



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	July 9, 2018
<b>SUBJECT/REPORT NO:</b>	Temporary Delegated Authority-Financial Incentive Programs Administered by Urban Renewal Section and Real Estate Transactions (PED18135) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Carlo Gorni (905) 546-2424 Ext. 2755
<b>SUBMITTED BY:</b>	Glen Norton Director, Economic Development Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That notwithstanding the delegation powers provided as found in the following bylaws:
- (i) By-law 10-052 enacts a By-law to delegate authority to the General Manager, Planning and Economic Development Department, for certain grants and loans under the Downtown and Community Renewal Community Improvement Plan and the following amendments to it;
  - (ii) By-law 11-274 amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to also approve grants under the Gore Building Improvement Grant Program and the Commercial Façade Property Improvement Grant Program;
  - (iii) By-law 14-085 amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to approve grants under the Hamilton Heritage Conservation Grant Program;
  - (iv) By-law-16-127 amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to approve grants under the Barton/Kenilworth Commercial Corridor Building Improvement Grant Program;

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- (v) By-law 17-142 amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to approve rebates under the Barton/Kenilworth Planning and Building Fee Rebate Program.

That the General Managers of Corporate Services Department, and Planning and Economic Development Department, be authorized to approve loans/grants under the following Financial Incentive Programs administered by the Urban Renewal Section on a temporary basis from October 1, 2018 until the inaugural meeting of the newly elected Council:

- (i) Hamilton Downtown Barton and Kenilworth Multi-Residential Property Investment Program;
  - (ii) Hamilton Tax Increment Grant Program;
  - (iii) Office Tenancy Assistance Program;
  - (iv) Commercial Corridor Housing Loan and Grant Program;
  - (v) Hamilton Community Heritage Fund Loan Program;
  - (vi) ERASE Redevelopment Grant Program;
  - (vii) LEED Grant Program;
  - (viii) Downtown Hamilton/West Harbourfront Remediation Loan Program;
  - (ix) Barton Kenilworth Tax Increment Grant Program.
- (b) That the City Manager in cooperation with the General Manager of the Planning and Development Department and the General Manager of Finance and Corporate Services Department be authorized to approve real estate transactions that have values in excess of existing delegations (\$250 K) on a temporary basis from October 1, 2018, until the inaugural meeting of the newly elected Council, subject to any transaction being in conformity with the City's Portfolio Management Strategy and confirmation of an approved budget by the General Manager of Finance and Corporate Services Department for any acquisition;
  - (c) That the City Manager and the City Clerk be appointed as the authorized signing officers for the City of Hamilton for approved real estate transactions that have values in excess of existing delegations (\$250 K) on a temporary basis from October 1, 2018 until the inaugural Meeting of the newly elected Council;
  - (d) That staff of the Planning and Economic Development Department, Economic Development Division, be directed to report back to the newly elected Council in February 2019 on details of the financial incentives that were approved by the General Managers of the Finance and Corporate Services Department, Planning and Economic Development Department and real estate transactions approved by the City Manager.

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## **EXECUTIVE SUMMARY**

### **Urban Renewal Incentives**

In order to ensure that investment in property redevelopment in the City of Hamilton is not interrupted subsequent to the final meeting of the General Issues Committee and the inaugural meeting of the newly elected Council, staff are recommending that the General Managers of the Corporate Services Department and Planning and Economic Development Department be temporarily delegated the authority to approve loans and grants under the Hamilton Downtown Barton and Kenilworth Multi-Residential Property Investment Program, the Hamilton Tax Increment Grant Program, the Office Tenancy Assistance Program, the Commercial Corridor Housing Loan and Grant Program, the Hamilton Community Heritage Fund Loan Program, the ERASE Redevelopment Grant Program, the LEED Grant Program, the Downtown Hamilton/West Harbourfront Remediation Loan Program and the Barton Kenilworth Tax Increment Grant Program.

This temporary delegated authority was approved by the General Issues Committee Report PED14131 on July 7, 2014 for the previous Municipal election and approved by Council on July 11, 2014.

### **Real Estate Transactions**

In order that the City can continue to complete real estate transactions, such as the acquisition of properties for road and other infrastructure projects, or disposition of surplus City-owned property, for example, subsequent to the final meeting of City Council up to the inaugural meeting of the newly elected Council, staff are recommending that the City Manager be temporarily delegated the authority to approve real estate transactions that have values in excess of existing delegations (\$250 K).

In accordance to Item 21, Committee of the Whole Report 01-029 adopted by Council on September 18, 2001, as amended by Item 9, Corporate Administration Committee Report 05-011 adopted by Council on June 29, 2005, City Council approved the Delegation of Authority to staff for routine real estate matters.

