



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

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| TO: | Mayor and Members General Issues Committee |
| COMMITTEE DATE: | May 3, 2017 |
| SUBJECT/REPORT NO: | Barton / Kenilworth Tax Increment Grant Program – 601 Barton Street East, Hamilton (PED17071) (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 Gibson Lofts Ltd. (Harry Stinson), for the property at 601 Barton Street East, Hamilton, for a Barton / Kenilworth Tax Increment Grant Program grant estimated at \$2,306,083.06 over a maximum of a nine-year period, and based upon the incremental tax increase attributable to the redevelopment of 601 Barton Street East, Hamilton, be authorized and approved in accordance with the terms and conditions of the Barton / Kenilworth 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 PED17071 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 601 Barton Street East, Hamilton, was submitted by Gibson Lofts Ltd.

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(Harry Stinson). The applicant proposes to convert the former Gibson School building into 97 condominium units, six live-work units, ten townhouses and commercial space.

Development costs are estimated at \$15,000,000 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current value of \$1,635,000 to approximately \$30,400,000. 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 \$329,440.44, of which 100% would be granted to the owner during the first five years, 80% or approximately \$263,552.35 in year six, 60% or approximately \$197,664.26 in year seven, 40% or approximately \$131,776.17 in year eight and 20% or approximately \$65,888.08 in year nine. The estimated total value of the grant is approximately \$2,306,083.06.

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 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 601 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 \$2,964,963.96, of which the applicant would receive a grant totalling \$2,306,083.06 and the City retaining taxes totalling \$658,880.90.

Staffing: Applicants and subsequent grant payments under the Barton / Kenilworth Tax Increment Grant Program (BKTIGP) 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

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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 BKTIGP 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 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 five years, 80% in year six, 60% in year seven, 40% in year eight, and 20% in year nine.

The project at 601 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 97 condominium units, six live-work units, ten townhouses and commercial space. Development costs are estimated at \$15,000,000. The total estimated grant over the nine-year period is approximately \$2,306,083.06.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject lands are municipally known as 601 Barton Street East, Hamilton and are designated as “Neighbourhoods” on Schedule “E” – Urban Structure and as “Mixed Use – Medium Density” on Schedule “E-1” – Urban Land Use Designation.

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Hamilton Zoning By-law No. 6593

The subject property is zoned E/S-1724. A mix of live-work and commercial uses and residential apartments is permitted within the site specific zone.

Committee of Adjustment Application HM/A-16:287

The following variances were granted to permit the development of mixed live-work and commercial uses and residential apartments:

- parking at a rate of 0.65 spaces per dwelling unit;
- a parking area located within the required front yard, and;
- a minimum rear yard depth of 4.0 m.

Barton and Kenilworth Corridor Study

The proposed development implements the recommendations of the Barton and Kenilworth Corridor Study in that it includes additional height beyond what is currently permitted; it includes live-work units that face directly onto Barton Street East; and, it includes parking reductions.

Site Plan Control Application DA-15-185

The above noted Site Plan Application was conditionally approved on January 20, 2016 to convert a former school to a multiple dwelling with live-work units and a commercial unit along with additions to the building for additional residential units. Site Plan approval has been extended to January 22, 2018.

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 PED17071.

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.

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

| | | | |
|--|----|------------------|------------|
| Grant Level: | | 100% | |
| Total Eligible Costs (Maximum): | \$ | 5,000,000.00 | |
| Pre-project CVA: CX (Commercial, Vacant Land) | \$ | 1,635,000.00 | Year: 2017 |
| *Estimated Municipal Levy: | \$ | 38,161.85 | |
| *Estimated Education Levy: | \$ | <u>20,255.85</u> | |
| *Estimated Pre-project Property Taxes: | \$ | 58,417.70 | |
| **Post-project CVA: RT (Residential) XT (Commercial New Construction) | \$ | 30,400,000.00 | Year: TBD |
| ** Estimated Municipal Levy: | \$ | 367,602.29 | |
| ** Estimated Education Levy: | \$ | <u>65,088.00</u> | |
| ** Estimated Post-project Property Taxes: | \$ | 432,690.29 | |

*The actual roll number(s), assessed value(s), tax classification(s) and value partitioning (where applicable) are to be determined by the Municipal Property Assessment Corporation (MPAC). The estimated assessed value is the sum of estimated values for the condo units and commercial space. Each condo unit will be assessed its own roll number, assessed value and tax classification.

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

Pre-project Municipal Taxes = Municipal Levy = \$38,161.85
Municipal Tax Increment = \$367,602.29 - \$38,161.85 = \$329,440.44
Payment in Year One = \$329,440.44 x 1.0 = \$329,440.44

ESTIMATED GRANT PAYMENT SCHEDULE for residential condominium building with commercial space, live-work suites and townhomes (subject to re-calculation each year and up to the total eligible costs).

| Year | Grant Factor | Tax Increment* | Grant |
|------|--------------|----------------|--------------|
| 1 | 100% | \$329,440.44 | \$329,440.44 |
| 2 | 100% | \$329,440.44 | \$329,440.44 |
| 3 | 100% | \$329,440.44 | \$329,440.44 |
| 4 | 100% | \$329,440.44 | \$329,440.44 |
| 5 | 100% | \$329,440.44 | \$329,440.44 |

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| Year | Grant Factor | Tax Increment* | Grant |
|--------------|--------------|-----------------------|-----------------------|
| 6 | 80% | \$329,440.44 | \$263,552.35 |
| 7 | 60% | \$329,440.44 | \$197,664.26 |
| 8 | 40% | \$329,440.44 | \$131,776.17 |
| 9 | 20% | \$329,440.44 | \$65,888.08 |
| Total | | \$2,964,963.96 | \$2,306,083.06 |

* Note that the tax increment is based every year on actual taxes for that year. The figures above are estimates. In other words for each year a grant payment is paid, the actual taxes for the year of the grant payment will be used in the calculation of the grant payment.



Renderings of 601 Barton Street East

Appendix “A” to Report PED17071 identifies the location of 601 Barton Street East, Hamilton.

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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 BKTIGP and regeneration efforts, in general. This alternative is not recommended.

Financial: Grants totalling approximately \$2,306,083.06 over a nine-year period would not be issued.

Staffing: N/A

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 PED17071 - Location Map

HM:dt