

**AFFECTS
WARD 2**

CITY OF HAMILTON

PLANNING AND DEVELOPMENT DEPARTMENT
Downtown Renewal Division

Report to: Mayor and Members Committee of the Whole	Submitted by: Lee Ann Coveyduck General Manager
Date: May 15, 2003 File: 1404-15	Prepared by: Ron Marini ext 4178 Gord Moodie ext 3934

**SUBJECT: Downtown Hamilton Urban Development Bank
(PD03106) (Ward 2)**

COMMENDATION:

- (a) That Council authorize staff of the Downtown Renewal Division of the Planning and Development Department to further develop a Business Plan and Governance Model reflecting appropriately targeted criteria leading to the establishment of an Urban Development Bank.
- (b) That funding support for the Urban Development Bank Project be authorized to a maximum of \$25,000 to be funded from the monies allocated to the Urban Development Bank by the Hamilton Future Fund.

Lee Ann Coveyduck
General Manager
Planning and Development Department

EXECUTIVE SUMMARY:

The Mayor's Community Trustee Panel to Create a Permanent Hamilton Future Fund (Mayor's Community Trustee Panel), through City Council, has allocated \$2.0 million to create an Urban Development Bank (Report FCS02027) plus \$250,000 of one-time operating money in order to assist in rejuvenating Downtown Hamilton. The Mayor's Community Trustee Panel originally set the money aside for the Hamilton Downtown Partnership but on April 14, 2003, the Partnership advised staff that it had dissolved. For Council's consideration, consequently, Downtown Renewal Division staff would like to

**SUBJECT: Downtown Hamilton Urban Development Bank
(PD03106) (Ward 2) - Page 2 of 3**

formulate an appropriate business plan with specifically targeted criteria leading to the creation of an Urban Development Bank. The Business Plan will outline a strategy to comprehensively fulfil the original requirements dictated by the Trustee Panel. In addition, the plan would describe governance regarding the administration and operation of the Urban Development Bank including appropriate financial policies and controls.

BACKGROUND:

In the spring of 2002, staff of the Downtown Renewal Division and later, the Hamilton Downtown Partnership, presented a request to the Mayor's Community Trustee Panel for funds to establish an Urban Development Corporation (Urban Development Bank). The Trustee Panel recommended to Council a conditional commitment to the Partnership. In addition, the Trustee Panel allocated monies to create a Business Plan. The Business Plan was drafted in December 2002 and was provided to City staff for review. The Business Plan is attached as Appendix "A" to Report PD03106. Staff could not support the Business Plan as it did not provide matching funds from the private sector which was recommended to the Trustee Panel by staff and the Business Plan was contingent on a contractual agreement to acquire Downtown Hamilton City-owned lands for one (1) dollar (See Appendix "B" to Report PD03106, letter from Lee Ann Coveyduck). The Partnership was of the view that matching funds were not required and that it needed access and ownership of some surplus City-owned property. These two (2) key points were conditions the Partnership could not accept. Recently, staff was advised the Partnership was dissolved (Appendix "C" to Report PD03106).

Downtown Renewal Division staff is familiar with the Hamilton Downtown Partnership. Division staff attended the Mayor's Community Trustee Panel meetings and the Steering Committee meetings that the Partnership held concerning the Urban Development Bank Business Plan. Independently, staff visited the Winnipeg Centre Venture in Winnipeg Manitoba, and the Lowertown Re-development Corporation in St. Paul, Minnesota in order to observe and discuss the operations of their Development Banks. In addition, staff conducted extensive research and analysis of The Empire State Development Bank in New York City, New York. Each of the aforementioned operations is unique depending on the respective circumstance and needs within each City; likewise Hamilton's Urban Development Bank should operate within the framework of Council's existing programs, vision, and the Downtown Secondary Plan.

It would be advantageous for the Urban Development Bank to work in concert with the Downtown Renewal Division as well as Economic Development in order to maximize the potential for Downtown Hamilton's urban revitalization. The Bank could build on existing financial rejuvenation programs as well as economic and marketing strategies. To this end, a Business Plan needs to be prepared for Council's consideration which plan will outline a strategy to comprehensively fulfill the original requirements dictated by the Mayor's Community Trustee Panel. Such a plan will also address governance and reporting mechanisms. The important principle will be that the Urban Development Bank must be a corporation arm's length from the City in order to provide flexibility in operations.

**SUBJECT: Downtown Hamilton Urban Development Bank
(PD03106) (Ward 2) - Page 3 of 3**

ANALYSIS OF ALTERNATIVES:

The alternative would be to refer the funds back to the Mayor's Community Trustee Panel for reallocation. This could result in the loss of an excellent opportunity to assist in the renewal of Downtown Hamilton. The Business Plan will also need to assess the most appropriate governance structure to support the principles upon which the Urban Development Bank will operate.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial – Consulting and legal assistance fees which will be met by the \$25,000 fund allocated from the Hamilton Future Fund. The matching fund requirement of the Mayor's Community Trust Panel has been confirmed by Budgets and Fiscal Policy. The Business Plan must meet this requirement.

Staffing – Downtown Renewal Division staff of the Planning and Development Department and Economic Development Department staff.

Legal – Legal Services Division will be consulted on an ongoing basis.

POLICIES AFFECTING PROPOSAL:

N/A

CONSULTATION WITH RELEVANT DEPARTMENTS/AGENCIES:

Economic Development Department and Corporate Services Department staff was consulted in the preparation of Report PD03106.

CITY STRATEGIC COMMITMENT:

The proposal for the creation of an Urban Development Bank would be consistent with the strategic goal of Hamilton as a city of growth and opportunity, a great city in which to live, and the goal of this city spending wisely and investing strategically.

