



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	May 3, 2016
SUBJECT/REPORT NO:	Downtown and Community Renewal Community Improvement Plan (CIP) and Community Improvement Project Areas (CIPA) Review (PED16050(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Joe Muto (905) 546-2424 Ext. 7859 Hazel Milsome (905) 546-2424 Ext. 2755
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the Downtown and Community Renewal Community Improvement Project Area (2014) and Downtown and Community Improvement Plan (2014) By-law Nos. 11-272 and 11-273 (as amended) be repealed and replaced as per recommendations (b) and (c);
- (b) That the Downtown and Community Renewal Community Improvement Project Area (2016) be approved as set out in Report PED16050(a) and that the implementing by-law attached as Appendix “A” to Report PED16050(a) be enacted;
- (c) That subject to the approval of recommendation (b), the Downtown and Community Renewal Community Improvement Plan (2016) be approved as set out in Report PED16050(a) and that the implementing by-law attached as Appendix “B” to Report PED16050(a) be enacted;
- (d) That subject to the approval of Recommendation (c), the following be approved and appended to the Downtown and Community Renewal Community Improvement Plan:
 - (i) Appendix “C” to Report PED16050(a), respecting the revised Program Description and Terms for the Hamilton Downtown, Barton and Kenilworth Multi-Residential Property Investment Program;

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- (ii) Appendix “D” to Report PED16050(a), respecting the revised Program Description and Terms for the Hamilton Tax Increment Grant Program;
 - (iii) Appendix “E” to Report PED16050(a), respecting the revised Program Description and Terms for the Business Improvement Area Commercial Property Improvement Grant Program;
 - (iv) Appendix “F” to Report PED16050(a), respecting the revised Program Description and Terms for the Commercial Corridor Housing Loan and Grant Program;
 - (v) Appendix “G” to Report PED16050(a), respecting the revised Program Description and Terms for the Hamilton Heritage Property Grant Program;
 - (vi) Appendix “H” to Report PED16050(a), respecting the revised Program Description and Terms for the Office Tenancy Assistance Program;
 - (vii) Appendix “I” to Report PED16050(a), respecting the revised Program Description and Terms for the Commercial Property Improvement Grant Program;
 - (viii) Appendix “J” to Report PED16050(a), respecting the Program Description and Terms for the Barton / Kenilworth Tax Increment Grant Program;
 - (ix) Appendix “K” to Report PED16050(a), respecting the Program Description and Terms for the Barton / Kenilworth Commercial Corridor Building Improvement Grant Program;
 - (x) Appendix “L” to Report PED16050(a), respecting the Program Description and Terms for the Gore Building Improvement Grant Program;
 - (xi) Appendix “M” to Report PED16050(a), respecting a Planning and Building Fees Rebate Program for Planning and Building applications issued within the Barton Village Business Improvement Area, the Barton / Kenilworth commercial corridors and properties that front on Barton Street between James Street North and Victoria Avenue North, as identified in the Downtown and Community Improvement Project Area By-law; and,
- (e) That the amendment to By-law 10-052, which delegates authority of certain loans and grants to the General Manager, Planning and Economic Development, attached as Appendix “N” to Report PED16050(a), be approved.

EXECUTIVE SUMMARY

The proposed Downtown and Community Renewal Community Improvement Plan (CIP) assists in achieving Strategic Objective 1.3 of the City of Hamilton's Strategic Plan: promoting economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts. The Plan also supports the Community Development component of the City of Hamilton's Economic Development Strategy.

The five-year review of the CIP was initiated in January 2015 and has included public open houses, Business Improvement Areas (BIA) and neighbourhood group meetings and consultation with various City departments. The review also researched and reviewed CIPs of neighbouring municipalities. The recommendations in this Report are based on a review of those public and internal departmental consultations and research.

Approval of the new Downtown and Community Renewal CIP (2016) and Community Improvement Project Areas (CIPA), as recommended, would include changes and updates to the Plan, as follows:

- update the text in the Plan to relate to current Provincial and City policies;
- revise the description of the community improvement project areas to reflect the proposed changes;
- reflect current and future strategic initiatives;
- minor expansion of commercial corridor boundaries for revitalization efforts; and,
- introduce new financial incentive programs as well as amendments to the terms of existing incentive programs.

The intent of the CIP financial incentives is to promote urban renewal and new development in targeted urban areas. To do this, the financial incentives encourage both residential and non-residential development. The BIA Commercial Property Improvement Grant Program, the Commercial Property Improvement Grant Program and the Office Tenancy Assistance Program are geared solely for commercial redevelopment. The Hamilton Tax Increment Grant Program, the Hamilton Heritage Property Grant Program, the Barton / Kenilworth Tax Increment Grant Program and the Barton / Kenilworth Commercial Corridor Building Improvement Grant Program are geared to both residential and commercial redevelopment. The Hamilton Downtown Multi-Residential Property Investment Program and the Commercial Corridor Housing Loan and Grant Program are geared towards residential development although a number of developments that have received or have been approved for funding under these programs include ground floor commercial uses as well as standalone commercial uses. These incentives focus on encouraging infill development and

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intensification primarily within the downtown. Examples of mixed-use developments include 150 Main Street West, 179-191 James Street North, 260-280 King Street East, 215-231 Main Street West, 335 Barton Street East and 17 King Street East. Developments that are fully assessed as commercial include 40 Bay Street South and 68 George Street (all-suite hotels).