### ***Alternatives for Consideration – See Page 10***

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: **Urban Renewal Incentive Programs**  
Not applicable since all approved spending limits remain in place.

### **Real Estate Transactions**

Acquisition of real property interests by the City are funded by approved capital budgets, reserves and/or debt. Each project requiring property acquisition requires an established capital budget and account. Proceeds

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from the disposition of property and revenue from licenses and leases are distributed in accordance with the City's recently adopted Guideline on the Distribution of Proceeds from the Sale of Land.

**Staffing:** Administration of the Financial Incentive Programs can be accommodated within the Urban Renewal Section, Planning and Economic Development Department as well as the Taxation and the Finance and Administration Divisions of the Corporate Services Department.

All real estate transactions are currently undertaken by staff of the Real Estate Section of the Economic Development Division.

**Legal:** Legal Services Division, Corporate Services Department will continue to provide counsel to staff, when required, on applications received under the Financial Incentive Programs. Relevant loan/grant documentation will also continue to be developed in consultation with staff from the Legal Services Division.

Legal Services Division provides support to the preparation and acceptance of all legal real estate documents, and completes all real estate transactions.

A By-law authorizing the delegation is not required. The confirming by-law of the City Council wherein Council authorizes the temporary delegation is sufficient.

## **HISTORICAL BACKGROUND**

The Urban Renewal Section, Economic Development Division administers 17 Financial Incentive Programs, namely:

1. Hamilton Downtown Barton Kenilworth Multi-Residential Property Investment Program;
2. Hamilton Tax Increment Grant Program;
3. Office Tenancy Assistance Program;
4. Business Improvement Area Commercial Property Improvement Grant Program;
5. Hamilton Heritage Property Grant Program;
6. Commercial Corridor Housing Loan and Grant Program;
7. Gore Building Improvement Grant Program;
8. Commercial Façade Property Improvement Grant Program
9. Hamilton Community Heritage Fund Loan Program;
10. Hamilton Heritage Conservation Grant Program;
11. ERASE Redevelopment Grant Program;

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12. ERASE Study Grant Program;
13. LEED Grant Program;
14. Downtown Hamilton/West Harbourfront Remediation Loan Program;
15. Barton/Kenilworth Commercial Corridor Building Improvement Grant Program;
16. Barton/Kenilworth Tax Increment Grant Program; and,
17. Barton/Kenilworth Planning and Building Fee Rebate Program.

City Council, at its meeting held January 27, 2010, authorized the General Manager of the Planning and Economic Development Department to approve loans and grants to a maximum of \$200 K under the Business Improvement Area Commercial Property Improvement Grant Program, the Commercial Corridor Housing Loan and Grant Program, and the Hamilton Heritage Property Grant Program, directing staff to report back on a quarterly basis on details of the loans/grants that the General Manager approves. By-law 10-052, enacted by City Council at its meeting held March 10, 2010, delegates the aforementioned authority.

City Council, at its meeting held November 16, 2011, enacted By-law 11-274 that amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to also approve grants under the Gore Building Improvement Grant Program and the Commercial Façade Property Improvement Grant Program.

City Council, at its meeting held April 9, 2014, enacted By-law 14-085 that amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to approve grants under the Hamilton Heritage Conservation Grant Program.

City Council, at its meeting held May 11, 2016, enacted By-law 16-127 that amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to approve grants under the Barton/Kenilworth Commercial Corridor Building Improvement Grant Program.

City Council, at its meeting held July 17, 2017, enacted By-law 17-142 that amends By-law 10-052 authorizing the General Manager of the Planning and Economic Development Department to approve rebates under the Barton/Kenilworth Planning and Building Fee Rebate Program.

Approval of loans, grants and rebates under the Financial Incentive Programs contained in By-law 10-052 as amended will not be interrupted during the pending Municipal election period with the exception of loan commitments in excess of \$200 K under the Commercial Corridor Housing Loan and Grant Program.

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### **Hamilton Downtown Barton and Kenilworth Multi-Residential Property Investment Program**

Development projects in Downtown Hamilton that convert existing commercial space into residential units, renovate existing residential units, or create new residential units, may be eligible for this Program. It provides an interest free loan calculated on the basis of 25% of the cost to construct budget (to a maximum of \$4 M) including uses accessory to the residential development. The maximum loan amount outstanding under the Program to a single developer or related group will not exceed \$10 M at one time.

City funds are advanced in three stages, upon completion of 60%, 80% and substantial completion of the project. The loan is interest-free for the first five years of a maximum term of five years and six months from the date of the final advance. Repayments commence one year following the final advance. However, if the project contains condominium units, the loan is repaid at 25% of the sale price of each unit at time of sale until the City's loan has been paid in full.

