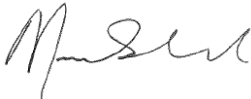




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	May 19, 2021
SUBJECT/REPORT NO:	Hamilton Tax Increment Grant - 118 King Street East (Royal Connaught Phase 2) (PED21062) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Carlo Gorni (905) 546-2424 Ext. 2755
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development
SIGNATURE:	

RECOMMENDATION

- (a) That a Hamilton Tax Increment Grant Program application submitted by Rudi Spallacci on behalf of Royal Connaught Inc. (Rudi Spallacci, Ted Valeri)), whose shareholders are Terra Prima Inc., T. Valeri Construction Limited and E. Mancinelli Family Holdings Inc., for the property now known as 118 King Street East, Hamilton, estimated at \$711,762.99 over a maximum of a five (5) year period, and based upon the incremental tax increase attributable to the development of 118 King Street East, 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 give effect to the Hamilton Tax Increment Grant for Royal Connaught Inc., for the property at 118 King Street East, Hamilton, 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.

OUR Vision: To be the best place to raise a child and age successfully.

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.

EXECUTIVE SUMMARY

The Hamilton Tax Increment Grant Program (HTIGP) application for the construction of the project at 118 King Street East, Hamilton was submitted by Royal Connaught Inc. (Rudi Spallacci, Ted Valeri). This is Phase 2 of a proposed 5 phase development. Now completed, this phase is comprised of a 13-storey, 93-unit residential condominium which resulted from the easterly portion of the Royal Connaught Building.

Development costs are estimated at \$44,430,000 and it is projected that the proposed redevelopment will increase the assessed value of the property from its pre-redevelopment value of \$472,000 to approximately \$23,411,000.

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 \$237,254.33, of which 100% would be granted to the applicant during year one, 80% or approximately \$189,803.46 in year two, 60% or approximately \$142,352.60 in year three, 40% or approximately \$94,901.73 in year four and 20% or approximately \$47,450.87 in year five. The estimated total value of the grant is approximately \$711,762.99. 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.

Pre-Redevelopment



118 King Street East (Connaught Phase 2) (Source: Royal Connaught Inc.)

Post Redevelopment



118 King Street East (Connaught Phase 2) (Source: Royal Connaught Inc.)

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 five (5) 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 118 King Street East, 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 \$1,186,271.65, of which the applicant would receive a grant totalling approximately \$711,762.99 and the City retaining taxes totalling approximately \$474,508.66.

Staffing: Applicants and subsequent grant payments under the HTIGP are processed by the Commercial Districts and Small Business Section and Taxation Section, 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*.

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 (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 118 King Street East, 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 \$44,430,000. The total estimated grant over the five (5) year period is approximately \$711,762.99.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject lands are municipally known as 118 King Street East, Hamilton, 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” with the northern portion of the property fronting on King Street East also being identified as having a “Pedestrian Focus” on Map “B.6.1-1” – Downtown Hamilton Secondary Plan – Land Use Plan (OPA 102). The subject development’s Site Plan approval pre-dates the establishment of the above referenced designations.

Zoning By-law No. 05-200

Under the current City of Hamilton Zoning By-Law No. 05-200, the northern portion of the subject property fronting on King Street East is zoned “Downtown Mixed Use - Pedestrian

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Focus (D2) Zone” while the southern portion of the subject property fronting on Main Street East is zoned “Downtown Central Business District (D1) Zone”. The subject development’s Site Plan approval pre-dates the establishment of the above referenced zoning.

RELEVANT CONSULTATION

Staff from the Taxation Section and the Finance and Administration Section, Corporate Services Department and the Legal Services Division, Corporate Services Department was consulted, and the advice received is incorporated into Report PED21062.

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 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.

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

Grant Level:	100%		
Total Eligible Costs (Maximum):	\$	\$44,430,000	
Total Pre-project CVA:	\$	472,000	Year: 2015
CX (Commercial Vacant Land)			
Total	\$	472,000	
Pre-Project Property Taxes			
Municipal Levy:	\$	11,105.95	
Education Levy:	\$	<u>5,988.66</u>	
Pre-project Property Taxes	\$	17,094.61	
*Post-project CVA: RT (Residential)	\$	23,411,000	
Estimated Post-project CVA	\$	23,411,000	Year: TBD

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Post-Project Property Taxes

**Estimated Municipal Levy:	\$	248,360.28
**Estimated Education Levy:	\$	37,691.71
**Estimated Post-Project Property Taxes:	\$	286,051.99

*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 = \$11,105.95

Municipal Tax Increment = \$248,360.28 - \$11,105.95 = \$237,254.33

Payment in Year One = \$237,254.33 x 1.0 = \$237,254.33

**ESTIMATED GRANT PAYMENT SCHEDULE for:
13-storey, 93-unit residential condominium**

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$237,254.33	\$237,254.33
2	80%	\$237,254.33	\$189,803.46
3	60%	\$237,254.33	\$142,352.60
4	40%	\$237,254.33	\$94,901.73
5	20%	\$237,254.33	\$47,450.87
Total		\$1,186,271.65	\$711,762.99

*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 \$711,762.99 over a five (5) 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 PED21062 – Location Map