



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 1, 2017
SUBJECT/REPORT NO:	Barton / Kenilworth Tax Increment Grant Program – 657-661 Barton Street East, Hamilton (PED17016) (Ward 3)
WARD(S) AFFECTED:	Ward 3
PREPARED BY:	Hazel Milsome (905) 546-2424 Ext. 2755
SUBMITTED BY:	Glen Norton Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a Barton / Kenilworth Tax Increment Grant Program Application submitted by Malleum General Partner I Limited and Malleum Real Estate Partners I (Tyler Pearson, Gregory Clewer), for the property at 657-661 Barton Street East, Hamilton, for a Barton / Kenilworth Tax Increment Grant Program. Grant estimated at \$44,144.85 over a maximum of a nine-year period, and based upon the incremental tax increase attributable to the redevelopment of 657-661 Barton Street East, Hamilton, be authorized and approved in accordance with the terms and conditions of the Hamilton Tax Increment Grant Program;
- (b) That the Mayor and City Clerk be authorized and directed to execute a Grant Agreement together with any ancillary documentation required, to effect Recommendation (a) of Report PED17016, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized to approve and execute any grant amending Agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions of the Barton / Kenilworth Tax Increment Grant Program, as approved by City Council, are maintained.

EXECUTIVE SUMMARY

The Barton / Kenilworth Tax Increment Grant Program (BKTIGP) application for the redevelopment of 657-661 Barton Street East, Hamilton, was submitted by Malleum General Partner I Limited and Malleum Real Estate Partners I (Tyler Pearson, Gregory Clewer). The Applicant proposes to redevelop the existing three-storey vacant building with six residential units on the upper floors and commercial space on the ground level at the property municipally known as 657-661 Barton Street East, Hamilton.

Development costs are estimated at \$439,000 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current estimate of \$213,000 to approximately \$600,000. 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 \$6,306.41, of which 100% would be granted to the owner during the first five years, 80% or approximately \$5,045.12 in year six, 60% or approximately \$3,783.84 in year seven, 40% or approximately \$2,522.56 in year eight and 20% or approximately \$1,261.28 in year nine. The estimated total value of the grant is approximately \$44,144.85.

Upon completion of the redevelopment and reassessment of the property by the Municipal Property Assessment Corporation (MPAC), staff will report back in an Information Update to Council on the actual redevelopment costs, the reassessment amount determined by MPAC and the actual grant amount.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The City will collect full property taxes on the property and, in turn, provide a grant for nine years, declining each year after the first five years by 20%, based on the increase in the municipal portion of the taxes, post-development completion of 657-661 Barton Street East, Hamilton. Following year five of the grant payment, the City will start to realize the positive results of the Program from a financial perspective. Based on the projected figures, the estimated tax increment over nine years totals \$56,757.69, of which the Applicant would receive a grant totalling \$44,144.85 and the City retaining taxes totalling \$12,612.84.

Staffing: Applicants and subsequent grant payments under the Hamilton Tax Increment Grant Program (HTIGP) are processed by the Urban Renewal Section and Taxation Division. There are no additional staffing requirements.

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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 Applicant will be required to execute a Grant Agreement prior to the grant being advanced. The Grant Agreement will be developed in consultation with Legal Services.

As construction projects move forward, it is sometimes necessary to amend previously approved Grant Agreements and any ancillary documentation. Therefore, staff recommends that the General Manager of Planning and Economic Development be authorized to amend Grant Agreements and any ancillary documentation, provided that the terms and conditions of the HTIGP are maintained.

HISTORICAL BACKGROUND

City Council, at its meeting held May 11, 2016 approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced the BKTIGP. The Program is offered exclusively to property owners of residential / commercial lands and buildings located within the boundaries of the Barton Village Business Improvement Area, the Barton and Kenilworth 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 Community Improvement Project Area By-law. The terms of the Program offer a nine-year 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 five years, 80% in year six, 60% in year seven, 40% in year eight, and 20% in year nine.

The project at 657-661 Barton Street East, Hamilton, is an eligible project under the terms of the BKTIGP. The Applicant will qualify for the BKTIGP grant upon completion of the redevelopment of six residential units on the upper floors and commercial space on the ground level within an existing three-storey vacant building. Development costs are estimated at \$439,000. The total estimated grant over the nine-year period is approximately \$44,144.85.

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POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject lands are municipally known as 657, 659 and 661 Barton Street East, Hamilton and designated as “Neighbourhoods” in Schedule “E” – Urban Structure and as “Mixed Use – Medium Density” in Schedule “E-1” – Urban Land Use Designation. The proposed renovations to the existing building is permitted.