GM:jcs

Attach. (3)

**Appendix "A" to Report PD03106
Page 1 of 27**

DECEMBER 2002

**HAMILTON DOWNTOWN VENTURE
START UP BUSINESS PLAN 2003**



**Appendix "A" to Report PD03106
Page 2 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

TABLE OF CONTENTS

Executive Summary.....1

Introduction.....2

The Business Case.....4

Vision, Mission, Values.....6

Role and Priorities.....7

Relationship with City of Hamilton and Existing Programs.....9

Corporate Structure and Governance.....11

Start Up.....13

Deliverables and Outcomes.....14

Implementation Elements.....15

Funding.....18

Summary.....19

Appendix A - Existing Financial Incentive Programs In Hamilton Downtown

Appendix B - Funding of Winnipeg's *Centre Venture*

Appendix C - Role of Panel

Appendix D - Tasks Prior to Start of Corporation

EXECUTIVE SUMMARY



The City of Hamilton is pursuing the use of a venture structure and approach to accelerate and expand efforts for the revitalization of downtown. The intent of the venture is to leverage public funds and assets into economic growth and vitality of the downtown area.

Hamilton has considered efforts of other communities, and is patterning its approach after the innovative structure taken by the City of Winnipeg.

The concept requires the establishment of Hamilton Downtown Venture, with its four major roles being:

1. To act as an Urban Development Bank
2. To act as a Realtor/Developer
3. To raise additional funds for operations and/or the urban development bank
4. To act as a resource to others in downtown revitalization activities.

The urban development bank will be structured to facilitate gap borrowings by individuals who currently own downtown properties and/or who wish to redevelop properties into active facilities. The funds to be lent will be protected through a security position in the property.

By taking on a realtor/developer perspective, Hamilton Downtown Venture can be actively involved in amassing properties to facilitate larger developments or to make certain projects feasible.

The Venture will leverage existing financial incentives and programs offered by the City, while also expanding beyond their specific parameters. There are other opportunities to assist the revitalization efforts. Venture will represent these and add momentum to the combined efforts.

The activities make Hamilton Downtown Venture an active participant in downtown revitalization. The objective is to facilitate revitalization of Hamilton's downtown core through supporting development of existing and future properties to create an exciting and dynamic downtown enjoyed by those who work, live and visit the City of Hamilton.

The outcomes of the Venture are aggressive and will be measured by:

- Increase in economic activity in small to medium sized projects in the mandated area
- Increase in value of assessment in the area of focus
- Reanimation of abandoned/derelict properties in the focus area
- Amount of other funds raised for use in the development bank or towards operations
- Downtown is characterized as a dynamic and vibrant place.

INTRODUCTION



Hamilton Downtown Partnership has investigated options to support revitalization of the downtown of Hamilton. One model that has been studied and found to have application within Hamilton is the City of Winnipeg's *CentreVenture*.

The Winnipeg Experience

City Council of Winnipeg created *CenterVenture* Development Corporation in 1999. A small group of private sector community leaders and one elected representative was charged with the task of identifying a sustainable model for downtown planning and revitalization. In addition, the model had to coordinate with present and future public and private sector initiatives to conform to an overall development plan for downtown Winnipeg. Concurrently, a *CentrePlan* Development Framework was created which was a visual outline of development directions and opportunities for the downtown area.

In start up, *CentreVenture* decided to function in three capacities:

1. Urban Development Bank – seeded by \$3 million from the City, and asset agreement;
2. Marketing and Information Bureau;
3. Design Review Committee.

The City agreed to provide \$250,000 in annual funding to *CentreVenture* for three years.

CentreVenture has been successful in stimulating economic activity in small to medium sized projects within the mandated area. This was achieved through loans from the urban development bank and through the benefit of a downtown heritage tax credit program that was implemented. In the first year, *CentreVenture* was involved as a facilitator by providing financial assistance to properties undergoing \$24 million in redevelopment and restoration costs. Additionally certain of the non-performing properties that had been transferred by the City to *CentreVenture* through the asset management agreement had been sold or leased. Optimism for the future has been created by the level of activity and with the vision being brought to life. The City of Winnipeg is proud of its achievements to date.

CentreVenture continues to sustain the activity. A new initiative is facilitating private and public sector stakeholders to examine how development progress can be maximized while respecting the needs for the City's zoning, development procedures and design review processes.

In April 2002, Winnipeg City Council adopted the recommendations of the executive committee to add \$7 million to the *CentreVenture* Fund over the next two years, to renew the operational funding agreement for an additional four years to support the mandate as stated in the start-up business plan of 1999, and to expand the boundaries of the organization beyond the original defined downtown area.

**Hamilton Downtown Venture
Start Up Business Plan 2003**

The Hamilton Imperative

It is imperative for Hamilton to move forward in a quickening pace for the benefit of the entire New City of Hamilton. Improvement to the core of the City is needed for the benefit of all stakeholders, residents, private sector, and public sector. Many of the elements of *CentreVenture* will be modified and adopted in Hamilton.

The goal of Hamilton Downtown Venture is to support the City of Hamilton's vision:

"The new City of Hamilton is a safe, healthy, sustainable community and a great place to work, live and play in, offering residents and businesses growth and opportunity."

It is a city of diverse communities, led by Council, which together with staff, spends wisely and governs in an open and accessible manner.

It is requested that the City of Hamilton support this Venture for a two year period with an option for further years of support dependent on Venture achieving results that benefit the City. The performance measures may consider the number of deals consummated by Venture, the quality of projects and contribution to economic development in the downtown area. This needs to be considered even if Venture itself may operate at a loss.

THE BUSINESS CASE



As stated in the Downtown Hamilton Secondary Plan: *"Over the past several decades, Downtown Hamilton has suffered from suburban competition and a variety of well intentioned, but misguided development initiatives. While these conditions have taken their toll, the future of Downtown Hamilton need not be bleak: its existing assets hold tremendous potential to create an animated and active district that is linked to its past; where living, walking, shopping and working are a pleasure; a destination to go to rather than an area to travel through."* (City of Hamilton Downtown Secondary Plan: Design Strategy, pg 1; Urban Strategies, July 1999).

Revitalizing Hamilton's downtown core is a critical element to developing optimism within and across all of Hamilton. Many other cities have experienced the same deterioration to their downtown and in order to reverse the trend, have had to undertake aggressive programs of revitalization.

The opportunity, in addition to revitalizing Hamilton's downtown core, is to leverage the experience and success of another municipality's experiment, and to leverage public sector funds to generate a return to the City.

