




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

<b>TO:</b>	Mayor and Members Committee of the Whole
<b>COMMITTEE DATE:</b>	June 3, 2020
<b>SUBJECT/REPORT NO:</b>	Hamilton Tax Increment Grant Program - 15 Queen Street South (PED20101) (Ward 2)
<b>WARD(S) AFFECTED:</b>	Ward 2
<b>PREPARED BY:</b>	Carlo Gorni (905) 546-2424 Ext. 2755
<b>SUBMITTED BY:</b>	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That a Hamilton Tax Increment Grant Program application submitted by 15 Queen Holdings Inc. (Paul Kemper), for the property at 15 Queen Street South, Hamilton, estimated at \$1,824,833.79 over a maximum of a five-year period, and based upon the incremental tax increase attributable to the development of 15 Queen Street South, Hamilton, 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 PED20101, 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 Hamilton Tax Increment Grant Program, as approved by City Council, are maintained.

## **EXECUTIVE SUMMARY**

The Hamilton Tax Increment Grant Program (HTIGP) application for the construction of the project at 15 Queen Street South, Hamilton was submitted by 15 Queen Holdings Inc. (Paul Kemper). When completed, the project will be comprised of a 24 storey, 292-unit residential condominium with ground floor retail and church/community space.

Development costs are estimated at \$98,450,787 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current value of \$1,077,500 to approximately \$60,511,000.

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 \$608,277.93, of which 100% would be granted to the owner during year one, 80% or approximately \$486,622.34 in year two, 60% or approximately \$364,966.76 in year three, 40% or approximately \$243,311.17 in year four and 20% or approximately \$121,655.59 in year five. The estimated total value of the grant is approximately \$1,824,833.79. 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.

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## **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 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 15 Queen Street South, Hamilton. 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 \$3,041,389.65, of which the applicant would receive a grant totalling

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approximately \$1,824,833.79 and the City retaining taxes totalling approximately \$1,216,555.86.



15 Queen Street South, Hamilton

**Staffing:** Applicants and subsequent grant payments under the HTIGP are processed by the Commercial Districts and Small Business 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 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 15 Queen Street South, Hamilton, is an eligible project under the terms of the HTIGP. The applicant will qualify for the HTIGP grant upon completion of the development project. Development costs are estimated at \$98,450,787. The total estimated grant over the five-year period is approximately \$1,824,833.79.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### Urban Hamilton Official Plan

The subject lands are municipally known as 15 Queen Street South and are located within the "Downtown Urban Growth Centre" on Schedule "E" – Urban Structure.

The property is located within the Downtown Hamilton Secondary Plan area (OPA 102) and designated "Downtown Mixed Use" on Map "B.6.1-1" – Downtown Hamilton Secondary Plan – Land Use Plan (OPA 102).

The planned use of the property conforms to the above designations. The specific ground floor commercial uses 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.

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Zoning By-law No. 05-200

Under the City of Hamilton Zoning By-Law No. 05-200, the subject property is zoned "Downtown Prime Retail Streets (D2) Zone - Exception 625".

The planned use of the property is permitted. The specific ground floor commercial uses 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 PED20101.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Commercial Districts and Small Business 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 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): \$ 98,450,787

Total Pre-project CVA: CX(Commercial, Vacant Land) \$ 1,077,500 Year: 2019

**Pre-Project Property Taxes**

Municipal Levy:	\$	22,633.12
Education Levy:	\$	11,105.57
Pre-project Property Taxes	\$	33,738.69

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*Post-project CVA: RT (Residential)	\$	58,392,000	
XT (New Commercial, New Construction)	\$	545,000	
EN-Place of Worship (Exempt)	\$	1,574,000	
<b>Estimated</b> Post-project CVA	\$	60,511,000	Year: TBD

Post-Project Property Taxes

<b>**Estimated</b> Municipal Levy:	\$	630,911.05
<b>**Estimated</b> Education Levy:	\$	99,624.62
<b>**Estimated</b> Post-Project Property Taxes:	\$	730,535.67

\*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 = \$22,633.12

Municipal Tax Increment = \$630,911.05 - \$22,633.12 = \$608,277.93

Payment in Year One = \$608,277.93 x 1.0 = \$608,277.93

**ESTIMATED GRANT PAYMENT SCHEDULE for mixed-use building: 24 storey building, main floor commercial, place of worship and 292 residential condominium units**

**(Subject to re-calculation each year and up to the total eligible costs)**

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$ 608,277.93	\$ 608,277.93
2	80%	\$ 608,277.93	\$ 486,622.34
3	60%	\$ 608,277.93	\$ 364,966.76
4	40%	\$ 608,277.93	\$ 243,311.17
5	20%	\$ 608,277.93	\$ 121,655.59
<b>Total</b>		<b>\$3,041,389.65</b>	<b>\$1,824,833.79</b>

\*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**

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 \$1,824,833.79 over a five-year period would not be issued.

**Staffing:** Not applicable

**Legal:** Not applicable

#### **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.

#### **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PED20101 – Location Map

CG:dt