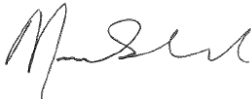




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	March 24, 2021
SUBJECT/REPORT NO:	Hamilton Tax Increment Grant - 1 Jarvis Street, Hamilton (PED21056) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Phil Caldwell (905) 546-2424 Ext. 2359
SUBMITTED BY:	Norm Schleeahn Director, Economic Development, Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That a Hamilton Tax Increment Grant Program application submitted by Hamilton I GP Incorporated (Emblem Developments), for the property at 1 Jarvis Street, Hamilton, estimated at \$3,577,364.07 over a maximum five (5) year period, and based upon the incremental tax increase attributable to the development of 1 Jarvis Street, 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 PED21056, in a form satisfactory to the City Solicitor; and
- (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 or Program) application for the construction of the project at 1 Jarvis Street, Hamilton ("the site") was submitted by Hamilton I GP Incorporated (Emblem Developments), owner of the property, on November 4, 2020. The proposed development, for which conditional Site Plan approval has been granted, consists of a 14-storey mixed use building containing 354 residential condominium units and 314 square metres of at-grade commercial space. The site currently contains a two-storey office building.

Development costs are estimated to be approximately \$130,500,000.00 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current value of \$3,252,000.00 to approximately \$120,800,000.00.

Redevelopment of the subject property will increase total annual property taxes generated with the municipal share of this increase (the municipal tax increment) being estimated at approximately \$1,192,454.69. One hundred percent of this increase would be provided in the form of a grant to the owner during year one, 80% or approximately \$953,963.75 in year two, 60% or approximately \$715,472.81 in year three, 40% or approximately \$476,981.88 in year four and 20% or approximately \$238,490.94 in year five. The estimated total value of the grant is approximately \$3,577,364.07. Note that the actual grant amount is based on actual taxes and the actual tax increment for each year that a grant is to be provided for.

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.



*Planned redevelopment at 1 Jarvis Street
Hamilton (Source: Hamilton I GP Inc.)*

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 1 Jarvis Street, 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 (5) years totals \$5,962,273.45, of which the applicant would receive a grant totalling approximately \$3,577,364.07 and the City retaining taxes totalling approximately \$2,384,909.38.

Staffing: Applications and subsequent grant payments under the HTIGP are processed by the Commercial Districts and Small Business Section of the Planning and Economic Development Department and the Taxation Section of the Corporate Services Department. 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 the Legal Services Division.

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 the introduction of the HTIGP to the Downtown and Community Renewal Community Improvement Plan. 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 and the Barton Street and Kenilworth Avenue corridors as identified in the Downtown and Community Renewal Community Improvement Project Area. Most recently, the HTIGP was further expanded to apply to properties designated under Part IV or V of the *Ontario Heritage Act*.

The terms of the Program offer a five (5) 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 1 Jarvis Street, 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 to be approximately \$130,500,000.00. The total estimated grant over the five (5) year period is approximately \$3,577,364.07.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The site is municipally known as 1 Jarvis Street, Hamilton and is located within the “Downtown Urban Growth Centre” on Schedule “E” – Urban Structure.

The site 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) which is intended to support intensive, urban-scale mixed use development.

The planned use of the site conforms to the above designation. 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 supported uses and associated policies.

Zoning By-law No. 05-200

Under the City of Hamilton Zoning By-Law No. 05-200, the site is zoned “Downtown Central Business District (D1) Zone” which permits a broad range of commercial, residential and institutional uses.

The planned use of the site 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.

Site Plan Control

At the time of writing this Report, the development has received conditional Site Plan approval.

RELEVANT CONSULTATION

Staff from the Taxation Section and the Finance and Administration Section, Corporate Services Department and the Legal Services Division, City Manager’s Office were consulted with their advice incorporated in this Report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Commercial Districts and Small Business staff, in co-operation with staff from the Taxation Section and Legal Services Division, developed an estimated schedule of grant payments under the terms of the Program. The final schedule of grant payments

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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 (5) year period.

Grant Level: 100%
Total Estimated Eligible Costs (Maximum): \$ 130,500,000.00

Pre-project CVA: (CT – Commercial and DT – Office) \$ 3,252,000.00 Year: 2020

Municipal Levy:	\$ 66,682.59
Education Levy:	<u>\$ 31,869.60</u>
Pre-project Property Taxes	\$ 98,552.19

***Estimated** Post-project CVA: (RT – Residential and CT - Commercial) \$ 120,800,000.00 Year: 2020

**Estimated Municipal Levy:	\$ 1,259,137.28
**Estimated Education Levy:	<u>\$ 191,440.00</u>
**Estimated Post-project Property Taxes:	\$ 1,450,577.28

**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).*

***2020 tax rates have been used for calculation of the estimated post-development property taxes.*

Pre-project Municipal Taxes = Municipal Levy = \$66,682.59
Estimated Municipal Tax Increment = \$1,259,137.28 - \$66,682.59 = \$1,192,454.69.

The estimated grant payment in Year One is \$1,192,454.69 (\$1,192,454.69 x 100%) and will drop by 20% in each subsequent year of the Program. The estimated grant payment schedule for 1 Jarvis Street, Hamilton based on a 14-storey mixed use building containing 354 residential condominium units and 314 square metres of at-grade commercial space is provided in the following table:

Year	Grant Factor	Estimated Tax Increment	Estimated Grant
1	100%	\$1,192,454.69	\$1,192,454.69
2	80%	\$1,192,454.69	\$953,963.75
3	60%	\$1,192,454.69	\$715,472.81
4	40%	\$1,192,454.69	\$476,981.88

5	20%	\$1,192,454.69	\$238,490.94
Total		\$5,962,273.45	\$3,577,364.07

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.

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” – Location Map