two, 60% or approximately \$190,634.44 in year three, 40% or approximately \$127,089.62 in year four and 20% or approximately \$63,544.81 in year five. The estimated total value of the grants is approximately \$953,172.19.

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 140 Main Street West, 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 \$635,448.16 in taxes over five years and the total grant over five years will be \$953,172.19.

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 PED15003) 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 140 Main Street West, 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 development of a 28 storey, 322 unit apartment building over an existing parking garage. Development costs are estimated at \$40,000,000. The total estimated grant over the five-year period is \$953,172.19.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report PED15003 relates to the processing of an application under the HTIGP which is contained within the Downtown and Community Renewal Community Improvement Plan.

The subject lands are designated “Downtown Urban Growth District” on Schedule E – Urban Structure and “Downtown Mixed Use Area” on Schedule E-1 – Urban Land Use Designations within the Urban Hamilton Official Plan. They are also designated “Mixed Use” (Main Street West side) and “Specialty Commercial” (George Street side) within the Downtown Hamilton Secondary Plan Land Use Plan. These designations permit a range of uses including commercial and multi-residential uses. The existing development conforms with and generally implements these land use designations. The lands are zoned Downtown Mixed Use (D3) Zone in Zoning By-law No. 05-200 which permits the use of the residential tower, currently under construction, along with the associated parking and commercial areas. The existing parking structure and associated retail were approved through Site Plan Control Application DA-12-044 which received final approval in September 2013. The residential tower component was approved through an amendment to Site Plan Control Application DA-12-044 (Site Plan Amendment Application SPA-13-185) which received final approval in June 2014. Minor Variances to the Zoning By-law were obtained for the initial phases of the overall development of the block through Minor Variance Applications HM/A-12:254 and HM/A-12:281 which included the parking structure associated with Bella Towers. These variances mostly addressed modifications for building height and setbacks. More specifically for Bella Towers, Minor Variance Application HM/A-13:149 was approved in October, 2013 to address the varying parking and height zoning modifications.

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 PED15003.

ANALYSIS AND RATIONAL 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 PED15003. 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 140 Main Street West, Hamilton, as presented in Appendix “A” to Report PED15003.

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

Grant Level:		100%	
Total Eligible Costs (Maximum):	\$	40,000,000	
Pre-project CVA: (CX – Commercial, Vacant Land)	\$	1,601,000	Year: 2014
Municipal Levy:	\$	37,539.26	
Education Levy:	\$	<u>20,826.11</u>	
Pre-project Property Taxes	\$	58,365.37	
*Estimated Post-project CVA: (NT – Residential)	\$	30,000,000	Year: TBD
**Estimated Municipal Levy:	\$	355,263.33	
**Estimated Education Levy:	\$	<u>60,900.00</u>	
**Estimated Post-project Property Taxes:	\$	416,163.33	

*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%

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

Pre-project Municipal Taxes = Municipal Levy = \$37,539.26

Municipal Tax Increment = \$355,263.33 - \$37,539.26 = \$317,724.07

Payment in Year One = \$317,724.07 x 1.0 = \$317,724.07

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%	\$317,724.07	\$317,724.07
2	80%	\$317,724.07	\$254,179.25
3	60%	\$317,724.07	\$190,634.44
4	40%	\$317,724.07	\$127,089.62
5	20%	\$317,724.07	\$63,544.81
Total		\$1,588,620.35	\$953,172.19

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).



Rendering of 140 Main Street West

Appendix “B” to Report PED15003 identifies the location of 140 Main Street West, 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 \$953,172.19 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 and 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 and 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 PED15003 - Grant Agreement
Appendix "B" to Report PED15003 - Location Map

HM/dkm