Report PED16074 received by City Council at its meeting held March 30, 2016, confirms that properties that have received funding or have been approved for funding under the Hamilton Downtown Multi-Residential Property Investment Program and Hamilton Tax Increment Grant Program collectively represent an annual increase of municipal taxes of approximately \$5 M.

The programs encourage growth in targeted areas and assists with creating an environment that attracts new investment, residents and businesses to the City of Hamilton.

Alternatives for Consideration – See Page 20

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There will be no levy increase required in 2016 for the purposes of administering the financial incentives detailed in Report PED16050(a) as sufficient funding is included in Urban Renewal's 2016 Operating and Capital Budgets.

A report recommending the transfer of funding from the Hamilton Community Heritage Fund Loan Program Reserve to the Hamilton Heritage Property Grant Program was approved by City Council at its meeting held March 30. The approval does not impact the levy.

A report recommending an increase in the amount of loans advanced at one time under the Hamilton Downtown Multi-Residential Property Investment Program (from \$35 M to \$45 M) will be considered by Committee and Council in a separate report. Approval of the recommendation would not impact the levy.

Staffing: Applications have increased over the last few years with no new staff. There will be no additional staffing requirements resulting from Council's approval of Report PED16050(a). Applications to the financial incentive programs are processed by the Urban Renewal Section, Development Planning and Taxation Division.

Legal: The *Planning Act* (Section 28) allows municipalities that have provisions in their Official Plan relating to community improvement, such as the City of

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Hamilton, to designate by by-law a community improvement project area, and then to prepare a CIP for the project area. A municipality may then make grants and loans, in conformity with the approved CIP, that would otherwise be prohibited under the *Municipal Act* (Section 106(1)), to the registered / assessed owners or tenants of land and buildings, or their respective assignees, within the designated project area. An amendment to the Community Improvement Plan requires a statutory public meeting with notice requirements in accordance with the *Planning Act*.

The recommended changes to the community improvement plan must be conducted in accordance with the *Planning Act* (Section 17 (15) (d) and Section 28) and the Public Participation and Notification Policies contained in the City's Official Plan, including a statutory public meeting and notice requirements.

Recommendation (e) is enabled by the *Municipal Act*, which sets out how Council may delegate its powers to a person or body through a municipal by-law authorizing the delegation.

HISTORICAL BACKGROUND

The review of the Downtown and Community Renewal CIP, the associated CIPA, to which it applies, and its component programs (i.e. financial incentives) has been undertaken as part of the 2015 Work Plan for the Urban Renewal Section, Economic Development Division.

Chronology:

- February 2007: Council approval of first consolidated CIP and CIPA.
- November 2011: Council approval of updated CIP and CIPA including revised and new incentives and programs (Report PED11118).
- February 2012: Council directs staff to investigate the feasibility of including additional land in the Downtown Hamilton Community Improvement Project Area (DHCIPA).
- November 2012: Council approval of expansion of community improvement initiatives to the Community Downtowns, all BIAs and the commercial corridors along Barton Street, east of the Barton Village BIA, and along Kenilworth Avenue North as identified in the Downtown and Community Renewal CIPA.
- Council approval of the expansion of the Downtown CIPA.

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February 2014: Council approval of amendments to the Downtown and Community Renewal CIP (2011) and incorporates the Mount Hope Airport Gateway CIPA.

March 2016: General Issues Committee and Council approve Report PED16050 without modification.

This 2015 review has resulted in recommendations for an updated Plan, some minor expansions to the Project Areas, two new programs, as well as other program amendments in order to increase their use and effectiveness and to account for current City policy, such as the Economic Development Strategy and the Urban Hamilton Official Plan (UHOP), and other Provincial and City policies. Urban Renewal staff has undergone a comprehensive review and community engagement and consultation process as part of the five-year review of the Plan. This review investigated the programs and initiatives performance and the respective policies, including the Plan boundaries. This is discussed further below.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Downtown and Community Renewal CIP provides the framework for City programs and initiatives in a manner that meets the legislative requirements of the *Planning Act* intended to stimulate private sector investment and redevelopment and, to focus municipal action and investment that promotes and enhances Hamilton's various downtowns, commercial districts, mixed use corridors and neighbourhoods targeted for community development.

The Plan provides the legal framework for the financial incentives administered by the Urban Renewal Section. Downtown Hamilton, the Community Downtowns of Ancaster, Binbrook, Dundas, Stoney Creek and Waterdown, the Mount Hope / Airport Gateway, the Business Improvement Areas and other Commercial Corridors within the City, as well as certain heritage-designated properties, are collectively designated in the Downtown and Community Renewal CIPA By-law.

The Downtown and Community Renewal CIP functions as an implementation tool. It is meant to encourage development and redevelopment activities that implement the vision and policies established in related plans and strategies. Section 5 of the Plan, shown in Appendix "A" to Report PED16050(a), outlines its relation to various documents, including the Provincial Policy Statement (2014), the Growth Plan for the Greater Golden Horseshoe (Places to Grow), VISION 2020, the UHOP, the Economic Development Strategy, the Corporate Strategic Plan and transit-related initiatives.

