



Hamilton

Planning and Economic
Development Department

Memorandum

Date: October 21, 2019

To: Chair and Members
Open for Business Sub-Committee

From: Judy Lam
Manager, Urban Renewal
Economic Development Division, Planning and Economic Development
Department

Subject: **Continuous Improvement Team Process Review – Financial Incentive Programs – Case Study No. 28**

BACKGROUND

The role of the Planning and Economic Development Department Continuous Improvement Team (CIT) is to review select case studies after they have been through the approvals process to identify any lessons learned and opportunities for process improvements.

The Urban Renewal Section of the Planning and Economic Development Department administers several loan and grant programs.

Established under Community Improvement Plans (CIP) adopted by Council, the most recent being in 2016, the intent of the CIP financial incentives is to promote urban renewal and new development in targeted urban areas. To do this, the financial incentives encourage both residential and non-residential development.

The BIA Commercial Property Improvement Grant Program, the Commercial Property Improvement Grant Program and the Office Tenancy Assistance Program are geared solely for commercial redevelopment.

The Hamilton Tax Increment Grant Program, the Hamilton Heritage Property Grant Program, the Barton / Kenilworth Tax Increment Grant Program and the Barton / Kenilworth Commercial Corridor Building Improvement Grant Program are geared to both residential and commercial redevelopment.

The Hamilton Downtown Multi-Residential Property Investment Program and the Commercial Corridor Housing Loan and Grant Program are geared towards residential development although a number of developments that have received or have been approved for funding under these programs include ground floor commercial uses as

well as standalone commercial uses. These incentives focus on encouraging infill development and intensification primarily within the downtown.

What follows below is a synopsis of the program uptake as at the end of 2018. This information was previously presented to Council in PED19085. Also provided is financial information pertaining to grant applications approved by the General Manager of Planning and Economic Development in 2019 (January – September). This information is presented on a quarterly basis through the provision of an Information Update from the General Manager of Planning and Economic Development to Council.

Applicants to the Urban Renewal Financial Incentive programs are increasing which has triggered a review of the application process and integration of improvements and enhanced initiatives to improve the efficiency of processing applications for these programs.

BACKGROUND

Financial Incentive Programs Administered by Urban Renewal

Urban Renewal administers various financial incentives. The chart below identifies the number of applications staff processed from 2011-2018:

Financial Incentive Program	2011	2012	2013	2014	2015	2016	2017	2018
BIA Commercial Property Improvement Grant Programs	34	38	53	62	55	59	46	34
Commercial Corridor Housing Loan and Grant Program (pre-application)	14	21	17	22	18	21	17	21
Commercial Corridor Housing Loan and Grant Program (final application)	2	3	2	6	3	5	5	7
Hamilton Heritage Property Improvement Grant Program	2	2	8	4	8	2	13	9
Hamilton Office Tenancy Assistance Program	1	1	1	2	5	1	5	3
Hamilton Downtown Barton and Kenilworth Multi-Residential Property Investment Program	2	4	2	1	3	0	2	1
Hamilton Tax Increment Grant Program	2	8	8	10	9	4	4	10
Hamilton Commercial Façade		17	31	54	4	16	28	52

Property Improvement Grant Program								
GORE Building Improvement Grant Program		5	8	15	0	0	0	0
Hamilton Community Heritage Fund Loan Program			2	1	1	1	1	2
ERASE Programs		21	19	25	12	23	27	30
Financial Incentive Program	2011	2012	2013	2014	2015	2016	2017	2018
Hamilton Heritage Conservation Grant Program				18	7	9	9	7
Barton/Kenilworth Commercial Corridor Building Improvement Grant Program						4	13	9
Barton/Kenilworth Tax Increment Grant Program						3	4	4
Barton/Kenilworth Planning and Building Fee Rebates						1	4	3
TOTALS	57	120	151	220	125	149	180	192

Hamilton Downtown, Barton and Kenilworth Multi-Residential Property Investment Program - 2018 Year End Status

