



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	September 18, 2019
SUBJECT/REPORT NO:	Barton Kenilworth Tax Increment Grant Program - 286 Sanford Avenue North (PED19184) (Ward 3)
WARD(S) AFFECTED:	Ward 3
PREPARED BY:	Carlo Gorni (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 2580922 Ontario Inc. (Sheldon Meir Dick), for the property at 286 Sanford Avenue North, estimated at \$934,444.07 over a maximum of a nine-year period, and based upon the incremental tax increase attributable to the renovations of 286 Sandford Avenue North, 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 PED19184, 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 PED19184, 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.

EXECUTIVE SUMMARY

The Barton Kenilworth Tax Increment Grant Program (BKTIGP) application for the renovation of 286 Sanford Avenue North, Hamilton, was submitted by 2580922 Ontario Inc. (Sheldon Meir Dick). The existing building is 7 storeys. Vacant when the application was submitted, the second floor is now occupied by an architectural firm. The third floor will be renovated to accommodate shared office space. The rest of the building is currently vacant. The ground floor is also being renovated with the intent of creating an event space and auditorium where public events can take place. The applicant is renovating the building by making improvements to the exterior of the building, including the replacement of all windows while also preparing each floor for future tenants.

Development costs are estimated at \$9,695,000 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current value of \$335,000 to approximately \$6,700,000. 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 \$133,492.01 of which 100% would be granted to the owner during years one to five, 80% or approximately \$106,793.61 in year six, 60% or approximately \$80,095.21 in year seven, 40% or approximately \$53,396.80 in year eight and 20% or approximately \$26,698.40 in year nine. The estimated total value of the grant is approximately \$934,444.07. 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 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 286 Sanford Avenue North, 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 \$1,201,428.09, of which the applicant would receive a grant totalling approximately \$934,444.07 and the City retaining taxes totalling approximately \$266,984.02.

SUBJECT: Barton Kenilworth Tax Increment Grant Program - 286 Sanford Avenue North (PED19184) (Ward 3) - Page 3 of 6

Staffing: Applicants and subsequent grant payments under the 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 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 (BIA), 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 286 Sanford Avenue North, Hamilton, is an eligible project under the terms of the BKTIGP. The applicant will qualify for the BKTIGP grant upon completion of the project. Development costs are estimated at \$9,695,000. The total estimated grant over the nine-year period is approximately \$934,444.07.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject lands are municipally known as 286 Sanford Avenue North and are located within the “Employment Areas” on Schedule “E” – Urban Structure and designated as “Industrial Lands” on Schedule “E-1” – Urban Land Use Designations.

The use of the property conforms to the above designation. The specific commercial uses for the remaining unoccupied floors have not yet been identified and will be subject to the respective sections of the in force and effect Urban Hamilton Official Plan with respect to permitted uses and associated policies.

Zoning By-law No. 05-200

Under the City of Hamilton Zoning By-Law No. 05-200, the subject property is zoned “Light Industrial (M6) Zone”.

The use of the property is permitted. The specific commercial uses for the remaining unoccupied floors have not yet been identified and will be subject to the respective sections of the in force and effect Zoning By-Law with respect to permitted uses and associated regulations.

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 PED19184.

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.

SUBJECT: Barton Kenilworth Tax Increment Grant Program - 286 Sanford Avenue North (PED19184) (Ward 3) - Page 5 of 6

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

Grant Level:	100%
Total Eligible Costs (Maximum):	\$ 9,695,000.00
Pre-project CVA: CX (Commercial Vacant Land)	\$ 35,000.00 Year: 2018
Municipal Levy:	\$ 7,242.97
Education Levy:	\$ <u>3,675.25</u>
Pre-project Property Taxes	\$ 10,918.22
***Post-project CVA: XT (Commercial New Construction)	\$ 6,700,000.00
Estimated Post-project CVA	\$ 6,700,000.00 Year: TBD
Post-project Property Taxes	
**Estimated Municipal Levy:	\$ 140,734.98
**Estimated Education Levy:	\$ <u>69,010.00</u>
**Estimated Post-Project Property Taxes:	\$ 209,744.98

*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).

**2019 tax rates have been used for calculation of the estimated post-development property taxes.

Pre-project Municipal Taxes = Municipal Levy = \$7,242.97
Municipal Tax Increment = \$140,734.98 - \$7,242.97 = \$133,492.01
Payment in Year One = \$133,492.01 x 1.0 = \$133,492.01

ESTIMATED GRANT PAYMENT SCHEDULE for commercial building
(Subject to re-calculation each year and up to the total eligible costs)

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$ 133,492.01	\$133,492.01
2	100%	\$ 133,492.01	\$133,492.01
3	100%	\$ 133,492.01	\$133,492.01
4	100%	\$ 133,492.01	\$133,492.01
5	100%	\$ 133,492.01	\$133,492.01
6	80%	\$ 133,492.01	\$106,793.61

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Year	Grant Factor	Tax Increment*	Grant
7	60%	\$ 133,492.01	\$ 80,095.21
8	40%	\$ 133,492.01	\$ 53,396.80
9	20%	\$ 133,492.01	\$ 26,698.40
Total		\$1,201,428.09	\$934,444.07

*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.

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 \$934,444.07 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” – Location Map

CG:dt