Hamilton Zoning By-law No. 6593

The subject lands are zoned as “H” (Community Shopping and Commercial, Etc.) District in the zoning By-law. This zone would permit commercial uses on the ground floor and residential above. The six residential units with three ground floor commercial units would be permitted under the By-law as they are recognized as legal non-conforming.

Financial incentives available through the Downtown and Community Renewal Community Improvement Plan have historically not been applied to redevelopments which have been identified as legal non-conforming. However, in some instances the legal non-conforming uses have been issued building permits and meet the intent and vision of the UHOP designation and policies. Further, updated zoning is forthcoming along most of the mixed use commercial corridors that also meets the intent of the UHOP vision. This has been reviewed, and in this regard staff has now determined that financial incentives shall be applied to Legal Non-Conforming Uses during the transitional period of the updated zoning coming into effect if the following three tests are met:

1. The proposed development must implement the intent and vision of the Urban Hamilton Official Plan, August 2013. This development implements the intent and vision.
2. A Zoning Verification must be applied for stating the proposed use. The Building Division records must validate the last recognized use. A Zoning Verification dated July 4, 2016 recognized the last recognized use as a six-unit multiple dwelling along with three commercial units.
3. Issuance of a Building Permit for the Legal Non-Conforming Use(s) must be qualified by Building Services. The Applicant was issued a Building Permit (#16 114198) on July 20, 2016.

RELEVANT CONSULTATION

Staff from the Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager’s Office were consulted and the advice received is incorporated into Report PED17016.

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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 required to sign a Grant Agreement. 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 Agreement outlines the terms and conditions of the grant payments over the nine-year period.

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

Grant Level:		100%	
Total Eligible Costs (Maximum):	\$	439,000	
Pre-project CVA: RT (Residential) CT (Commercial)	\$	213,000	Year: 2016
Municipal Levy:	\$	3,308.02	
Education Levy:	\$	<u>1,125.55</u>	
Pre-project Property Taxes	\$	4,433.57	
*Post-project CVA: RT & XT (Residential, Commercial, New Construction)	\$	600,000	Year: TBD
** Estimated Municipal Levy:	\$	9,614.43	
Estimated Education Levy:	\$	<u>3,310.40</u>	
Estimated Post-project Property Taxes:	\$	12,924.83	

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

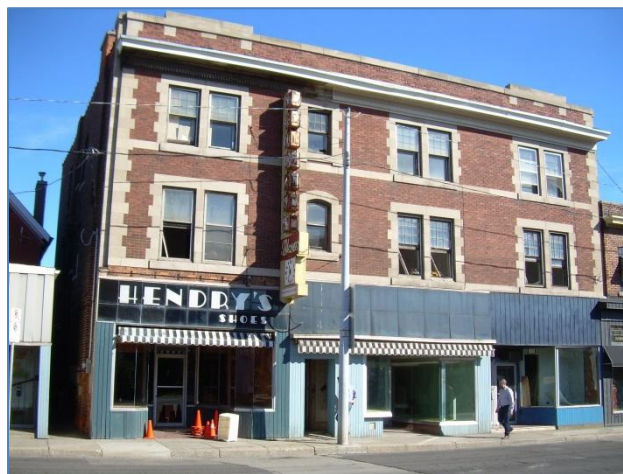
**2016 tax rates have been used for calculation of estimated post development property taxes.

Pre-project Municipal Taxes = Municipal Levy = \$3,308.02
Municipal Tax Increment = \$9,614.43 - \$3,308.02 = \$6,306.41
Payment in Year One = \$6,306.41 x 1.0 = \$6,306.41

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ESTIMATED GRANT PAYMENT SCHEDULE (subject to re-calculation each year and up to the total eligible costs)

Year*	Grant Factor	Tax Increment	Grant
1	100%	\$6,306.41	\$6,306.41
2	100%	\$6,306.41	\$6,306.41
3	100%	\$6,306.41	\$6,306.41
4	100%	\$6,306.41	\$6,306.41
5	100%	\$6,306.41	\$6,306.41
6	80%	\$6,306.41	\$5,045.12
7	60%	\$6,306.41	\$3,783.84
8	40%	\$6,306.41	\$2,522.56
9	20%	\$6,306.41	\$1,261.28
Total		\$56,757.69	\$44,144.85



Existing Conditions – 657-661 Barton Street East

Appendix “A” to Report PED17016 identifies the location of 657-661 Barton Street East, 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. This alternative is not recommended.

Financial: Grants totalling approximately \$44,144.85 over a nine-year period would not be issued.

Staffing: N/A

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Legal: N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED17016 - Location Map

HM/dt