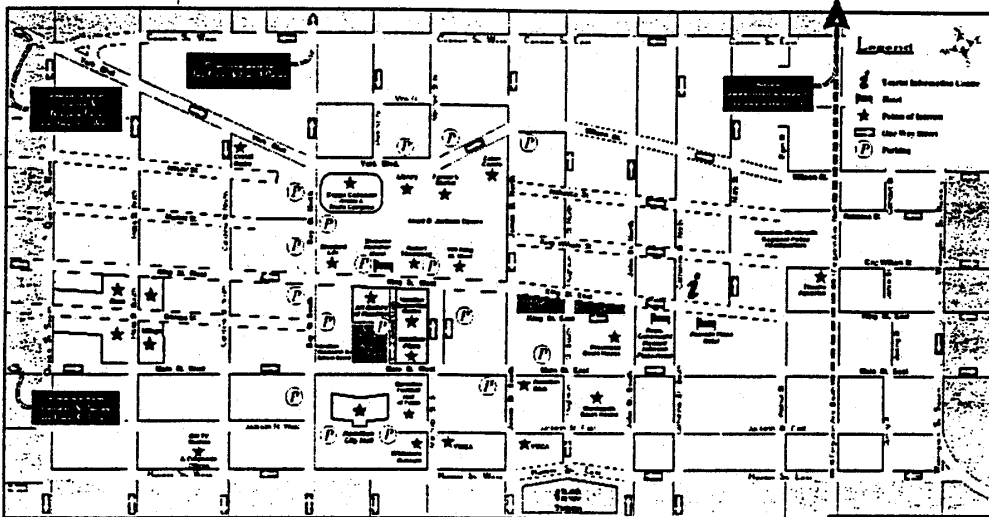
The Hamilton model will require City of Hamilton to establish an arms-length organization for the purpose of using venture activities in regenerating downtown Hamilton. This organization will be called Hamilton Downtown Venture. Venturing activities will include collaboration and partnerships with the private sector, redevelopment or sale of properties, operating an urban development bank, collaborating with other stakeholders to create activity, optimism and improved economic well being of the downtown core.

It is necessary that the City of Hamilton seed this organization with initial funds of \$250,000. These funds will be used for the purposes of hiring staff to execute on the role and mandate, to develop a detailed business plan to guide the Hamilton Downtown Venture for the three-year period of 2003 to 2005, as well as establishing processes for the Urban Development Bank. It is important for the City to recognize that a commitment to provide operating funds in the magnitude of \$250,000 per year is needed. Additionally, the City is asked to provide a contribution of \$2 million for the urban development bank, and a land use agreement providing the right to City owned properties for purposes of selling, and/or redevelopment. Proceeds on sales or leasing of these properties would accrue to Hamilton Downtown Venture.

Hamilton Downtown Venture will have as its primary focus the area that is discussed in the Downtown Hamilton Secondary Plan - Putting People First, an area generally bounded by the streets of Queen, Victoria, Hunter, Cannon. Hamilton Venture will also work with projects in the adjacent neighbourhoods to this area and will consider projects that have direct alignment to benefit the downtown such as West Harbour.

Appendix "A" to Report PD03106
Page 7 of 27

**Hamilton Downtown Venture
Start Up Business Plan 2003**



Downtown Hamilton, Ontario, Canada

VISION, MISSION, VALUES

Vision

Hamilton Downtown Venture has the following vision:

Hamilton Downtown Venture will facilitate revitalization of Hamilton's downtown core through supporting development of existing and future properties to create an exciting and dynamic city centre enjoyed by those who work, live and visit the City of Hamilton.

Mission

The mission of the organization is:

Hamilton Downtown Venture is an enterprise supporting the revitalization of downtown Hamilton for the benefit of the community.

Hamilton Downtown Venture will support development opportunities including residential facilities and commercial properties in Hamilton's downtown area including property projects aligned with improving the downtown.

Hamilton Downtown Venture will support development through its own activities or through financial support of others.

Financial success of Hamilton Downtown Venture will accrue to the City of Hamilton.

Values

Hamilton Downtown Venture will honour the following values in the conduct of its business and its relations both internally and externally with the City, the business community, and stakeholders:

- Operating with integrity
- Accountability to stakeholders
- Operating with fiscal responsibility
- Open and effective communication
- Appreciation for quality in initiatives and projects
- Support public/private partnerships.

ROLE AND PRIORITIES

Role

Hamilton Downtown Venture will have four primary roles:

1. Urban Development Bank
2. Developer, realtor
3. Raising funds (partnership development)
4. Resource.

1. Urban Development Bank

Purpose: act as lender for gap financing or lender of last resort to qualified projects

Why: provides solution to the business reality that owners are not able to fully borrow for properties in downtown Hamilton

Execution: process for making credit decision, take security position in project.

The Urban Development Bank is key to development in the downtown. It is generally understood that companies and individuals who wish to purchase, redevelop or refurbish property in downtown Hamilton face difficulties in obtaining the necessary credit facilities from the banks. The Urban Development Bank can become the source for gap financing or lender of last resort. Processes and procedures need to be established to ensure that the credit granting follows a due and credible process and that the security taken by Hamilton Downtown Venture is sufficiently robust to protect the interest over the property. As is the experience in Winnipeg, there is little absolute dollar risk to the transaction given the security position and the access to information to enable Ventures to closely monitor the situation.

The Urban Development Bank will be seeded with \$2 million of funds from City of Hamilton.

2. Realtor/Developer Role

Purpose: return non-performing properties to tax paying by being active in their sale and/or development

Why: provide a return to the City through the tax roll and to set an example in development

Execution: City assigns non-performing properties through asset agreement, where properties sold the funds are added to the urban development bank.

Having the responsibility for turning non-performing surplus properties in the focused area into performing tax paying ones will require Downtown Venture to act in a realtor/developer role. The technique requires the City to option all surplus (present and future) properties in the mandated area under an Asset Agreement to Downtown Venture. If properties in this inventory

**Appendix "A" to Report PD03106
Page 10 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

are sold, the proceeds are used by Downtown Venture to fund operations including the Urban Development Bank. Also Downtown Venture could decide to lease properties.