RELEVANT CONSULTATION

The 2015 five-year review involved an extensive and comprehensive agency and public engagement strategy. The CIP Review Team consulted in-depth with internal City staff, meetings were held with the BIA Business Advisory Committee as well as some of the Boards of Management of the BIAs. The team also engaged with the Social Planning and Research Council of Hamilton. A community workshop was held at the Hilton Homewood Suites on September 15, 2015, wherein residents, business owners, bankers and other professionals attended. A Conversation Couch was held on October 9, 2015, and a subsequent workshop was held on November 4, 2015, for the Neighbourhood Associations and Teams, at the Evergreen CITYWorks storefront space at 294 James Street North. This engagement process is highlighted further below. Staff also considered feedback received in the surveys returned by previous program users.

Through our engagement process staff met with various neighbourhood groups and BIA's to address what could be improved through our Five-year review. The majority of participants support the continuation of financial incentives in order for continued urban renewal, investment and job creation to occur.

Most of the public who participated believed that the incentives are having an important impact in renewing and redeveloping identified areas. A common theme was the need for more funding and more resources to build on the success being achieved through the CIP. Participants frequently noted that the CIP would be more effective if there was increased funding, more staff resources for facilitating involvement and uptake on the programs and less paperwork in terms of required forms. It was noted that the Commercial Façade Programs are very effective. The majority of participants also stated that the existing financial incentive programs should be enhanced. The Development Charges (DC) exemption, Commercial Façade Programs, Reduction in Parkland Dedication Fees and Tax Incentive Grant Program were noted to be very successful and in high demand. The Heritage Property Grant Program was also identified as being of particular importance for maintaining heritage properties and facilitating property renewal.

There are many kilometres of commercial corridors throughout the City, which are prime opportunities for higher intensification and appropriate infill. This is due to their proximity to public transit, commercial uses, and other community supports. Through public engagement it was apparent that the commercial corridors are important and that the programs which spur development and redevelopment within the commercial corridors are to remain in the incentive portfolio. With respect to the boundaries of the Downtown CIPA, the majority of participants support maintaining the existing CIPA boundaries in downtown Hamilton. Some property owners advocated for the expansion of the CIPA boundary, notably into the Durand neighbourhood.

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There is strong support for the consideration of a new financial incentive(s) to address and respond to affordable housing needs throughout the City of Hamilton by creating residential programs that make it more viable to have affordable units provided within new development proposals. It was also noted that the CIP should be utilized to create affordable housing by making residential programs available in the lower city and commercial corridors. Additional incentives were also suggested for creating mixed housing developments, greater accessibility as well as rental units within the Downtown CIPA and other strategic areas. There is further interest in identifying new incentives within the downtown to increase occupancy levels of upper floors of existing buildings for mixed use and overall for more employment within the Downtown Hamilton CIPA.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The amendments to the proposed Downtown and Community Renewal CIP (2016), as shown in Appendix “B” to Report PED16050(a), are in accordance with Urban Renewal Section’s comprehensive review and consultation. This section of the Report provides some background and history as well as the rationale for the proposed changes in the CIP, including the feedback from the public and agency engagement process, which are itemized below.

Boundary Adjustments

As part of the five-year review, staff looked at the existing CIPA boundaries based on various requests received in regards to expanding the Downtown Hamilton CIPA, consideration of the purpose of the CIP and consultation with the community. Site visits to the CIPA’s and commercial corridors and research by staff determined that the boundaries should remain with no major proposed expansion of additional lands, save and except amendments to Upper James Street, Barton Street East and some other minor additions shown in Appendix “O” to Report PED16050(a). Through engagement workshops, the same response was received by the majority of the public who participated, which suggested that staff focus incentives to priority areas in need of revitalization.

In considering the appropriateness of any expansions to the CIPA boundary, it is important to consider the purpose of the CIP to “facilitate development / redevelopment in targeted locations in need of revitalization, improving public facilities / amenities and stimulating private sector investment”. As part of the review for the Downtown CIPA boundary, many issues were examined. This included, but was not limited to, a review of existing underutilized properties such as surface parking lots and vacant properties both in and on the periphery of the Urban Growth Centre (UGC) as shown in Appendix “P” to Report PED16050(a). As outlined on the map, a significant amount of land is currently being used for surface parking or deemed vacant within the UGC.

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In keeping with the direction of the draft Tall Buildings Study and the review of the Downtown Secondary Plan, consideration was given to intensification and infill opportunities on larger parcels of land within the UGC which are currently underutilized.

Staff's research also included a review of density policies as it relates to Growth Plan policies and the UHOP targets for growth. The periphery areas are primarily low density ground-oriented neighbourhoods which are not intended to develop with significant intensity.