Units Built/Under Construction	1,484
Number of Projects	21
Construction Value	\$244,493,949
Loans Advanced	\$42,795,525
Loans Paid Back	\$29,187,994
Written-off (One Loan)	\$1,101,207
Loans Outstanding	\$12,506,324
Interest Paid	\$4,015,677
Ratio of Interest Paid to Construction Value	1:61
Cost (Interest Plus Default)	\$5,116,884
Ratio of Cost to Construction Value	1:48

Under the Hamilton Downtown, Barton and Kenilworth Multi Residential Property Investment Program, 21 multi-residential projects were funded resulting in the building of 1484 units within the downtown Hamilton CIPA in 2018. Leveraging our cost of interest for this loan program, the ratio of interest paid to construction value is 1:61.

Hamilton Tax Increment Grant Program

2018 Year End Status of Reassessed Projects

Grants Due in 2018 (to 18 Projects)	\$1,243,546
Grants Issued 2004-2018 (to 38 projects)	\$8,651,245
Estimated Total Grants (for all 38 projects including all prior and future payments)	\$10,824,706
Construction Value	\$270,917,881
Ratio of Total Grants to Construction Value	1:25

The total increase in tax revenue (between the base year for each approved project and 2018 taxes for the projects totals approximately \$5.9M.

Applications approved by the General Manager Jan to Sept 2019

Name of Program		Number of Applications Approved	Value of Construction	Value of Grants	Grant as % of Construction Value
BIA Commercial Property Improvement Grant Program	Q1	10	\$ 326,329.31	\$ 99,936.00	
	Q2	4	\$ 152,965.84	\$ 50,000.00	
	Q3	<u>10</u>	<u>\$ 515,023.17</u>	<u>\$ 100,078.75</u>	
	Total	<u>24</u>	\$ 994,318.32	\$ 250,014.75	25%
Commercial Property Improvement Grant Program	Q1	1	\$ 11,520.25	\$ 5,760.13	
	Q2	9	\$ 188,678.66	\$ 84,727.63	
	Q3	<u>4</u>	<u>\$ 125,260.50</u>	<u>\$ 32,429.50</u>	
	Total	<u>14</u>	\$ 325,459.41	\$ 122,917.26	38%
Hamilton Heritage Property Grant Program	Q1	1	\$ 573,599.30	\$ 150,000.00	
	Q2	0	\$ -	\$ -	
	Q3	<u>1</u>	<u>\$ 73,450.00</u>	<u>\$ 28,362.50</u>	

	Total	<u>1</u>	\$ 647,049.30	\$ 178,362.50	28%
Hamilton Heritage Conservation Grant Program	Q1	0	\$ -	\$ -	
	Q2	1	\$ 12,137.00	\$ 5,000.00	
	Q3	<u>2</u>	\$ 35,771.56	\$ 10,000.00	
	Total	<u>3</u>	\$ 47,908.56	\$ 15,000.00	31%
Barton Kenilworth Commercial Corridor Building Improvement Grant Program	Q1	4	\$ 370,916.26	\$ 152,788.76	
	Q2	0	\$ -	\$ -	
	Q3	<u>3</u>	\$ 265,829.85	\$ 105,650.00	
	Total	<u>7</u>	\$ 636,746.11	\$ 258,438.76	41%
Total		49	\$ 2,651,481.70	\$ 824,733.27	31%

Observations

The increasing number of applications year over year is a trend that has been identified. Staff are working to address this and are currently undertaking a LEAN Six Sigma Project to review the process and pinpoint areas for improvement within the various application programs. This project will drive efficiency and improvements to the application review and approval process.

The focus of the project is improved client experience through communication and outline of expectations. Staff are also developing KPIs to drive continuous improvement. The project is currently underway and expected to have process improvements in place by the end of 2019.

Staff are committed to managing the client experience and increasing the utilization of the Financial Incentive programs to better serve business owners and drive community development and continued revitalization. There will be a focus on understanding best practices in other communities and addressing changing trends to better service applicants.

Urban Renewal Staff will report on the outcomes of this project and steps for improvement at an upcoming Open for Business Sub-Committee meeting in 2020.