3. Partnership Development

Purpose: generate funds from other funding bodies for use in operations or development bank

Why: leverage Hamilton's public funds towards additional funding

Execution: identify, advocate and access funds from other government programs that are aligned with the purpose and initiatives of Venture.

Downtown Venture will take on a fundraising role through identifying, advocating for, and accessing funds from other government bodies for use in Downtown Venture's operations and/or the Urban Development Bank.

This role will work to leverage historical components, other City departments, partnerships with other government bodies and programs supported by them, as well as private sector opportunities.

4. Resource

Purpose: act as a resource by being knowledgeable of the local situation.

Why: will provide momentum by sharing knowledge of local constraints, resources, make introductions

Execution: introduce interested parties to opportunities and share knowledge on requirements of the local situation.

Downtown Venture will be a resource to others for assisting in furthering the progress of Hamilton's downtown. The organization will be a facilitator for projects, for discussions, for debate, for improvements to processes. This will include acting as a consultant to assist and to promote developments.

Priorities

The priorities for Downtown Venture in undertaking these roles will be to:

- Increase the economic assessment of Hamilton's downtown (an increase in tax base)
- Increase the upscale residential and commercial component of Hamilton's downtown
- Make the downtown attractive for tourism and recreational activities
- Create a vitality and optimism in the downtown that can be shared and provide reward for all of Hamilton.

RELATIONSHIP WITH CITY OF HAMILTON AND EXISTING PROGRAMS

Relationship with City of Hamilton

Hamilton Downtown Venture will be governed by a Board of Directors comprised of a majority of Hamilton business people, along with appointed representatives from the City.

There are important elements that need to be present for this Venture to have a chance at success:

- Arms-length from City Hall
- Sufficient funding
- Commitment to operate on a business like basis
- Processes which are objective and can withstand public scrutiny
- Observance of accountability to the taxpayers of the City
- Processes have integrity and respect the mandate of the organization
- Decision-making is based on full information and are made in the context of the principles of what Downtown Venture is to achieve.

Existing Programs

The City of Hamilton currently offers financial incentives to encourage development and redevelopment of existing properties in the Downtown core. There are three primary programs:

1. Enterprise Zone Municipal Realty Tax Incentive Grant Program
2. Hamilton Downtown Residential Loan Program
3. Commercial Property Improvement Grant Program.

The Enterprise Zone provides relief on the increased municipal tax burden for redeveloped properties. The program applies to residential and commercial improvements on vacant properties existing at a certain date, and to existing buildings with annualized vacancy rates of at least 50% or hotels with annualized vacancy rates of 50%.

The Residential loan program offers funds to be utilized towards the capital costs of converting existing commercial space into apartments, construction of new apartments and assistance in the renovation of existing units. The loan amount has an upper limit of \$20 per square foot and the City will commence advancement of the funds once there is 60% of funding from non-City sources (at least 25% in the form of equity from the owner). The program is also limited to class C/D commercial buildings with pre-existing annual vacancy of not less than 20%.

The Commercial Property Improvement Grant is a fund of approximately \$250,000 to be provided against the cost of façade improvements in commercial properties that are within the 11 BIAs.

**Appendix "A" to Report PD03106
Page 12 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

Summaries on each of these programs are provided in appendix A.

The objective of Hamilton Downtown Venture would be to leverage these programs, as well as fill in gaps that exist, and expand beyond these opportunities. For example, while the enterprise zone is attractive for relief on future payment of realty taxes, it does not provide capital to fund the improvements. While the residential loan program does provide capital, it is restricted to residential space and restricted to specific dollar amounts per square foot and buildings must meet the vacancy requirements. Therefore, commercial projects cannot receive assistance in the form of capital. While it is important that the City, in fulfilling its public accountability, has a rules based approach to encourage redevelopment, Venture can utilize a principles based approach.

In discussions with City staff, it was identified that there are mortgage gaps for developers as well as limitations on funds for construction financing currently provided by banks. The City is also interested in programs that could assist hotels in their redevelopment,

In addition to providing support as noted above, the City would like programs that support heritage properties in their unique challenges. Another avenue of assistance is for Venture to be a land broker and finance broker to help projects move forward.

The City has also identified the need for programs such as street beautification.

The City acknowledges that the current financial programs provided by the City do not offer sufficient support for all that needs to be done to achieve the desired level of revitalization of downtown.

CORPORATE STRUCTURE AND GOVERNANCE

Corporate Structure

There are different legal structures that could be utilized for Hamilton Downtown Venture. The selected structure should provide for:

- operations to be conducted in a business like manner
- encourage the organization to maximize the benefit for the taxpayers of the City of Hamilton which implies being able to make profits
- the organization be eligible to receive federal and provincial grants
- provide freedom and flexibility to act
- provide an environment to attract and retain high caliber staff
- avoid the outflow of cash on income earned such as through income tax, and
- a degree of control desired by the City.

Based on initial research that has been conducted, it is recommended that the City of Hamilton pursue a business corporation structure, particularly a tax-exempt municipal corporation. This requires that 90% of the corporation's structure be owned by the City and 90% of income generated is by activities carried on inside the boundaries of the City.

Being the controlling shareholder provides the City with the ability to control the corporation. This will be exercised through various means such as Board appointments being at the discretion of the shareholder, the shareholder establishing targets for the corporation to meet, and establishing the protocol of reports to the City on results achieved and progress on business plans.

Governance

It is important that Hamilton Downtown Venture have an organization structure that makes it nimble and allows it to be proactive in causing opportunities for revitalization to occur. As a result, it is recommended that the organization have a Board of no more than eight people.

The Board should be comprised of community leaders who can ensure Venture achieves its desired results. Skills and knowledge that may be desirous in the Board composition could include:

- property development (ideally in the form of a developer who does not focus on downtown so as to prevent conflict of interest)
- retailing and/or commercial office operations
- urban design
- municipal priorities (this will likely be in the form of an appointee from City council).

