




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

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	June 16, 2021
<b>SUBJECT/REPORT NO:</b>	Hamilton Tax Increment Grant and Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant – a Portion of the Property currently known as 3311 Homestead Drive, Mount Hope (PED20125(a)) (Ward 11)
<b>WARD(S) AFFECTED:</b>	Ward 11
<b>PREPARED BY:</b>	Carlo Gorni (905) 546-2424 Ext. 2755
<b>SUBMITTED BY:</b>	Norm Schleeahn Director, Economic Development Planning and Economic Development
<b>SIGNATURE:</b>	

**RECOMMENDATION**

(a) That the Hamilton Tax Increment Grant Program (HTIGP) Application, submitted by 1804482 Ontario Limited (Sonoma Homes - Michael Chiaravalle 50%, Rita Chiaravalle 50%) for the property currently known as 3311 Homestead Drive, Mount Hope, to be known as Part of 8533 Airport Road West, Mount Hope, upon successful completion of severance, ("the Property") estimated at \$49,844.76 over a maximum of a five (5) year period, and based upon the incremental tax increase attributable to the development occurring on the portion of 3311 Homestead Drive, Mount Hope, as depicted on Appendix "A" attached to Report PED20125(a), be authorized and approved, in accordance with the terms and conditions of the (HTIGP), and subject to the following conditions:

- (i) the portion of the Property generally depicted on Appendix "A" attached to Report PED20125(a) be severed;
- (ii) the HTIGP Grant only apply to the future severed portion of the Property generally depicted on Appendix "A" attached to Report PED20125(a);

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- (iii) the approval of the Grant shall not prejudice or fetter City Council's discretion with respect to any current or future *Planning Act* Application regarding 3311 Homestead Drive, Mount Hope, including, but not limited to, a future Consent Application for a severance on the Property;
  - (iv) Only the tax increment generated, based on the apportioned pre-development municipal taxes and actual post development taxes applicable to the future parcel generally depicted in Appendix "A" attached to Report PED20125(a), will be used to determine future Grant payments; and,
  - (v) all the terms and conditions of the HTIGP; and,
- (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 1804482 Ontario Limited, owner of the property at 3311 Homestead Drive, Mount Hope, at such time as the property has been severed as generally depicted on Appendix "A" to Report PED20125(a), 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) Application for the development of the project at 8533 Airport Road West, Mount Hope was submitted by 1804482 Ontario Limited, owner of the property.

As part of the broader redevelopment of the property at 3311 Homestead Drive, Mount Hope, a newly constructed office building consisting of approximately 7,000 square feet (approximately 650 square metres) is planned to occupy a portion of the property fronting on Airport Road West via a future separate parcel (hereon referred to as "Site A" as generally depicted in Appendix "A" attached to Report PED20125(a)), pending a future Consent Application for a severance of 3311 Homestead Drive, Mount Hope. The remainder of the property will be the subject of a residential development comprising 166 townhouses.

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The new office building, and its future associated parcel, is the extent of the proposed development being considered under the HTIGP Application as the office development and Site A are the only portion of the property and its planned development which will be located within the boundary of the Mount Hope/Airport Gateway Community Improvement Project Area (CIPA) in which the HTIGP is permitted to apply. As such, only the actual tax increment generated as a result of the construction of the office building and its future associated Site A will be used in the calculation of actual future Grant payments under this Application.

The portion of the property which will be the subject of the townhouse development (hereon referenced as “Site B” and generally depicted on Appendix “B” attached to Report PED20125(a)) was previously the subject of remediation activities. These remediation activities were the subject of an Application under the Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant (ERG) Application which was approved by City Council via Report PED20125 on August 21, 2020. However, approval of Report PED20125 included the entirety of 3311 Homestead Drive, Mount Hope, as it currently exists (comprising Site A and B). As only one tax-increment Grant approval can be granted per property, the existing ERG approval is presently limiting the ability for the Hamilton Tax Increment Grant Program to be provided in order to support the development of the planned office building. As remediation activities only occurred on Site B and given the owner’s current existing plans to sever Site A from Site B, the ERG approval is not required to apply to Site A.

The requirement for a severance to establish Site A and Site B is required as a condition of staff’s recommendations in order for each respective portion of the planned development to be considered as separate properties under the HTIGP and ERG programs respectively.

Development costs for the office building being considered under the HTIGP Application are estimated at \$800,000 and it is projected that the proposed redevelopment will increase the assessed value of the future Site A property from its current value of \$241,000 to approximately \$1,063,000.

This will increase total annual property taxes generated by the future Site A property. The municipal share of this property tax increase (municipal tax increment) will be approximately \$16,614.92 of which 100% would be granted to the owner during year one, 80% or approximately \$13,291.94 in year two, 60% or approximately \$9,968.95 in year three, 40% or approximately \$6,645.97 in year four and 20% or approximately \$3,322.98 in year five. The estimated total value of the Grant is approximately \$49,844.76. Note that every year the tax increment is based on actual taxes for that year.

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**Alternatives for Consideration – See Page 8**

**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 8533 Airport Road West, Mount Hope. 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 \$83,074.60, of which the Applicant would receive a Grant totalling approximately \$49,844.76 and the City retaining taxes totalling approximately \$33,229.84.