Staff does recommend some minor boundary expansions along the Upper James, Barton Street East Corridors and some other minor boundary adjustments as shown in Appendix "O" to Report PED16050(a). The Upper James boundary expansion now proposes to incorporate three properties northwest of the existing boundary, as well as those lands south of Fennell Avenue on the west side of the Smart Centres commercial development and the properties on the east side, located south of the commercial development as shown in Appendix "O" to Report PED16050(a). The rationale for the proposed expansion includes that Upper James is a major arterial road and is designated as a major transit corridor in the UHOP. Upper James is in close proximity to Mohawk College and, therefore, benefits from the student and faculty population which includes the need for commercial and residential services. The Barton Street East expansion includes a number of larger properties with commercial uses, which either front onto Barton Street East, or has a significant community presence with a visual connection to the corridor. This expansion is proposed to help assist with redevelopment opportunities as the previous intent of commercial corridor programs was to establish more residential. It is now a priority to also include commercial incentives to assist existing retail and commercial uses.

At the March 23, 2016 General Issues Committee, a request was made by Committee which requested staff to complete a further review of the Upper James Street Corridor. Staff proceeded with this additional review and suggests that there is potential for further expansion of the corridor, but recommends that any additional boundary expansion be considered at such time as new zoning is established which is anticipated for Q2 2017.

Further, one delegation was made on March 23, 2016 by New Horizon Development Group (c/o Glenn Scheels of GSP Group Inc.) which requested that the lands located at 85 and 90 Robinson Street in the Durand Neighbourhood be included into the Downtown CIPA through three proposed options. Committee and Council did not support this boundary expansion request. The Durand Neighbourhood Association also made delegation in opposition to the New Horizon request.

Barton-Kenilworth Commercial Corridors Study

On September 10, 2014, Council accepted the final recommendations of the Barton-Kenilworth Commercial Corridors Study. Staff continues to work on implementation of

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the Study recommendations, including Capital improvements. The Study also provided rationale on priority actions which includes updating the package of financial incentives with new opportunities to waive or reduce development charges, parkland dedication requirements, Planning and Building fees and to modify existing programs or extend the programs available in the Downtown Hamilton CIPA to both Barton Street East and Kenilworth Avenue North. Staff has researched this implementation recommendation and are recommending the expansion of the Downtown Hamilton Multi-Residential Property Investment Program to the Barton and Kenilworth commercial corridors and the introduction of two new financial incentives: the Barton / Kenilworth Commercial Corridor Building Improvement Grant Program and the Barton / Kenilworth Tax Increment Grant Program. Details of the programs are provided under the Analysis Section of Report PED16050(a). Report PED16050 approved by City Council at its meeting held March 30, 2016, directed Finance staff to report back to Committee on Development Charge Treatment of the Barton / Kenilworth Commercial Corridors. A Planning and Building fees rebate program is also recommended in Recommendation (e) of Report PED16050(a). These initiatives should assist with encouraging redevelopment of the Barton and Kenilworth commercial corridors.

Parkland Dedication

Generally, when a property is developed or redeveloped, a certain amount of land for parkland, or other recreational facilities or trails, must be set aside for public use. This helps increase the number of public parks to serve the City.

Obtaining parkland is a City priority. However, in certain cases, where the City does not find the land to be desirable for parkland, cash-in-lieu of parkland conveyance or a combination of land and cash may be accepted. Through the engagement process, concerns were raised with respect to parkland dedication requirements. In this regard, staff are not recommending any further action be taken on parkland dedication at this time. City Council at its meeting held September 9, 2015 reduced parkland dedication fees for an 18-month period as follows:

- i) A maximum land dedication of five percent of the Net land area, or cash-in-lieu thereof, will apply to a maximum of six apartment dwellings above a commercial use and street townhouses fronting on a public street where such developments are not part of a registered plan of subdivision;
- ii) If a second dwelling unit is added in an existing single detached dwelling, a cash-in-lieu flat fee of \$500 applies; and,
- iii) Where additional dwelling units are created within a building “designated” under the *Ontario Heritage Act*, a cash-in-lieu flat fee of \$500 per unit applies.

Further, Real Estate and Finance staff reviewed a request for a decrease of fees for higher density development. Until such time as staff complete a parkland dedication

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review (expected in early 2017), Council established a \$7,500 cap on the per-unit parkland dedication fee and indexed for inflation as it relates to densities of 300 units per hectare or greater.

By-law 09-124 was also amended in order to delete a schedule and replace it with the Downtown Hamilton CIPA boundary. Therefore, the parkland dedication reduction of five percent of the Net land area, or cash-in-lieu thereof, applies to residential development regardless of density in the entire Downtown Hamilton CIPA rather than the Urban Growth Centre only.

These issues will be reviewed and recommended for permanent modification to the Parkland Dedication By-law to be made in early 2017 through the comprehensive review of the By-law.

The Waterfront and West Harbour

The Waterfront was looked at comprehensively through Dillon Consulting's Hamilton West Harbour Piers 5-8 Servicing Studies and Pro Forma Analysis as presented to City Council. The Report concluded that the waterfront would not require new municipal incentives at this time.

Public Transit and Light Rail Transit (LRT)

With the 2015 Provincial financial announcement to commit over \$1 B for the City's LRT project, there has been some discussion centred on the provision of financial incentives along the proposed corridor routes. Generally speaking, there are already incentives available along the commercial corridors and Downtown. Therefore, there would be no need to propose a specific LRT program at this time.

