



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

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| TO: | Mayor and Members General Issues Committee |
| COMMITTEE DATE: | June 21, 2017 |
| SUBJECT/REPORT NO: | Hamilton Tax Increment Grant Program – 33 King Street West, Dundas (PED17100) (Ward 13) |
| WARD(S) AFFECTED: | Ward 13 |
| 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 Hamilton Tax Increment Grant Program application submitted by 2096053 Ontario Inc. (Art Solomon, Erwin Gerl), for the property at 33 King Street West, Dundas, estimated at \$83,827.99 over a maximum of a five-year period, and based upon the incremental tax increase attributable to the redevelopment of 33 King Street West, Dundas, 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 PED17100, in a form satisfactory to the City Solicitor;
- (c) That the Mayor and City Clerk be authorized and directed to execute such assigning agreement as required, to effect recommendation (a) of Report PED17100, in a form satisfactory to the City Solicitor;
- (d) 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 Hamilton Tax Increment Grant Program, as approved by City Council, are maintained.

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EXECUTIVE SUMMARY

The Hamilton Tax Increment Grant Program (HTIGP) application for the redevelopment of 33 King Street West, Dundas, was submitted by 2096053 Ontario Inc. (Art Solomon, Erwin Gerl). The applicant is converting 11 lodging rooms on the upper floors to seven residential apartments, five of the units will be two-bedroom and two of the units will be one-bedroom.

Development costs are estimated at \$750,000 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current value of \$1,170,250 to approximately \$2,100,000. 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 \$27,942.67, of which 100% would be granted to the owner during year one, 80% or approximately \$22,354.13 in year two, 60% or approximately \$16,765.60 in year three, 40% or approximately \$11,177.06 in year four and 20% or approximately \$5,588.53 in year five. The estimated total value of the grant is approximately \$83,827.99. Note that every year the tax increment is based on actual taxes for that year.

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 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 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 33 King Street West, Dundas. 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 figures, the estimated tax increment over five years totals \$139,713.35, of which the applicant would receive a grant totalling approximately \$83,827.99 and the City retaining taxes totalling approximately \$55,885.36.

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.

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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 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, including expanding the Program to Community Downtowns, Business Improvement Areas, the Mount Hope / Airport Gateway, the corridors of Barton Street and Kenilworth Avenue as identified in the Downtown and Community Renewal Community Improvement Project Area and most recently, to properties designated under Part IV or V of the *Ontario Heritage Act*. 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 project at 33 King Street West, Dundas, 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 conversion of 11 lodging rooms to seven residential units. Development costs are estimated at \$750,000. The total estimated grant over the five-year period is approximately \$83,827.99.

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POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject lands are municipally known as 33 King Street West, Dundas, and are designated as “Community Node” in Schedule “E” – Urban Structure and as “Mixed Use – Medium Density” on Schedule “E-1” – Urban Land Use Designation. Mixed Use and Multiple dwelling buildings are permitted. The subject lands are also identified as pedestrian predominant.

Dundas Zoning By-law No. 3681-86

The subject property is zoned CAC (Central Area Commercial). Mixed Use buildings are permitted.

The property is designated under Part IV of the *Ontario Heritage Act*. A heritage permit maybe required for alterations or changes to the property.

The property is also subject to site plan control.

RELEVANT CONSULTATION

Staff from the Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager’s Office was consulted, and the advice received is incorporated into Report PED17100.

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 five-year period.

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

| | | | |
|--|----|-----------|------------|
| Grant Level: | | 100% | |
| Total Eligible Costs (Maximum): | \$ | 750,000 | |
| Pre-project CVA: CT (Commercial) RT (Residential) | \$ | 1,170,250 | Year: 2017 |

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| | | |
|--|----|------------------|
| **Estimated Municipal Levy: | \$ | 21,382.66 |
| **Estimated Education Levy: | \$ | <u>10,746.43</u> |
| **Estimated Pre-project Property Taxes | \$ | 32,129.09 |

*Post-project CVA: CT (Commercial MT (Multi-Residential) \$ 2,100,000 Year: TBD

| | | |
|--|----|------------------|
| **Estimated Municipal Levy: | \$ | 49,325.33 |
| **Estimated Education Levy: | \$ | <u>20,762.24</u> |
| **Estimated Post-project Property Taxes: | \$ | 70,087.57 |

*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).

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

Pre-project Municipal Taxes = Municipal Levy = \$21,382.66
Municipal Tax Increment = \$49,325.33 - \$21,382.66 = \$27,942.67
Payment in Year One = \$27,942.67 x 1.0 = \$27,942.67

ESTIMATED GRANT PAYMENT SCHEDULE for mixed-use building: main floor commercial, upper floors seven apartments (subject to re-calculation each year and up to the total eligible costs)

| Year | Grant Factor | Tax Increment* | Grant |
|--------------|--------------|---------------------|--------------------|
| 1 | 100% | \$27,942.67 | \$27,942.67 |
| 2 | 80% | \$27,942.67 | \$22,354.13 |
| 3 | 60% | \$27,942.67 | \$16,765.60 |
| 4 | 40% | \$27,942.67 | \$11,177.06 |
| 5 | 20% | \$27,942.67 | \$5,588.53 |
| Total | | \$139,713.35 | \$83,827.99 |

*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.



33 King Street West, Dundas

Appendix “A” to Report PED17100 identifies the location of 33 King Street West, Dundas.

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 \$83,827.99 over a five-year period would not be issued.

Staffing: N / A

Legal: N / A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

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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 PED17100 – Location Map

HM:dt