**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*.

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.

In anticipation of a future planned Severance Application to respecting proposed Site A and B, and recognizing that this Hamilton Tax Increment

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Grant Application shall only be with respect to the tax increment generated as a result of the new planned office building only, staff have recommended that the Grant be conditional on the severance and that the Hamilton Tax Increment Grant Agreement will not be entered into with the Applicant until such time as the severance of the future parcel on which the new office building will occupy has occurred. Staff's recommendations also provide that this Application shall not prejudice or fetter Council's consideration of any future *Planning Act* application regarding 3311 Homestead Drive, Mount Hope, including but not limited to a Consent Application to sever the lands on which the new office building is located.

## **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 8533 Airport Road West, Mount Hope is an eligible project under the terms of the HTIGP. The Applicant will qualify for the HTIGP Grant upon the severance of the future parcel on which the new office building will occupy has occurred and completion of the development project. Development costs are estimated at \$800,000. The total estimated Grant over the five (5) year period is approximately \$49,844.76.

On August 21, 2020, City Council approved an ERG Application for the entirety of 3311 Homestead Drive, Mount Hope, to assist with environmental remediation required on Site B as generally depicted in Appendix "B" to this Report and which was required to facilitate the filing of a Record of Site Condition in order to facilitate the use of this portion of the property for residential uses. This approval was for a maximum Grant not to exceed \$91,681 based on actual remediation costs incurred and to be provided over a maximum of ten (10) years.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### **Urban Hamilton Official Plan**

The site is identified as “Neighbourhoods” on Schedule “E” – Urban Structure and designated as “District Commercial” on Schedule “E-1” – Urban Land Use Designations of the Urban Hamilton Official Plan. This designation permits a range of commercial activities intended to serve the daily and weekly shopping needs of surrounding neighbourhoods as well as some limited residential activities.

### **Hamilton Zoning By-law No. 05-200**

The subject site is zoned “C6, Exception: 580” District Commercial Zone. The zone is intended to permit a range of retail and service commercial uses to serve surrounding neighbourhoods in plazas or along collector and arterial roads. Exception 580 prohibits potentially sensitive uses including Day Nursery, Dwelling Units and Multiple Dwellings. The planned use of the site is permitted.

## **RELEVANT CONSULTATION**

Staff from the Taxation Section and the Finance and Administration Section, Corporate Services Department, the Legal Services Division, Corporate Services Department and the Commercial Districts and Small Business Section, Planning and Economic Development Department, was consulted, and the advice received is incorporated into Report PED20125(a).

## **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 HTIGP. 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.

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

Grant Level:	100%	
Total Eligible Costs (Maximum):	\$	\$800,000
Total Pre-project CVA:		
RT(Residential)	\$	241,000      Year: 2020
*Pre-Project Property Taxes		
Municipal Levy:	\$	2,148.47
Education Levy:	\$	368.73
Pre-project Property Taxes	\$	2,517.20
**Post-project CVA:		
XT (Commercial New Construction)	\$	1,063,000
<b>Estimated</b> Post-project CVA	\$	1,063,000      Year: TBD
Post-Project Property Taxes		
*** <b>Estimated</b> Municipal Levy:	\$	18,763.39
*** <b>Estimated</b> Education Levy:	\$	10,417.40
*** <b>Estimated</b> Post-Project Property Taxes:	\$	29,180.79

\*2020 tax rates have been used for calculation of the estimated pre-development property taxes. As the Building Permit had not been issued at the time of pre-development assessment estimation, the pre-development property taxes will be reviewed when the Year 1 grant is calculated and will be based on the actual property taxes in the year in which the first building permit is issued for this development.

\*\*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. As the Building Permit had not been issued at the time of post development assessment estimation, this estimate, and the property classification could change upon Building Permit issuance thereby affecting the post development taxes.

Pre-project Municipal Taxes = Municipal Levy = \$2,148.47  
Municipal Tax Increment = \$18,763.39 - \$2,148.47 = \$16,614.92

Payment in Year One = \$16,614.92 x 1.0 = \$16,614.92

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**ESTIMATED GRANT PAYMENT SCHEDULE for: Construction of new 2 storey office building of approximately 7,000 square feet.**

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$16,614.92	\$16,614.92
2	80%	\$16,614.92	\$13,291.94
3	60%	\$16,614.92	\$9,968.95
4	40%	\$16,614.92	\$6,645.97
5	20%	\$16,614.92	\$3,322.98
<b>Total</b>		<b>\$83,074.60</b>	<b>\$49,844.76</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.

Details of the proposed development and its estimated assessment and municipal tax increments are based on the project as approved, or conditionally approved, at the time of writing this report. Any minor changes to the planned development that occur prior to the final MPAC reassessment of the property may result in an increase/decrease in the actual municipal tax increment generated and will be reflected in the final Grant amount.

## **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 \$49,844.76 for a five (5) year period would not be issued.

**Staffing:** Not applicable

**Legal:** Not applicable



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## **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 PED20125(a) - Site A Location Map (Approximate extent of future parcel containing the office building)

Appendix “B” to Report PED20125(a) - Site B Location Map (Approximate extent of remaining property)

CG/jrb