Affordable Housing

Through the public engagement component of the review concern with housing affordability due to gentrification was continually voiced. Also, as part of the review, Urban Renewal and Housing Services staff worked together to formulate a cooperative approach to addressing an affordability component within the existing financial incentives that could be funded and monitored through Housing Services and administered through Urban Renewal. A placeholder has been inserted into the program descriptions for the Hamilton Downtown, Barton and Kenilworth Multi-Residential Property Investment Program and Commercial Corridor Housing Loan and Grant Program. Housing Services staff will report back under separate report to Committee and Council on details of a proposed affordable housing component and potential funding sources.

In 2015, Urban Renewal and Housing Services staff prepared a brochure titled "Building Housing in Hamilton". The brochure provides an opportunity to market the City's existing programs and incentives available to facilitate the development of new

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residential rental and ownership units that are affordable for low-to-moderate income households.

Downtown and Community Renewal CIP Pro Forma

Similar to other strategic City reviews and assessments, staff required further clarification and rationale on the current performance of our incentives and programs to determine and confirm what incentives should be amended, maintained or dissolved. Therefore, as part of the five-year review, a pro forma of current programs and incentives was undertaken by N. Barry Lyon Consultants Limited (NBLC), dated October 2015. This Study reviewed and tested our current financial incentives to support investment in the designated CIPA. The Study examined the financial impact that the current incentive programs can have in the development economics of constructing higher density development. NBLC developed a series of financial pro forma analyses which assess the financial feasibility and investment attraction for high density residential development.

The Study also investigated other real estate market influences or factors which included lifestyle choice, improving transit options, commuting times and post-secondary growth. The methodology in the NBLC research employed the Residual Land Value model, which assumes that a developer requires the current market return rate of 15% profit on gross revenue to undertake the development. This model looks at all potential revenue attributed to the project, less the hard costs and developer return.

In summary, the Study forecasted the outlook of increasing demand for condominium development in downtown Hamilton and other amenity rich neighbourhoods is positive. Population and employment growth is expected to continue in the coming years while housing affordability and improved transit options will make high density living increasingly attractive to an expanding range of buyer groups. The Study also indicates that sales activity has been strong relative to past years.

Despite these positive trends, high density developments still face some market weakness in the City of Hamilton. It appears that the market is largely being serviced by local developers who have a greater appreciation and knowledge of the local market, the workings of the City, and the local construction industry. These developers have proven that, under certain conditions, the market will respond positively.

In most cases, the City's contribution of financial incentives has represented the difference between proceeding with the development or not. NBLC's research also indicates that, even with the incentives, it appears that most market participants who have enjoyed success have likely accepted a higher level of risk than we would typically see in the market in terms of:

- greater risk equity – as much as 35% of the project cost compared to 20% in stronger markets; and,

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- less profit – the Report analysis suggests that, even with incentives, projects do not achieve the target profit levels generally expected by the development community.

This Study solidifies what staff has heard anecdotally from the development industry and the public through our engagement process. Based on this research, staff is of the opinion that removal of any incentives from the CIPAs, at this time, would be premature as the market is still fragile and diminishes our competitive advantage. However, staff do recognize the need to modify some of the programs. This is discussed, below, in a subsequent section. The NBLC Study is consistent with the Barton-Kenilworth Commercial Corridors Study which recommends providing additional incentives to both corridors in order to generate revitalization in those areas.

Staff has looked at other neighbouring municipalities and the availability of financial incentives. They all have available incentives as well as strategic incentives such as a DC exemption. In order to compete with these municipalities, staff recommends that the current programs be modified rather than eliminated to address the needs of the other CIPAs and Downtown Hamilton.

Financial Incentive Programs

A number of the financial incentives presently being offered were first created upon amalgamation to encourage redevelopment in Downtown Hamilton and to assist property and business owners within business districts throughout the City of Hamilton to compete with shopping malls and big box retail through creating attractive pedestrian environments. The perception, at that time, was that Downtown was unsafe and unclean and there was little interest in living Downtown. Commercial financing was difficult to secure and the residential market for Downtown was unknown. Business vacancy rates were high in Downtown and a number of properties, some significant, were abandoned and boarded-up. Older business districts throughout the City were also facing some of the same challenges.

As a response to one of the principles of the Downtown Secondary Plan “make downtown living attractive” two financial incentives were created: the Hamilton Downtown Multi-Residential Property Investment Program and Hamilton Tax Increment Grant Program. The programs were developed primarily to encourage residential development. Other tools created to encourage development in the downtown included exemption of the City and GO Transit development charges (the exemption is presently at 85%) and, reduction in parkland dedication. The main marketing tool during 1996 - 2002 was rebating Building and Planning fees. The rebate came to a conclusion in 2002 as the new financial incentives were introduced and existing incentives refined.

The financial incentives have proven critical to attracting significant residential development in the Downtown including 135 James Street South, 260-280 King Street East, 47 Caroline Street, 137-141 Main Street West and 150 Main Street West which collectively represent 601 units. Report PED16074 received by City Council at its

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meeting held March 30, 2016 provides the annual review of the Hamilton Downtown Multi-Residential Property Investment Program as well as other programs and initiatives of the Urban Renewal Section.