### **Hamilton Tax Increment Grant Program**

The Program provides a tax increment equivalent grant to projects that develop or renovate residential and/or commercial land and buildings. Based on pre-development and post-development assessments, the five-year grant is equivalent to 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. Grants are not assignable by the property owner to anyone except purchasers of new condominium units. The grant may also be applied to the repayment of a City loan issued under the Hamilton Downtown/West Harbourfront Remediation Loan Program.

### **Office Tenancy Assistance Program**

The Program provides a low interest loan to building owners or tenants to support eligible leasehold improvements to office buildings. The amount of the loan depends on the square foot area and term of lease or owner-occupied status of the office space, to a maximum of \$450 K per application. City funds begin to flow upon 50% completion of the work. The maximum loan term is the term of the lease and/or shall not exceed five years from the date of the final advance. Loan repayments commence one month following the final advance.

### **Commercial Corridor Housing Loan and Grant Program**

The Program offers financial assistance for the construction of new residential units, renovation of residential units, or conversion of existing commercial space into residential units. The loan is calculated on the basis of \$20 K per dwelling unit, to a maximum of \$600 K per property. The grant provides up to \$5 K per property for professional fees and City of Hamilton fees paid. A minimum of 50% of the loan per unit must be spent on the dwelling unit while the remaining 50% can cover the cost of

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common elements of the property such as roofing, fire escapes, furnaces and entranceways.

### **Hamilton Community Heritage Fund Loan Program**

The Program offers a 0% interest loan to a maximum of \$50 K for the restoration and conservation of heritage features of properties designated under Parts IV or V of the *Ontario Heritage Act*. Repayment of the loan is repayable monthly up to a maximum of ten years or, repayable in annual amounts of 10% of the original loan amount. Payments will commence one year following completion of construction. The balance outstanding will be paid by a balloon payment at the end of the five-year term.

### **ERASE Redevelopment Grant Program**

The Program provides a financial incentive in the form of a grant to help off-set the cost of environmental remediation and rehabilitation of Brownfield properties where redevelopment results in a re-valuation and tax increase on these properties. The grant is calculated at 80% of the increase in the Municipal portion of property taxes and is paid on an annual basis for up to ten years, commencing once the redevelopment is complete and reassessed by the Municipal Property Assessment Corporation. The grant may also be applied to the repayment of a City loan issued under the Hamilton Downtown/West Harbourfront Remediation Loan Program.

### **LEED Redevelopment Grant Program**

The purpose of the Program is for the City to share (50/50) the incremental construction cost (to a maximum) of consultation, energy modelling and certification fees with the Applicant to achieve LEED certification. Grants are calculated on the basis of the rating of official certification under the LEED rating system by the Canadian Green Building Council. The Program offers a five-year grant, in an amount not exceeding the increase in Municipal realty taxes as a direct result of the re-development of land and/or building. The grant shall not exceed 75% of the Municipal realty tax increase during the term of the grant.

### **Downtown Hamilton/West Harbourfront Remediation Loan Program**

The Program provides financial assistance through a low interest loan equal to 80% of the cost of remediating a property to a maximum of \$400 K per property/project within Downtown Hamilton or the West Harbourfront. The loan is to be a “bridge” until such time as the property owner receives their ERASE Re-Development Grant or their Hamilton Tax Increment Grant.

### **Barton/Kenilworth Tax Increment Grant Program**

The Program provides a tax increment equivalent grant to projects that develop or renovate residential and/or commercial land and buildings. Based on pre-development and post-development assessments, the nine-year grant is equivalent to 100% of the

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Municipal realty tax increase during the first, second, third, fourth and fifth year, 80% in year six, 60% in year seven, 40% in year eight, and 20% in year nine.

The grants may be received by an Applicant in conjunction with any other available Municipal Program (with the exception of the Hamilton Tax Increment Grant Program, the ERASE Redevelopment Grant and the LEED Grant) in support of re-development/development, including the Municipality's Loan and Heritage Programs. The approved grants are not assignable by the Applicant to anyone except to the initial purchaser of a residential condominium in a residential project, the initial purchaser of a residential or commercial condominium unit within a mixed-use project, or to the City of Hamilton.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The Hamilton Downtown Barton and Kenilworth Multi-Residential Property Investment Program, the Hamilton Tax Increment Grant Program, the Office Tenancy Assistance Program, the Commercial Corridor Housing Loan and Grant Program and the Barton/Kenilworth Tax Increment Grant Program are contained within the City's Downtown and Community Renewal Community Improvement Plan.

The ERASE Redevelopment Grant Program, the ERASE Study Grant Program, the LEED Grant Program and the Downtown Hamilton/West Harbourfront Remediation Loan Program are contained within the ERASE Community Improvement Plan.

