



**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 16, 2015
<b>SUBJECT/REPORT NO:</b>	Hamilton Tax Increment Grant Program (HTIGP) – 245 James Street North, Hamilton (PED15138) (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 Sealink Properties Ltd. (Kartik Ganatra), for the property at 245 James Street North, Hamilton, for a Hamilton Tax Increment Grant Program (HTIGP) grant estimated at \$7,327.65 over a maximum of a five-year period, and based upon the incremental tax increase attributable to the redevelopment of 245 James Street North, 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 PED15138, in a form satisfactory to the City Solicitor.

**EXECUTIVE SUMMARY**

The Hamilton Tax Increment Grant Program (HTIGP) application for the redevelopment of 245 James Street North, Hamilton was submitted by Sealink Properties Ltd. (Kartik Ganatra). The former use of the two-storey building was retail on the ground level with storage on the upper level. The applicant proposes to develop office use at the ground level and three residential units on the second level.

Development costs are estimated at \$125,000 and it is projected that the proposed redevelopment will increase the value assessment of the property from its current \$217,000 to approximately \$400,000. 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 \$2,442.55 of which 100% would be granted to the owner during year one, 80% or approximately \$1,954.04 in year two, 60% or approximately \$1,465.53 in year three, 40% or approximately \$977.02 in year four and 20% or approximately \$488.51 in year five. The estimated total value of the grants is approximately \$7,327.65.

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 7.***

### **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 245 James Street North, 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 \$4,885.10 in taxes over five years and the total grant over five years will be \$7,327.65.

**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 PED15138) 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 245 James Street North, 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 a two-storey building with office use at the ground level and three residential units on the second level. Development costs are estimated at \$125,000. The total estimated grant over the five-year period is \$7,327.65.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### **Urban Hamilton Official Plan**

The subject lands are municipally known as 245 James Street North, Hamilton, and are designated as “Downtown Urban Growth Centre” and “Primary Corridor” in Schedule “E” – Urban Structure and as “Mixed Use – Medium Density” in Schedule “E-1” – Urban Land Use Designation.

The function of the “Downtown Urban Growth Centre” is a significant node as a result of scale, density, range of uses, function and identity by residents. It is to be planned for a range of uses appropriate to its role as the City’s pre-eminent node. The Growth Centre is anticipated to accommodate 20% of the City’s residential intensification over the span of the Plan as well as 100,000 square metres of retail floor space.

This designation permits residential uses and some commercial uses, and provides policy with respect to encouraging higher density housing forms to be integrated with business uses which include retail and service commercial establishments on the ground floor. The primary goal is to ensure that development or redevelopment is well designed to accommodate the pedestrian environment through good urban design principles.

The “Primary Corridor” designation shall link two or more nodes, major activity centres or employment areas. They function as commercial spines providing retail stores and

commercial services that cater primarily to the weekly and daily needs of residents as they will have higher order transit.

The proposal conforms to these policies.

### **West Harbour Secondary Plan**

The subject lands are designated as “Prime Retail” in the West Harbour Secondary Plan – Land Use Plan Map B.6.5-1.

Policy 6.5.3.19 provides policy for “Prime Retail” which encourages mixed use development with ground floor, street-related commercial and community uses. The policy also promotes ground floor uses including retail stores, restaurants, take-out restaurants, business and personal services and / or professional offices. Development proposals within the “Prime Retail Streets” designation shall have ground floor façades that are designed with doors or windows open to the street. This policy also permits residential uses on upper floors.

Cultural Heritage policies identified under Policy 6.5.6 would also apply to the proposed development. In this regard, the proposed design would need to respect the existing built heritage of the area through built form. The subject lands are listed in the City’s Inventory of Architecturally / Historically Significant Buildings.

The proposal is considered to be consistent with these policies.

### **Hamilton Zoning By-law No. 6593**

The subject lands are zoned as “H” (Community Shopping and Commercial) District. The proposed office use is permitted under the current zoning by-law regulations. The proposed two residential units above the ground floor commercial would be permitted as of right. However, the proposed third residential unit would be subject to meeting the conversion regulations in Section 19 of Hamilton Zoning By-law 6593.

## **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 PED15138.

## **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

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required to sign the Grant Agreement attached as Appendix “A” to Report PED15138. 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 245 James Street North, Hamilton, as presented in Appendix “A” to Report PED15138.

**GRANT CALCULATION**

The estimated grant shall be calculated according to the following formulas

Grant Level		100%	
Total Eligible Costs (Maximum):	\$	125,000	
Pre-project Assessed Value: (CT)	\$	217,000.00	Year: 2015
Municipal Levy:	\$	5,105.92	
Education Levy:	\$	<u>2,753.26</u>	
Pre-project Property Taxes	\$	7,859.18	
<b>*Estimated</b> post-project CVA:(CT & RT)	\$	400,000.00	Year: TBD
<b>** Estimated</b> municipal Levy:	\$	7,548.47	
<b>** Estimated</b> education Levy:	\$	<u>3,357.08</u>	
<b>** Estimated</b> post-project Property Taxes:	\$	10,905.55	

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

\*\*2015 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 Grant Payment in Year One (Initial Grant)

Pre-project Municipal Taxes = Municipal Levy = \$5,105.92

Municipal Tax Increment = \$7,548.47 - \$5,105.92 = \$2,442.55

Payment in Year One (1) = \$2,442.55 x 1.0 = \$2,442.55

**ESTIMATED GRANT PAYMENT SCHEDULE**

**(Subject to re-calculation each year and up to the total eligible costs)**

<b>Year*</b>	<b>Grant Factor</b>	<b>Tax Increment</b>	<b>Grant</b>
1	100%	\$ 2,442.55	\$2,442.55
2	80%	\$ 2,442.55	\$1,954.04
3	60%	\$ 2,442.55	\$1,465.53
4	40%	\$ 2,442.55	\$ 977.02
5	20%	\$ 2,442.55	\$ 488.51
<b>Total</b>		<b>\$12,212.75</b>	<b>\$7,327.65</b>

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).



*245 James Street North prior to redevelopment*

Appendix “B” to Report PED15138 identifies the location of 245 James Street North, 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 \$7,327.65 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 PED15138 - Grant Agreement

Appendix “B” to Report PED15138 - Location Map

HM/dkm