The economic climate in Downtown Hamilton has improved significantly since the early 2000s. A contributing factor that has assisted in stimulating private sector investment is strategic investment decisions by the City Council such as the financial incentive programs, streetscape improvements, implementation of the Gore Master Plan, a funding contribution to the McMaster School of Medicine Facility and new affordable housing developments. Future opportunities that will create additional investment opportunities in Downtown Hamilton include LRT and the new West Harbour GO rail service. However, feedback through community consultation including one-on-one meetings with investors in the Downtown, is that downtown development continues to be fragile and not feasible without the financial incentives. The NBLC's review of the financial incentives supports this position as reported on earlier in Report PED16050(a). Staff are therefore recommending that the financial incentives continue to be offered with some modifications to the terms and conditions as we prepare to transition the focus over the next few years from Downtown to other areas within the City that are facing redevelopment challenges such as the Barton and Kenilworth commercial corridors.

The proposed amendments to the Downtown and Community Renewal CIP (2016) will enable the administration of the amended terms and conditions of existing financial incentives and will introduce two new financial incentive programs designed to encourage redevelopment along the commercial corridors of Barton and Kenilworth as identified in the Downtown and Community Renewal CIPA.

A brief overview of each program and the amendments that are proposed are identified below, and summarized further, as shown in Appendix "Q" to Report PED16050(a).

Hamilton Downtown, Barton and Kenilworth Multi-Residential Property Investment Program

The existing program provides financial assistance to projects that are predominantly residential in the Downtown Hamilton Community Improvement Project Area. It provides an interest free loan based on 25% of the cost to construct budget to a maximum of \$5 M per development. Eligible projects include renovations to existing multiple dwellings and the creation of new multiple dwellings on vacant land. The maximum loan term is five years and six months with the interest rate at 0% for the first five years. The amendments proposed to the terms and conditions of the program are:

- Expand the program to the Barton Village BIA and the Barton and Kenilworth Commercial Corridors (*in recognition of the development challenges faced in these corridors*);

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- Incorporate an affordable housing component *(to align with the concern raised during public engagement on housing affordability)*;
- All-suite hotels no longer eligible *(in recognition of the limited resources for the program and that priority projects for funding are condominium or apartment buildings rather than hotels)*;
- Limit the maximum loan to \$4 M from the current \$5 M per development *(in an effort to fund more applications and, based on the average loan being \$3,708,940 since the program terms were changed to offer a loan of up to 25% of the cost to construct)*;
- Limit the maximum loan per developer or related group to \$10 M at one time from a maximum of \$18 M currently *(\$18 M is a large percentage of the program's portfolio therefore a reduced maximum is preferable)*;
- Remove the option of extending the maximum loan term to 15 years *(recognizing that this option has never been implemented and the fact that limiting the repayment term to five years will recycle the funding quicker therefore allowing other development projects to be funded with the limited resources)*;
- Strengthen the wording for when a property is sold dictating that the loan will be cancelled and any outstanding balance will be repaid *(based on the loan being an incentive to develop a project and once the project is developed, the City's objective has been achieved: the loan is not a tool to negotiate a higher selling price)*; and,
- Change the title of the program to the Hamilton Downtown / Barton and Kenilworth Multi-Residential Property Investment Program.

Hamilton Tax Increment Grant Program

The existing program provides a five year grant based on the increase in the municipal portion of the realty taxes attributed to the redevelopment of residential or commercial lands and buildings located within Downtown Hamilton, Community Downtowns, the Mount Hope / Airport Gateway, Business Improvement Areas and the commercial corridors along Barton Street and Kenilworth Avenue North, as identified in the Downtown and Community Renewal CIPA By-law. The grant is at 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 primary amendments proposed to the terms and conditions of the program are:

- Expand the program to properties designated under the *Ontario Heritage Act* anywhere in the City, including the rural area *(to encourage the preservation of historic buildings in the ownership of the private sector and to align with concerns raised during public engagement on the associated preservation costs no matter where properties are located within the City)*;
- Advancement of 75% of the yearly grant if an assessment appeal has been filed with the Municipal Property Assessment Corporation with necessary adjustments to the amount of the yearly grant being made upon final settlement, will no longer be an option *(in recognition of the work required to administer the 75% advancement)*;

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- The first year grant will be at the end of the first full calendar year of reassessment, with the option for the applicant to receive the grant at the end of the first year of reassessment, however forfeiting the grant for the month(s) of the year the reassessment does not apply (*in recognition that actual tax amounts are not final until the annual Tax Levy By-law has been approved by City Council therefore if a first year grant was from March 2016 to February 2017, staff would not know the January and February 2017 taxes to base the grant on*); and,
- Strengthen the wording for when a property is sold dictating that the grant will be terminated for projects other than residential condominiums when an applicant is not assigning the grant to the first purchasers of each condominium unit (*based on the loan being an incentive to develop a project, once the project is developed, the City's objective has been achieved: the grant is not a tool to negotiate a higher selling price*).

