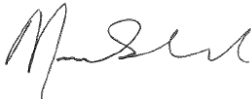




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 16, 2021
SUBJECT/REPORT NO:	Hamilton Tax Increment Grant - 154 Main Street East, Hamilton (PED21115) (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

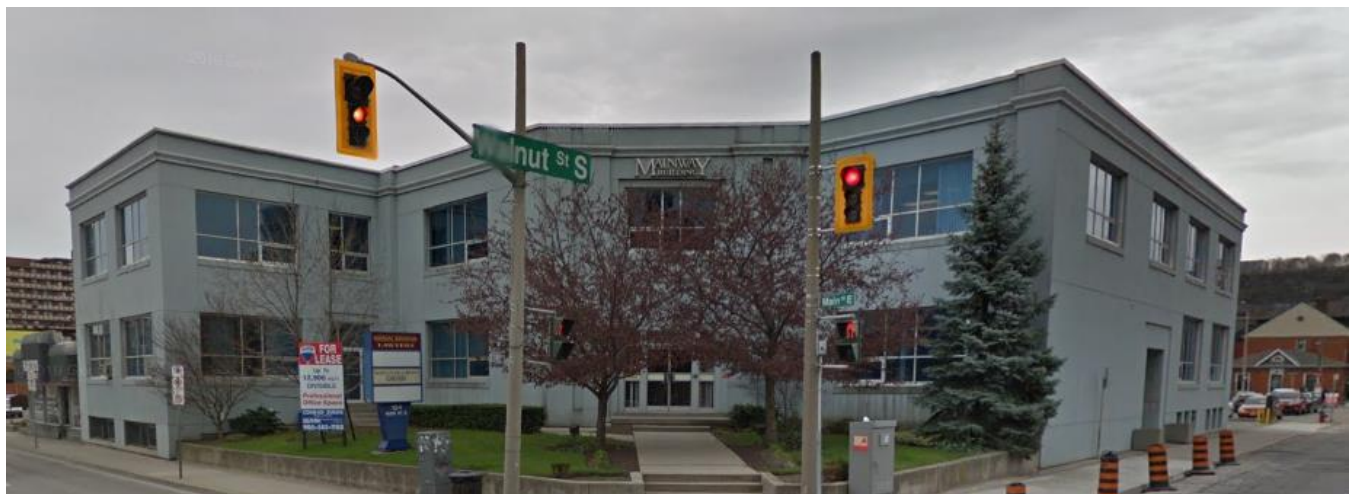
- (a) That a Hamilton Tax Increment Grant Program Application submitted by 1970703 Ontario Inc. (Darko Vranich) for the property known as 154 Main Street East, Hamilton, estimated at \$1,211,018.67 over a maximum of a five (5) year period, and based upon the incremental tax increase attributable to the development of 154 Main 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 1970703 Ontario Inc. for the property known as 154 Main 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.

EXECUTIVE SUMMARY

The Hamilton Tax Increment Grant Program (HTIGP) Application for the development of the project at 154 Main Street East, Hamilton was submitted by 1970703 Ontario Inc., owner of the property. The project will see the construction of a twenty-six (26) storey mixed use multi-residential building. The development will consist of 284 rental residential units and approximately 13,046 square feet of retail floor area. There is to be 264 parking spaces.

Development costs are estimated at \$88,000,000 and it is projected that the proposed redevelopment will increase the assessed value of the property from its current value of \$4,042,000.00 to approximately \$44,800,000.00.

This will increase the total annual property taxes generated by the property. The municipal share of this property tax increase (municipal tax increment) will be approximately \$403,672.89 of which 100% would be granted to the owner during year one, 80% or approximately \$322,938.31 in year two, 60% or approximately \$242,203.73 in year three, 40% or approximately \$161,469.16 in year four and 20% or approximately \$80,734.58 in year five. The estimated total value of the grant is approximately \$1,211,018.67. Note that every year the tax increment is based on actual taxes for that year.



Pre-Redevelopment-154 Main Street East, Hamilton (Source: Google)



Rendering of Completed Project-154 Main Street East, Hamilton (Source: Applicant)

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 (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 154 Main 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 (5) years totals \$2,018,364.45, of which the applicant would receive a grant totalling approximately \$1,211,018.67 and the City retaining taxes totalling approximately \$807,345.78.

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.

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 Downtown, 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 154 Main 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 \$88,000,000. The total estimated grant over the five (5) year period is approximately \$1,211,018.67.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject site is municipally known as 154 Main Street East, 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 which is intended to support intensive, urban-scale mixed use development.

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The planned use of the site conforms to the above designation. The specific ground floor commercial uses of the development 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.

Zoning By-law No. 05-200

Under the City of Hamilton Zoning By-Law No. 05-200, the subject site is zoned “Downtown Central Business District (D1) Zone” which is intended to provide a range of uses and stand-alone or mixed-use buildings that support a complete, vibrant and transit-oriented area. The site is also the subject of special exception ‘702’ which permits alternate zoning regulations with respect to building height, lot coverage, parking and building setbacks.

The planned use of the property is permitted by the Committee of Adjustment decision HM/A-20:26. 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 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 PED21115.

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):	\$ 88,000,000

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Total Pre-project CVA:		
CT(Commercial)	\$ 2,664,000	Year: 2019
CT (Commercial)	<u>\$ 1,378,000</u>	
Total	\$ 4,042,000	

Pre-Project Property Taxes	
Municipal Levy:	\$ 78,549.02
Education Levy:	<u>\$ 38,542.24</u>
Pre-project Property Taxes	\$ 117,091.26

*Post-project CVA:		
XT (Commercial)	\$ 1,800,000	
NT (Residential)	<u>\$ 43,000,000</u>	
Estimated Post-project CVA	\$ 44,800,000	Year: TBD

Post-Project Property Taxes	
**Estimated Municipal Levy:	\$ 482,221.91
**Estimated Education Levy:	<u>\$ 83,430</u>
**Estimated Post-Project Property Taxes:	\$ 565,651.91

*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 = \$78,549.02
Municipal Tax Increment = \$482,221.91 - \$78,549.02 = \$403,672.89
Payment in Year One = \$403,672.89 x 1.0 = \$403,672.89

ESTIMATED GRANT PAYMENT SCHEDULE for: construction of a twenty-six (26) storey mixed use multi-residential building. The development will consist of 284 rental residential units and 13,046 square feet of retail floor area. There is to be 264 parking spaces.

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$403,672.89	\$403,672.89
2	80%	\$403,672.89	\$322,938.31
3	60%	\$403,672.89	\$242,203.73
4	40%	\$403,672.89	\$161,469.16
5	20%	\$403,672.89	\$80,734.58
Total		\$2,018,364.45	\$1,211,018.67

*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 development 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 \$1,211,018.67 for 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” – Location Map

CG/jrb