



September 7th 2021

**Written submission - 10.3 Hamilton Tax Increment Grant - 540 King Street East, Hamilton**

On July 8th 2019 and July 5th 2021 ACORN delegated to the General Issues Committee to ask Council not approve city grants to Malleum.

Malleum renovicted ACORN members at 160 Sherman Ave N and 1083 Main St E and repeatedly offered low ball buyout offers to ACORN members at 41-43 Albert St. We also received complaints from 540 King St E and 293 Kenilworth Ave N. At 160 Sherman Ave N, 1083 Main St E and 41-43 Albert St tenants reported deliberate neglect of the properties during Malleum ownership.

Hamilton is in a housing crisis. ACORN urges City Council to prioritize tenant protections and preserving existing market affordable housing stock over investor profit, increasing property tax revenue for the city and neighbourhood “revitalization” that displaces and excludes low and moderate income residents.

Renoviction is contributing to the Hamilton housing crisis. The city is currently not in a position to replace every affordable unit lost to renoviction. With the waitlist for subsidized housing standing at over 5000+ households, if tenants are housed - we need to ensure they keep their housing. Displaced tenants cannot afford the high rents if they need to re-enter the market.

Buyouts are a popular tactic used by landlords. They are only used in buildings with the motive to get tenants to give up their rent controlled apartments. There is a perception that buyouts could be a benefit for tenants already thinking of moving. ACORN does not see this small benefit cross out the negative impact of the tactic overall. Buyouts can be preferred by landlords because it is quicker and cheaper than giving tenants a N13 notice which can take months to go to the Landlord and Tenant Board for a hearing and ultimately give the tenant the right to return to their unit at the same rent.

As stated on their website, Malleum is a “private equity firm..that grows capital through active, value-add real estate investing”. As stated on their website, their strategy is 1) Acquisitions - “Patient and timely acquisitions at attractive prices” 2) Construction Management - “Significant experience in renovations and development” 3) Property Management - “Active asset management with property management, marketing, and legal expertise” and Monetization “Rapid return of capital and an attractive return profile”.

In other words, they seek to purchase buildings that are either vacant or have tenants paying under market rent. They specialize in property management to pressure tenants to give up their affordable rent controlled units and dodge repair / pest control requests. They renovate the building to look “nice” and then deliver a huge return to their investors when new tenants with the ability to pay move in.

ACORN did agree to meet with Malleum in January 2020 to discuss our concerns. We proposed the company adopt a no tenant displacement policy for when they buy buildings with existing tenants.

They pitched us on an initiative where they would invest \$100,00 in building affordable housing. Our board declined to endorse their idea and said that stopping what they were doing would have a greater impact in protecting affordable housing in Hamilton.

Since that meeting, Malleum has sold two of the buildings we shared evidence for. 41-43 Albert St & 1083 Main St E. As we share in our submission, marketing for both properties emphasized the amount of vacant units and opportunity to get higher rents in currently occupied units. We can only assume this is proposing using predatory tactics to force out current tenants in order to re-rent out the units at higher rents.

ACORN is disappointed that staff are recommending for Council to proceed with giving Malleum a grant for renovations at 540 King St E. This particular building was known as an affordable rental and like many buildings across Hamilton had outstanding property standards issues. This should be a reason for Hamilton to implement a strong proactive property standards enforcement program, as ACORN has been advocating for years. We should not accept that any building with repair issues is justification to displace all existing tenants. Hamilton needs legislation to ensure landlords are keeping their property in good repair and disincentivize renoviction.

Malleum stood to benefit from the previous landlord initiating low ball buyouts prior to their purchasing of 540 King St E. As ACORN heard from tenants at the building, the landlord announced that he was selling the building and everyone had to go. Despite Malleum's submission, we do not believe that if any remaining tenants wanted to keep their tenancy that this would have been what Malleum wanted. Malleum bought the building in November 2018 and by June 2019 it was completely empty. Rents at the building went from \$825 plus hydro in 2018 and is now listed for September 2021 rent as starting at \$1,475. To low and moderate income tenants in the neighborhood, this is not a positive impact in the community.

While we cannot rewrite the history of 540 King St E, moving forward the city needs to focus on local policy to prevent this from happening at other buildings. The City of Hamilton needs to ensure tenants are not living in substandard housing conditions and that when new ownership takes over a building, landlords are prevented from displacing existing tenants.

Providing a grant to Malleum for renovations at 540 King St E goes against important work the city has done this year in protecting tenants. In 2021, City Council unanimously approved expanding the tenant defense fund to cover renoviction, expanded the city's property standards to cover more health and safety issues tenants face, mandated COVID health and safety rules for high rise apartments and passed the pilot for landlord licensing. Housing staff have already been directed this year to develop a framework for Hamilton to have a comprehensive anti-renoviction strategy. Stopping city funds to investment firms that are drivers of the problem needs to be part of this.

ACORN looks forward to continuing to work with Council and staff to address the housing crisis and find local solutions.

Thank you.

ACORN Hamilton

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