BIA Commercial Property Improvement Grant Program

The program is offered to property owners and authorized tenants of commercial properties located within Hamilton's active business improvement areas. The program offers matching grants for external improvements to commercial properties. For properties that have a street frontage greater than 25 feet, the grant is based on \$400 K per linear feet of frontage to a maximum of \$20 K. The maximum matching grant for properties with a street frontage of 25 feet or less is \$10 K. Corner properties, or those having at least one side exposed, may be eligible for a matching grant of \$25 K. Artfully designed façade improvements or art pieces placed on private property that can be viewed by the public, may be eligible for an additional \$10 K matching grant. Amendments proposed to the terms and conditions of the program are:

- Introduce barrier-free improvements and other limited interior improvements as eligible items (*in recognition of the cost to meet provincial Accessibility for Ontarians with Disability Act (AODA) barrier free requirements as well as some interior improvements as discussed during public engagement*);
- Restrict the maximum grant from one application per property, per calendar year to owners / authorized tenants being able to apply for a maximum grant per property during a five-year period with exceptions being made at the sole discretion of the General Manager, Planning and Economic Development if a new tenant / owner is occupying the property and applies for new signage only (*in an effort to sustain the program*); and,
- Introducing a 100% grant to a maximum of \$3 K per application towards professional fees and some City of Hamilton fees as part of the total grant awarded under the program (*in recognition that these costs can be significant to an applicant therefore providing the applicant with the option to utilize a portion of the grant for those costs*).

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Commercial Corridor Housing Loan and Grant Program

The program offers financial assistance for the construction of new residential units and renovation of existing residential units within Downtown Hamilton, Community Downtowns, the Mount Hope / Airport Gateway, Business Improvement Areas and “main street” commercial corridors as identified in the Downtown and Community Renewal CIPA By-law. The loan is calculated on the basis of \$15 K per dwelling unit, to a maximum of \$600 K per property. The grant provides up to a \$5 K grant per property for professional fees paid. A minimum of 50% of the loan per unit must be spent on the dwelling unit while the remaining 50% can be spent on common elements such as roofing, fire escapes, furnaces and entranceways. The primary amendments proposed to the terms and conditions of the program are:

- Expand the program to properties designated under the *Ontario Heritage Act* anywhere in the City, including the rural area *(to encourage the preservation of historic buildings in the ownership of the private sector and to align with concerns raised during public engagement on those associated costs no matter where properties are located within the City)*;
- Introduce an affordable housing component *(to align with the concern raised during public engagement on housing affordability)*;
- Increase the maximum loan to \$20 K per unit from \$15 K per unit *(increasing the loan amount may encourage additional residential development)*;
- Expand the eligible fees under the \$5 K grant component for professional fees, to include some City of Hamilton fees such as building permit, road occupancy, street occupancy *(in recognition that these costs can be significant to an applicant and providing the applicant the option to utilize a portion of the grant for those costs)*; and,
- Expand the program to include the creation of “accessory units”, also known as basement apartments, within existing dwellings *(to align with the concern raised during public engagement on housing affordability)*.

Hamilton Heritage Property Grant Program

The program offers grants up to \$150 K for the conservation and restoration of heritage features of properties designated under Parts IV or V of the *Ontario Heritage Act*. Works required to restore heritage buildings to structural soundness are also eligible for funding. Properties must be located in Downtown Hamilton, a Community Downtown, the Mount Hope / Airport Gateway, an active Business Improvement Area, or located within the lower City between Highway 403 and the Red Hill Valley Parkway and used for commercial, institutional or multi-residential purposes. The program also offers a \$20 K grant for heritage studies. There is only one primary amendment proposed to the terms and conditions as follows:

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- Expand the program to all of the commercial corridors as identified in the Downtown and Community Renewal CIPA By-law (*in recognition of the expense of specialized trades and stability work required when preserving heritage properties and to provide an added incentive to preserve privately-owned heritage properties within the commercial corridors*).

Office Tenancy Assistance Program

This program provides a low interest loan to property owners or authorized tenants to support eligible leasehold improvements to office buildings located within Downtown Hamilton, Community Downtowns, the Mount Hope / Airport Gateway, Business Improvement Areas and the commercial corridors along Barton Street and Kenilworth Avenue North, as identified in the Downtown and Community Renewal CIPA By-law. The amount of the loan depends on the square foot area and term of the lease, or owner-occupied status of the office space, to a maximum of \$450 K per application. The maximum loan term is the term of the lease up to five years from the date of the final advance. There is only one significant amendment proposed to the terms and conditions of the program as follows:

- Offer a zero interest loan rather than a 1% below prime rate loan (*as an added incentive to encourage office use thus reducing the office vacancy rate*); and,
- Defining an educational establishment for the purposes of the program as “a publicly funded university or college for academic instruction and shall include a hospital or institution, including the associated offices of such uses” (*for clarity*).