The Hamilton Community Heritage Fund Loan Program supports the restoration/conservation of heritage properties which is important to the urban revitalization and regeneration of Hamilton. Volume 1, Section 3.4 - Cultural Heritage Resources Policies of the Urban Hamilton Official Plan states that the City shall "protect and conserve the tangible cultural heritage resources of the City, including archaeological resources, built heritage resources, and cultural heritage landscapes" (Volume 1, 3.4.2.1(a)), and "identify cultural heritage resources through a continuing process of inventory, survey, and evaluation, as a basis for the wise management of these resources" (Volume 1, 3.4.2.1(b)). The policies also provide that the "City may, by by-law, designate individual and groups of properties of cultural heritage value under Parts IV and V, respectively, of the *Ontario Heritage Act*" (Volume 1, 3.4.2.3). These policies demonstrate Council's commitment to the identification, protection, and conservation of the cultural heritage resources.

City Council, at its meeting of November 24, 2004, adopted the City's Portfolio Management Strategy Plan, which established a formalized process to be consistently applied across all areas of the City to guide the management of the City's real property owned, leased, to be sold and acquired.

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## **RELEVANT CONSULTATION**

The following were consulted on the drafting of this Report and the advice received is incorporated in Report PED18135:

1. The General Manager of Finance and Corporate Services Department;
2. Staff from Legal Services Division, Corporate Services Department;
3. Real Estate Section, Planning and Economic Development Department; and,
4. Office of the City Clerk, Corporate Services Department.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

In order that there are no interruptions in the delivery of loan and grant approvals under the Financial Incentive Programs during the Municipal election campaign, temporary delegated authority to the General Managers of Finance and Corporate Services and Planning and Economic Development is required. Delaying loan or grant approvals for redevelopment projects within the City could cause significant uncertainty in a project's feasibility and overall costs.

Staff will continue to undertake due diligence on each application received including: a financial risk analysis; confirmation of compliance with zoning; determination of outstanding Work Orders, Fire Code Orders and Property Standards Infractions, status of taxes. Upon confirmation that all terms and conditions have been met, staff will recommend approval of the loan/grant to the General Managers.

For real estate transactions, current delegated authority limits staff to a maximum of \$250 K. In addition to the Portfolio Management Strategy requirements for transactions to be based on an approved program and/or suitable due diligence and an approved business case, the following conditions are adhered to:

- For acquisitions (including leasehold interest), demonstration of sufficient funds from identified sources;
- For dispositions (including leasehold interest), surplus declaration protocol completed;
- Fair market consideration or better for the City; and,
- Terms and conditions satisfactory to Director, Legal Services Division.

In order to ensure that there are no interruptions in the acquisition of land for approved programs and disposition of surplus properties at values that exceed the current delegated authority limits during the Municipal election campaign, temporary lifting of limits on the delegated authority to the City Manager is required. While staff will attempt to limit the number of transactions, this exception will apply to instances when an

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expedited approval for a transaction is required. Examples of this necessity would include:

1. A land owner approaches the City to offer a desirable parcel of land (such as would be suitable for industrial park land development in accordance with the Economic Development Action Plan);
2. Offers have been received for a surplus property that has been offered into the marketplace;
3. A strategic parcel of land, based on approved program or initiative, is advertised for sale;
4. A settlement of a dispute respecting value of a transaction for which a project or development is dependent; and,
5. An opportunity for a strategic partnership or development opportunity arises, where City real estate interests can affect a favourable outcome, consistent with approved direction.

Each of these examples is predicated on a limited time opportunity – otherwise staff would delay until Council could consider the matter – and a value that exceeds current delegated authority limits. In most instances, failure to undertake a transaction would lead to a significantly higher cost or lower revenue to the City, or a missed opportunity for creative City building or achievement (or diminution thereof) of longer-term objectives.

Staff will report back on all loans and grants approved by the General Managers of Finance and Corporate Services Department and Planning and Economic Development Department to the General Issues Committee and any real estate transactions approved by the City Manager, in February 2019.

### **ALTERNATIVES FOR CONSIDERATION**

An alternative is not to delegate temporary authority to the General Managers of Finance and Corporate Services Department and Planning and Economic Development Department which could cause the delay or cancellation of a redevelopment project. In order to provide a seamless service, this alternative is not recommended.

An alternative is not to delegate temporary authority which could cause the delay or cancellation of a redevelopment project, or cause significant increase in the cost of an initiative due to delay or having to take an alternative course of action respecting real estate development opportunities. In order to provide a seamless service, this alternative is not recommended.

Financial: N/A

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Staffing: N/A

Legal: N/A

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Community Engagement and Participation**

*Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.*

**Economic Prosperity and Growth**

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

**Our People and Performance**

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

**APPENDICES AND SCHEDULES ATTACHED**

N/A

CG:dt