The focus of the Board will be on governance, and therefore the Board may choose to have a schedule of quarterly meetings after a certain start up period.

**Hamilton Downtown Venture
Start Up Business Plan 2003**

**Appendix "A" to Report PD03106
Page 14 of 27**

Certain skills will be hired as part of the Ventures' business processes, ie. legal, accounting, corporate finance/lending.

In terms of staff in the Venture, it is expected that there will be a Chief Executive Officer who will report to the Board of Directors.

**Appendix "A" to Report PD03106
 Page 15 of 27**

**Hamilton Downtown Venture
 Start Up Business Plan 2003**

START-UP

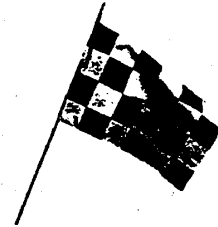


The tasks to be executed to initiate Hamilton Downtown Venture and its mandate, and a draft timeline for these follow:

Task	Deadline
Appoint interim Board of Advisors	October 2002
Review draft start up business plan with stakeholders	December 2002
Present business plan to council	December 2002
Determine corporate structure and execute	January 2003
Appoint permanent Board of Directors	January 2003
Appoint interim staff	January 2003
City identifies property for transfer/designate to Downtown Venture	January 2003
Search and appoint CEO	March 2003
Receive annual funding from City	March 2003
Develop action plan complete with tactics, deadlines, budget	May 2003
Present action plan to council	May 2003
Receive urban bank funding from City	May 2003
Finalize any agreements, protocol with City	May 2003
Investigate and approach other levels of government for financial contribution to operations and/or the urban development bank	May 2003
Commence business plan actions	May 2003
Review progress against start up plan with Council	December 2003

While this business plan provides direction on the Venture, it does not present all the operational elements. It is important that a CEO be recruited and held accountable to developing the specifics including a detailed budget.

DELIVERABLES AND OUTCOMES



Deliverables

In order to provide direction and intent for the Hamilton Downtown Venture, expected deliverables for the first year are outlined below.

Urban Development Bank

- Prepare terms of reference for the use of \$2 million in the Urban Development Fund and processes to utilize the funds
- Assist current owners and appropriate projects.

Developer, Realtor Role

- Transfer rights to City-owned land and buildings under an asset management agreement to Hamilton Downtown Venture (without the transfer of liability)
- Commence the movement of non-performing City-owned properties in the focus area to be developed and back on the City's tax rolls.

Raising Funds

- Identify and arrange for funding from other government sources for the Urban Development bank or for operating purposes of Hamilton Downtown Venture.

Resource

- Communicate with the City and stakeholders, the progress achieved on Venture's vision
- Collaborate in the promotion of downtown Hamilton with a view to attracting new businesses
- Network with property owners to encourage development.

It is expected that the Venture will provide semi-annual reporting to Council on progress being made and achievements.

Outcomes

Success of Hamilton Downtown Venture will be measured by:

- Increase in economic activity in small to medium sized projects in the focus area
- Increase in value of assessment of the downtown core
- Reanimation of abandoned/derelict properties in the focus area
- Amount of other funds raised for use in the development bank or towards operations
- Downtown is characterized as a dynamic and vibrant place.

IMPLEMENTATION ELEMENTS

The four key roles of Venture were outlined earlier in this business plan. Within each of these roles are elements that need to be implemented.

Urban Development Bank

The objective of the Urban Development Bank is to leverage public and private resources into improvements to the downtown.

Elements to be incorporated into the Urban Development Bank processes include:

- vehicles used will include loan guarantees and gap financing
- a credit underwriting process will be developed which will be applied to all requests
- the Urban Development Bank will be a bank of last resorts – processes to ensure that borrowers have first prudently sought other financing will be developed
- limits to any one borrower will be established
- minimum equity positions of borrowers will be established
- interest rates reflecting risk adjusted return to be determined
- maximum length of repayment to be determined
- security to be taken on all situations
- security acceptable will be the property – no greater than a second mortgage position
- Hamilton Downtown Venture will be kept apprised of status of insurance and property tax on the relevant properties and will have direct access to such information at its option
- Fees to be levied for provision of financing to be considered.

Realtor/Developer Role

The objective in assuming a realtor/developer role is to leverage the potential of properties owned by the City of Hamilton into successful residential or business developments. This may be through self-development of the property, joint development with a private or public sector organization, or leveraging the property into cash to put additional funds into the urban development bank. The objective is to move non-performing City-owned properties in the mandated area into a developed and operating status and back on the City's tax rolls.

This will be facilitated through an asset management agreement with the City to transfer properties to Hamilton Downtown Venture but without the transfer of liability for the property.

This role will also consider leasing options for space redeveloped to be used by end users or to be used by other developers in providing amassed space for potential tenants.

The City of Winnipeg Asset Management Agreement with *CentreVenture* will be reviewed for modification and adoption by Hamilton. It is anticipated that the transfer of properties will not be immediate, as Downtown Hamilton Venture does not wish to assume costs and responsibility of operating and managing the properties. Ownership shall be left with the City until such time as

**Appendix "A" to Report PD03106
Page 18 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

Venture identifies a sale or use of the property. However an asset management agreement will be prepared at the outset of Hamilton Downtown Venture and will include a list of properties that are identified as fitting within the mandated area and therefore available to the Venture. The City will not take action on the properties once identified. The list will be continually updated as new properties are assumed by the City within the area of focus.

Elements of the asset management agreement:

- Price when property moved from City to Hamilton Downtown Venture will be \$1
- The agreement will reflect that Hamilton Downtown Venture will market the property to prospective purchasers with a profit objective at a fair price
- Ownership of property remains with City, subject to Asset Management Agreement with Hamilton Downtown Venture, until end use or sale, then transfer and funds accrue to Venture. During that time, City remains responsible for costs of maintaining the property
- Hamilton Downtown Venture can identify potential tenants for projects. Funds on leasing to accrue to Venture less the direct costs incurred by the City in operating the property.

Raising Funds

Hamilton Downtown Venture will identify and arrange for funding from other government sources for the Urban Development bank or for operating purposes.

