Form: Request to Speak to Committee of Council
Submitted on Friday, March 18, 2016 - 3:06pm

==Committee Requested==
Committee: General Issues Committee

==Requestor Information==
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Reason(s) for delegation request: To speak on behalf of New Horizon Development Group regarding Staff Report PED16050: Downtown and Community Renewal Community Improvement Plan (CIP) and Community Improvement Project Areas (CIPA)

Will you be requesting funds from the City? No

Will you be submitting a formal presentation? No

NEW HORIZON

DEVELOPMENT GROUP

March 17/16

Mr. Mayor and the Members of Council:

After waiting nearly 4 years for a reply to our initial deferral of development charges (one aspect only of the financial incentives offered to our competitors in the downtown community renewal and community improvement project area), we read the report brought forward on the review and were, to say the least, totally disheartened.

When investing in the downtown many years ago, we were lead to believe the area defined as the benefactor for these programs was going to change. It did change, and did so to include another development that had already sold a significant number of its units, but the change did not include a further penetration into the Durand neighbourhood, leaving our site out of the area.

The Durand neighbourhood went decades, just like the rest of the downtown, without any new residential building going on until our project resurrected the neighbourhood thanks to development charge credits that were available from the demolition of the previous structures.

We have created 175 new condominium units in 2 brand new buildings that generate property taxes in the City in excess of $600,000 annually that will only go up forever and ever. And the level of services required to support these new taxes is negligible at best.

When we determined that the 2011 CIPA did not include us, we took a long and deep look at our pro forma and, almost 4 years ago, we requested a 50% reduction in only the development charges portion of the CIPA benefits. To deal with this request the City determined that they would give us a deferral pending the outcome of the new report. Today's meeting is step one for our answer.

Since receiving this deferral, we have sold out, built out, occupied, registered and closed on 99 new residences in "downtown Hamilton" and still don't have an answer. We have effectively closed our sales center, which we invested heavily in, for nearly a year pending hearing the "new vision" as outlined in the report. Our project is at a standstill, and the time taken to get to this point has in fact hurt us in many ways including the recent increases in the development charges effective July 1st, up to $22,081, that will

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take us further from being able to complete our third tower. Furthermore, our site received parkland dedication relief that was limited to the then 188 unit design. With the approved new density, the parkland fees on every unit over 188 represent a cost of $7500 per condominium unit. These two charges together represent $30,000 in fees to the City. In addition, the CIPA property tax incentives will add approximately $10,000 per condominium in reductions to our competitors, totaling approximately $40,000 per new condominium dwelling in competitive disadvantage versus our fellow Durand Neighbourhood competitors. How do we compete with that when the average selling price of our condominiums in our most recent building (that had the deferred DC's) is $245,000?

Some other facts to consider:

1. We were the first company to stick or necks out and actually sell and build condominiums in "downtown Hamilton" in decades. We were pioneers, and could be so only because we had development charge credits from the removal of the previous building. Without that $600,000 plus per year that flows to the tax roll year after year.
2. Oh, and yes they are actually finished and built. From scratch as the property was not able to be renovated. And I believe we invested in architecture to the degree that the buildings are actually something, in finished form, which the City can be proud to promote. If you have any doubt, see the attached "retweet" from Hamilton Economic Development profiling City Square 2 recently in bragging about what a great place this City is to buy real estate.
3. The report (p. 12 of 22) itself quotes the N. Barry Lyon Consultants Limited (NBCL) Downtown CIPA Study from October of 2015 on the incentives, stating developers require a rate of 15% profit on gross revenue to undertake a development. As openly demonstrated when we asked for relief 4 years ago, this is a pipe dream. No bank would lend to the pro forma without providing a ridiculously high level of equity, limiting opportunity for both the City and the developer to undertake more projects if the projects ever happen at all.
4. The NBCL report also states that developers still face "some market weakness." We are in the market with a $40,000 disadvantage for being just outside the CIPA boundary but in reality still part of "downtown".
5. The NBCL report goes on to say "In most cases, the City's contribution of financial incentives has represented the difference between proceeding with the development or not." This is unfortunately the situation the new report suggests we belong in.
6. The NBCL report goes on to say "removal of any incentives from the CIPA's, at this time, would be premature as the market is still fragile and diminishes our competitive advantage." Once again it is fragile at best...the fragility gets considerably more intense with a $40,000 disadvantage on a price point of $250,000 to the point of killing a project entirely.
7. Had the City included our site in the process as we requested, tower 3 would be well underway. The tax differential on tower 3 is approximately $385,000 per year.
8. The NBCL report states the incentives have been "critical to attracting significant residential development in the Downtown." Your current recommendation on our 4 year old request is giving incentive for the exact opposite result.

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9. The NBCL report states "downtown development continues to be fragile and not feasible without the financial investments." That pretty much says it all, and I defy anyone who ever lived in Hamilton to tell me that the old Thistle Club site is not "downtown".

In light of the 4 year ordeal, the obvious and supported facts in the NBCL report, the reality in the market place of the selling environment, the fact that I can walk to my nearest competitor in the Durand Neighbourhood in 485 meters (the math works out to $82.47 per meter, or per step, saved if clients buy from them and not us) , and that I can walk to the CIPA zone in 138 steps, I am yet again requesting that consideration be given to this report to move the boundary.

When we sold and built the first tower, the municipal fees were in the neighbourhood of $4 per square foot. The third tower, in the current form, has those same fees at over $44 per square foot. When math doesn't work, it simply doesn't work.

I hope you will give consideration to implementing some very minor changes to the report to incorporate what is required to complete our City Square project. Oh, and by the way, we actually have built two new, start from scratch towers of condominiums, in DOWNTOWN HAMILTON.

New Horizon Development Group

Jeff Paikin

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2:21 PM · 15 Mar 16

Reply to Hamilton EcDev