Commercial Façade Property Improvement Grant Program

The program is offered to property owners and authorized tenants of commercial properties located within Community Downtowns, the Mount Hope / Airport Gateway and the commercial corridors along Barton Street and Kenilworth Avenue North as identified in the Downtown and Community Renewal Community Improvement Project Area By-law. The program offers matching grants for façade improvements. The maximum grant is \$10 K or \$12,500 K for corner properties. Primary amendments proposed to the terms and conditions of the program are as follows:

- Expand the program to all of the commercial corridors as identified in the Downtown and Community Renewal CIPA By-law (*presently, residential loans only are offered within some of the commercial corridors however in recognition that characteristically properties located within the commercial corridors are mixed-use with commercial at the ground level and residential above, the program will provide an incentive to undertake façade improvements*);
- Re-introduce the program to Downtown Hamilton (*in order to align with the program being offered within the Community Downtowns, and as an incentive for property*

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owners within the Downtown to improve the façades of their property or undertake barrier-free and other limited interior improvements);

- Introduce barrier-free improvements and other limited interior improvements as eligible item(*in recognition of the cost to meet provincial barrier free AODA requirements as well as some interior improvements as discussed during public engagement*);
- Restrict the maximum grant from one application per property per calendar year to owners / authorized tenants being able to apply for a maximum grant per property during a five year period with exceptions being made at the sole discretion of the General Manager of Planning and Economic Development if a new tenant / owner is occupying the property and applies for new signage only (*in an effort to sustain the program*); and,
- Introduce a 100% grant to a maximum of \$3 K per application towards professional fees and some City of Hamilton fees as part of the total grant awarded for completed construction funded under the program (*in recognition that these costs can be significant to an applicant therefore providing the applicant with the option to utilize a portion of the grant for those costs*).

Gore Building Improvement Grant Program

The Program supports the maintenance, attractiveness, functionality and viability of the historic building stock that fronts on King Street East between James Street and Catharine Street, known as the “Gore”. The Program provides a 50% grant to a maximum of \$50,000 per application towards bringing existing properties to present-day Property Standards and Sign By-law requirements and, to improve their accessibility.

There are no amendments proposed for the program. The program is no longer offered however, City Council at its meeting held December 9, 2015 approved grant commitments under the program for the owners of 18-28 King Street East conditional that the properties were designated under the Ontario Heritage Act and that complete applications be submitted by December 31, 2016.

Barton / Kenilworth Tax Increment Grant Program (New, three-year pilot program)

The program will provide for a nine year-grant based on the increase in the municipal portion of the realty taxes attributed to the redevelopment of residential or commercial lands and buildings located within the boundaries of the Barton Village BIA, the Barton Street East and Kenilworth Avenue North commercial corridors and the properties that front on Barton Street between James Street North and Victoria Avenue North as identified in the Downtown and Community Renewal CIPA By-law. The grant is at 100% of the municipal realty tax increase during the first five years, 80% in year six, 60% in year seven, 40% in year eight and 20% in year nine.

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Barton / Kenilworth Commercial Corridor Building Improvement Grant Program (New, three year pilot program)

The program will provide a matching grant to a maximum of \$50 K per deeded property towards the redevelopment of the property, and the maintenance, functionality, viability, accessibility and aesthetics of existing building stock used for commercial, multi-residential and institutional uses within the boundaries of the Barton Village BIA, the Barton Street East and Kenilworth Avenue North commercial corridors, and properties that front on Barton Street between James Street North and Victoria Avenue North, as identified in the Downtown and Community Renewal CIPA By-law.

The Barton / Kenilworth Commercial Corridors Study, received by City Council in September 2014, recommended a ten-year tax grant program and a Vacant Building Revitalization Grant Program. The two new programs will assist in reducing the cost of redevelopment along Barton and Kenilworth commercial corridors.

Please refer to Appendices “C” to “L” in Report PED16050(a) that provide details of each of the financial incentives.

ALTERNATIVES FOR CONSIDERATION

Non-Approval of the recommendations contained in Report PED16050(a) could result in either the continuation of the existing financial incentives (status quo) without the modifications or the discontinuation of the financial incentives. This alternative is not recommended by staff.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.3 Promote economic opportunities with a focus on Hamilton's downtown core, all downtown areas and waterfronts.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.
- 2.2 Improve the City's approach to engaging and informing citizens and stakeholders.
- 2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A", the new Downtown and Community Renewal Community Improvement Project Area By-law;

Appendix "B", the new Downtown and Community Renewal Community Improvement Plan and Implementing By-law;

Appendix "C", revised Program Description and Terms for the Hamilton Downtown, Barton and Kenilworth Multi-Residential Property Investment Program;

Appendix "D", revised Program Description and Terms for the Hamilton Tax Increment Grant Program;

Appendix "E", revised Program Description and Terms for the BIA Commercial Property Improvement Grant Program;

Appendix "F", revised Program Description and Terms for the Commercial Corridor Housing Loan and Grant Program;

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Appendix “G”, revised Program Description and Terms for the Hamilton Heritage Grant Program;

Appendix “H”, revised Program Description and Terms for the Office Tenancy Assistance Program;

Appendix “I”, revised Program Description and Terms for the Commercial Property Improvement Grant Program;

Appendix “J”, Program Description and Terms for the Barton / Kenilworth Tax Increment Grant Program;

Appendix “K”, Program Description and Terms for the Barton / Kenilworth Commercial Corridor Building Improvement Grant Program;

Appendix “L” revised Program Description and Terms for the GORE Building Improvement Grant Program;

Appendix “M”, Schedule of Applicable Application Fees for Barton / Kenilworth Commercial Corridors;

Appendix “N”, amended By-law 10-052 to delegate authority to GM;

Appendix “O”, Proposed CIPA Expansions;

Appendix “P”, Downtown Surface Parking and Vacant Lots and Proposed Areas; and,

Appendix “Q”, Summary of Amendments to Financial Incentive Programs.

JM/HM/dt