Approaches will be made to other levels of government where the downtown revitalization project fits within the mandate of initiatives sponsored by those agencies. This could involve projects involving historical buildings, housing, urban redevelopment, etc. An economic and social benefits business case will be produced to support this activity. Venture will also work with the provincial and federal governments to develop new initiatives that will support municipalities in their downtown initiatives.

The business case to the provincial and federal government will consider new employment information, as well as gains in sales taxes that will accrue to those levels.

Resource

Hamilton Downtown Venture will take a role in communicating to the community the objectives of the revitalization program. Venture will also assist community-based organizations in realizing value out of currently owned properties.

Additionally, Venture will act as a facilitator to connect current and prospective owners of properties in order to develop or make useful existing properties economic contributors. This will include acting as a consultant to assist projects. This may involve activities as follows:

- Call on local professionals to construct elevations, plans, planning help, or help on other necessary issues required by the City, or funders. Many small property owners do not know who, or what, professionals they need
- Approach owners with requests to develop, or improve, their properties and offering startup help.
- Assisting owners in understanding available assistance programs, and set them up with City Hall staff so that the person is not overwhelmed and confused. People need help to deal effectively with City staff. The City staff are there to process, under a list of defined requirements, projects that come to them. Seldom do they have time to provide comprehensive advice, nor is it their job. If City staff can be provided with a logical plan that meets the basics of zoning, and building bylaws, they can be supportive.

**Hamilton Downtown Venture
Start Up Business Plan 2003**

Also, Venture will promote downtown Hamilton to attract new business. Venture will also lend its support to those activities led by other organizations that will benefit revitalization of downtown Hamilton.

Charges and Fees

In appropriate circumstances, Venture could retain an interest in the property in consideration of its efforts towards bringing the development team together. On those occasions when title did not transfer from Venture to a developer, the City could require as a condition to acquisition of the property by the developer, that there be a contribution towards the operating costs of the Venture. Alternatively, Venture may charge a fee for service. It is fundamental that any charges and fees will be within the provisions of applicable law.

FUNDING



Winnipeg's *CentreVenture* was provided with \$250,000 in seed money from the City to hire a chief executive officer and for the development of the business plan. For the first and second year of operations, the City provided operating funds of approximately \$250,000 for general operating costs and a further \$250,000 for specific programs. Appendix B presents the finances for the Winnipeg venture.

It is expected that a similar level of funding will be required for Hamilton Downtown Venture.

Discussions with the City have suggested support for this Venture for a three year period. The three year period presents a time frame to attract the calibre of staff needed and provides a sufficient period of time to establish credibility and stability.

Alternatively, the City may wish to support a two-year term with an option for further years of support subject to successful achievement of certain targets.

It is hoped that Venture could work toward being self sustaining in the future.

SUMMARY

Hamilton Downtown Venture represents an opportunity for Hamilton to take an aggressive stance with downtown revitalization while working with, and partnering with, other organizations such as the City's Downtown Renewal Division, Tourism Hamilton and the BIAs. Venture is a vehicle that allows direct involvement with the activity that is needed for the benefit of the entire City. Venture represents the ability to leverage current City assets to produce greater economic benefit for the City and to transform dormant non-productive assets into revenue generation.

Appendix C to this plan sets out the role of the interim advisory panel to this project. Appendix D outlines the tasks that need to be undertaken prior to corporation and implementation of the Venture.

APPENDICES

Appendix A: Existing Financial Incentive Programs In Hamilton Downtown

Appendix B: Funding of Winnipeg's *CentreVenture*

Appendix C: Role of Panel

Appendix D: Tasks Prior to Start of Corporation

**Appendix "A" to Report PD03106
Page 23 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

APPENDIX A

**EXISTING FINANCIAL INCENTIVE PROGRAMS IN HAMILTON
DOWNTOWN**

There are three primary programs that are currently operated by the Downtown Renewal Division of the City of Hamilton.

1. Enterprise Zone Municipal Realty Tax Incentive Grant Program
2. Hamilton Downtown Residential Loan Program
3. Commercial Property Improvement Grant Program

The following information was taken from material supplied by the Downtown Renewal Division and applies only within the Downtown zones stated. Further information or more details can be obtained directly from the division which is located at One James Street South, 8th Floor, contact Ron Marini, Director. The division is part of the City's Planning & Development department.

Enterprise Zone

Intent: To provide an economic catalyst for developing, redeveloping or renovating residential/commercial lands and buildings located within the Enterprise Zone (defined as the Downtown Hamilton Community Improvement Project Area). Program is to stimulate new development and redevelopment of vacant or under-utilized commercial lands and buildings.

Structure: Subject to council approval of an application, a nine year grant in an amount not exceeding the increase in municipal realty taxes as a direct result of the development/redevelopment of the land and/or building. Grant cannot exceed 100% of the municipal realty tax increase in first five years, 80% in year 6, 60% in year 7, 40% in year 8, and 20% in year 9. Grant may be received in conjunction with any other available municipal program (excluding Hamilton's tax incentive program for designated commercial/industrial buildings). The upper limit of the total of the nine years of the grant is not to exceed the costs of the property's development/redevelopment.

To be eligible for the grant, approval by City council must be obtained before the commencement of the improvements. The applicant must provide plans, estimates and other details in the application to council. The project must conform to the objectives of the Downtown Hamilton Community Improvement Plan. Plans must be in compliance with by-laws, zoning, heritage matters, etc. Also, for existing building to qualify, the building must have at least a 50% annualized commercial/residential vacancy rate.

Of note is that the City has a list of buildings of heritage interest. Projects will not qualify for funds if a building of heritage interest is destroyed.

Hamilton Downtown Residential Loan Program

Intent: A catalyst for stimulating residential development within Downtown Hamilton as defined by the Downtown Hamilton Community Improvement Project Area. Provides financial assistance for converting existing commercial space into apartments or renovations to bring existing apartments into compliance with the property standards by-law and fire code. Also, provides incentive to create new residential units on vacant land.

**Appendix "A" to Report PD03106
Page 24 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

Structure: The City provides financial support through loans subject to the project meeting the principles and design themes of the Downtown Hamilton Secondary Plan. The loans bear interest at 0%, have a term of up to 5 years, and are registered as a second mortgage on the property. Payments on the loan commence one year after completion of construction. The maximum loan amount is \$20 per square foot of habitable floor space (where the City decides what is habitable floor space). Funding will commence at 60% completion of construction and following the injection of equity and other financing.

Criteria for the loan program include: only class C/D commercial buildings with a pre-existing annual vacancy of not less than 20%. Vacant lands include properties developed as parking lots.

Currently, \$7.5 million has been loaned out (to 5 different borrowers) and there is an additional \$2.5 million waiting for detailed plans. A further \$10 million is expected to be added to the program. Currently, the smallest loan is \$290,000 for 12 units. There are no limits in dollars provided to any one project.

Commercial Property Improvement Grant Program

Intent: Provides financial assistance to encourage improvement of facades and entrance features of commercial properties.

Structure: The city provides financial assistance to commercial property owners and owner-authorized tenants within the City's 11 BIAs. The financial assistance is provided by way of a grant.

Funds committed to this program for 2002 were \$250,000 (\$190,000 was actually allocated in 2002) and are expected to be \$250,000 for 2003. There are discussions underway to increase the dollars available to \$1 million and provide the funds by way of loan rather than grants. Therefore, 2003 will be last year of grant program.

**Appendix "A" to Report PD03106
Page 25 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

APPENDIX B

FUNDING OF WINNIPEG'S CENTREVENTURE

Seed money of \$250,000 was provided by the City of Winnipeg in 1999 – these funds were used for the salary of the CEO, for development of the business plan, set up the office and hire an assistant.

Following is a summary of finances for *CentreVenture* for fiscal years 2000 and 2001.

	2000	2001
Source of Funds		
City of Winnipeg	\$2,950,000	\$ 435,000
Province	250,000	250,000
Sale of property	360,000	670,000
Interest	163,000	245,000
Other	100,000	329,000
Total	\$3,823,000	\$1,929,000
Funds used for		
General, administration	289,000	298,000
Professional fees	281,000	196,000
Capital costs		192,000
Performance incentives		59,000
Project development		74,000
Bad debts		22,000
Other	13,000	25,000
Total	\$583,000	\$866,000
Net	\$3,240,000	\$1,063,000

**Appendix "A" to Report PD03106
Page 26 of 27**

**Hamilton Downtown Venture
Start Up Business Plan 2003**

APPENDIX C

ROLE OF PANEL

Hamilton Downtown invited business individuals and city representatives to act as a panel to oversee the development of Hamilton Downtown Venture. The role of this group was to:

- Review the start-up business plan for the Venture
- Review the governance model for the new Venture
- Make suggestions for appointment of Board members/Board composition
- Provide advice on structure and goals for the Venture
- Provide counsel for the execution of the tasks to be undertaken prior to start up of the new corporation.

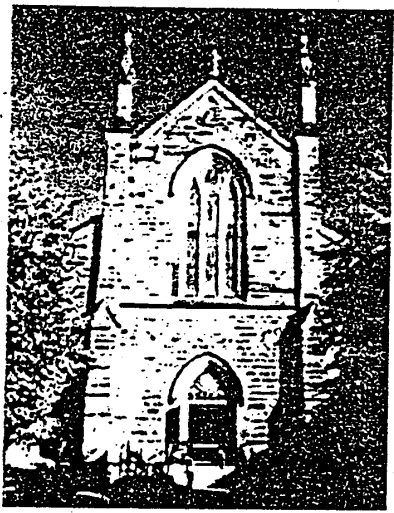
APPENDIX D

TASKS PRIOR TO START OF CORPORATION

The following actions will need to be undertaken prior to the corporation being ready to start business:

- Identification and implications of options of corporate structure (profit, non-profit)
- Research into tax position (intent is to minimize tax impact)
- Development of by-laws
- Development of governance model including role of the Board, Board composition
- Prepare an organization chart for Venture vis a vis the City of Hamilton
- Prepare an organization structure for Venture
- Prepare roles and responsibilities document for staff
- Develop CEO job description and other staff job descriptions
- Registration for GST purposes
- Service level agreement with City for services such as handling of payroll
- Development of asset management agreement with City
- Organize banking arrangements
- Develop policy on banking and funds management
- Develop process for credit underwriting and credit agreements
- Preparation of financial projections and modeling for projects, expected returns, etc.

Grant Thornton



Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member of
Grant Thornton International

Offices across Canada
www.GrantThornton.ca

**Appendix "B" to Report PD03106
Page 1 of 3**



Hamilton

Mailing Address:
City Hall, 71 Main Street West
Hamilton, Ontario
Canada L8P 4Y5
www.hamilton.ca

Planning and Development Department – General Manager's Office
Physical Address: 71 Main Street West, 5th Floor
Phone: 905-546-4339 Fax: 905-546-4364

March 25, 2003

File: 1404-15

Mr. L. Russell
1115 - 120 King Street West
P.O. Box 57035, Jackson Station
Hamilton, Ontario
L8P 4W9

Dear Mr. Russell:

Re: Hamilton Downtown Venture

City staff, including the City Manager and the Chief of Staff from the Mayor's Office, has now reviewed the final draft of the Start-up Business Plan 2003 from Hamilton Downtown Venture dated December 2002 which you forwarded to me on February 26, 2003. The comments contained in this letter are the final set of staff comments concerning this Business Plan and represent views we will share with Council unless you anticipate making changes to reflect our comments.

Due to the well-documented budget challenges faced by the City, we are not in a position to make City lands available to the Downtown Venture free of charge. Based on this year's budget discussions, we will be attempting to maximize the value of City lands sold throughout the Downtown and indeed, throughout the City.

In addition to the foregoing, Roberto Rossini sent you an e-mail clearly stating that the release of the City's \$2 million was contingent on the Downtown Venture having first secured financing of \$2 million from private sector investors, which would in turn allow \$4 million in the Venture Bank to invest into projects. This was the position of the staff in their submissions to the Hydro Trust Panel and remains our position today. The objective is to secure matching contributions from the private sector.

Concerning the issue of the annual operating grant, again we refer to previous communications from Mr. Rossini. He had indicated to you that the City was prepared to recommend annual operating amounts of \$250,000 for years one and two, but funding for year three would be contingent on Downtown Venture achieving performance targets. The first year's commitment would only flow upon Council's endorsement of the Business Plan.

**Appendix "B" to Report PD03106
Page 2 of 3**

Re: Hamilton Downtown Venture

March 25, 2003
Page 2 of 3

Governance Model:

We note from the Business Plan, governance was reviewed but a model apparently not reviewed was the model recently implemented by City Council, that of the private Tourism Board. This has worked successfully to date. In previous meetings with you and with others and in a letter I sent to you on December 11, 2002, City staff alerted you to this issue and specifically requested that the Tourism Board model be assessed as part of your governance review. This model should be addressed in your report and the report should also address the other models that were reviewed and details provided as to why certain models were rejected or recommended for implementation. However, the Tourism Board model must be part of your review and if your Business Plan does not include such an assessment, it will be our recommendation that the matter be referred to staff for review, report and recommendation as to whether the Tourism Board option is feasible.

Measurable Outcomes:

Following on the foregoing issue is the matter of lack of tangible and measurable outcomes. We suggest that you measure the success of the Downtown Venture by meaningful elements such as assistance dollars, properties purchased, etc. These must be measures directly attributable to the Downtown Venture so that the achievements can be measured apart from other Downtown Programs. If you recall at our meeting on December 2, 2002, with the City Manager there was discussion and general agreement that some type of performance measures would be built into the Business Plan for the proposed Hamilton Downtown Venture.

Area of Operation:

A continuing difficulty has been the area wherein the Downtown Venture is intended to operate. In staff presentations to the Hydro Trust, the area was to be the Downtown Secondary Plan, as the Trust Panel had conveyed the impression that they were interested in Downtown investment opportunities with the trust funds. We note, again, that the Business Plan not only speaks about sites outside the Downtown but now has gone so far as to include the West Harbour. We must insist that the work of the Hydro Trust Panel be respected and that the area of operation be limited to the Downtown Secondary Plan or the Hamilton Downtown Community Improvement Plan area.

Other Areas of Issue:

We note that you still propose that the Downtown Venture act as a realtor. We see no rebuttal in the Business Plan to David Blanchard's concern that such action may be contrary to Provincial laws.

**Appendix "B" to Report PD03106
Page 3 of 3**

Re: Hamilton Downtown Venture


March 25, 2003
Page 3 of 3

The Business Plan speaks to the Urban Development Bank as a lender of last resort. Others in the field of urban revitalization have cautioned about this very issue, that the Urban Development Bank must not be seen as a lender of last resort. Instead, the intention is the Urban Development Bank should be the last lender, that its money goes in last and that all other sources of financing must be exploited before the Urban Development Bank's funds are used. This is an important distinction that needs to be addressed in the Start-up Business Plan.

Conclusion and Further Action:

These comments represent the views of City of Hamilton staff in response to the Hamilton Downtown Venture Start-Up Business Plan 2003. After reviewing the plan, we must conclude that the plan fails to address a number of issues that had been raised in previous discussions, meetings and e-mails with you or those involved in the preparation of the Business Plan. We urge you to address each of the issues raised in this letter and accommodating the concerns raised so this matter may move forward to the benefit of our Downtown. Once our comments have been reviewed by you, we look forward to reviewing a revised Business Plan which should be sent to my attention. Upon receipt of your final Business Plan, staff will assess and report on the matter to Committee of the Whole (COW) and City Council with recommendations upon which Council may make decisions in the interest of our Downtown.

Yours truly,



Lee Ann Coveyduck
General Manager
Planning and Development Department

RMM:jcs

cc: Mayor Wade – Att: G. Paparella, Chief of Staff
R. Robertson, City Manager
R. Rossini, Director, Budgets and Fiscal Policy, Corporate Services
R. Marini, Director, Downtown Renewal, Planning and Development

Appendix "C" to Report PD03106
Page 1 of 1



Hamilton Downtown Revitalization Community Corporation
Hamilton Downtown Partnership

APR 24 2003

APR 23 2003

File - Ham. Dow Part
C/R - Outside

cc: B. Marini
Done Apr. 28/03
CO.

April 14, 2003

Planning and Development Office
City Hall
City of Hamilton
71 Main St. W. 5th Floor
Hamilton, Ontario
L8P 4Y5

Att: Lee Ann Coveyduck

Subject: **Hamilton Downtown Venture**

Dear Ms. Coveyduck:

Thank you for your letter of March 25 outlining the final set of staff comments concerning the draft Business Plan for the Hamilton Downtown Venture. The e-mail that you referred to from Roberto Rossini was not received at our office until March 26 due to problems with our computer.

There continues to be disagreement over the need for the Hamilton Downtown Venture to provide matching funds for this endeavour. You may recall at the final presentation to the Mayor's Community Trust Panel both Fay Booker and me advised the Panel that the Hamilton Downtown Venture proposal did not provide for matching funds. Our proposal also clearly outlined the need to have access and ownership of some surplus city owned property. Without the city properties and with the demand for matching funds the project as proposed by the Partnership is not viable.

At a meeting held on Wednesday March 26 the Executive Committee of the Hamilton Downtown Partnership acting on behalf of the Board of Directors approved the immediate dissolution of the Partnership. As of March 31 the Partnership offices were closed and the telephones disconnected and all services discontinued. We are arranging for a final audit and after any outstanding bills have been paid any outstanding bank balance will be returned to the city along with the Partnerships financial documents.

The Draft Business Plan as presented belongs to the City of Hamilton and it is our hope that the city will some day be in a position to complete and implement this program.

We will speak to Mr. Rossini and Mr Robertson about the closing of the operation and the return of any outstanding bank balances.

Once again thank you for your comments.

Yours truly

Roger Trull
Chairman

cc Mayor Robert Wade
cc Bob Robertson
cc Robert Rossini