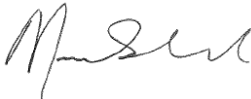




**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	October 6, 2021
<b>SUBJECT/REPORT NO:</b>	Barton Kenilworth Tax Increment Grant - 675-681 Barton Street East, Hamilton (PED21182) (Ward 3)
<b>WARD(S) AFFECTED:</b>	Ward 3
<b>PREPARED BY:</b>	Carlo Gorni (905) 546-2424 Ext. 2755
<b>SUBMITTED BY:</b>	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That a Barton Kenilworth Tax Increment Grant Program Application submitted by Malleum Real Estate Partners IV, by its General Partner, Malleum General Partner IV Limited (Tyler Pearson, Greg Clewer), for the property at 675-681 Barton Street East, Hamilton estimated at \$45,015.11 over a maximum of a nine year period, and based upon the incremental tax increase attributable to the renovations of 675-681 Barton Street East, Hamilton, be authorized and approved in accordance with the terms and conditions of the Barton Kenilworth 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 Barton Kenilworth Tax Increment Grant for Malleum Real Estate Partners IV, by its General Partner, Malleum General Partner IV Limited (Tyler Pearson, Greg Clewer) for the property known as 675-681 Barton Street East, Hamilton, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized and directed to administer the Grant and Grant Agreement including but not limited to: deciding on actions to take in respect of events of default and executing any Grant Amending Agreements, together with

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any ancillary amending documentation, if required, provided that the terms and conditions of the Barton Kenilworth Tax Increment Grant Program, as approved by City Council, are maintained.

**EXECUTIVE SUMMARY**

The Barton Kenilworth Tax Increment Grant Program (BKTIGP) Application for the renovation of 675-681 Barton Street East, Hamilton, was submitted by Malleum Real Estate Partners IV, by its General Partner, Malleum General Partner IV Limited in 2019. The building contains three commercial units on the ground floor and eight residential units on the upper floors. The residential units were vacant when the Application was submitted. The planned renovations at the time of application included the restoration of all residential units including new windows, new insulation, flooring and bathrooms/kitchens. New electrical, plumbing and natural gas distribution systems were also to be installed. Once the residential units are completed, restoration of the commercial units is to commence.

Development costs are estimated at \$567,708.61 and it is projected that the proposed redevelopment will increase the assessed value of the property from its 2019 value of \$678,000 to approximately \$900,000. 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 \$6,430.73 of which 100% would be granted to the owner during years one to five, 80% or approximately \$5,144.58 in year six, 60% or approximately \$3,858.44 in year seven, 40% or approximately \$2,572.29 in year eight and 20% or approximately \$1,286.15 in year nine. The estimated total value of the grant is approximately \$45,015.11. Note that every year the tax increment is based on actual taxes for that year.

**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 nine years, declining each year after the first five years by 20%, based on the increase in the municipal portion of the taxes, post-renovation completion of 675-681 Barton Street East, Hamilton. Following year five 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 nine years totals \$57,876.57 of which the Applicant would receive a grant totalling approximately \$45,014.53 and the City retaining taxes totalling approximately \$12,861.46.

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**Staffing:** Applicants and subsequent grant payments under the BKTIGP are processed by the Commercial Districts and Small Business Section and Taxation Division. 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 Legal Services.

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 May 11, 2016, approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced the BKTIGP. The Program is offered exclusively to property owners of residential/commercial lands and buildings located within the boundaries of the Barton Village Business Improvement Area (BIA), the Barton and Kenilworth commercial corridors and the properties that front on Barton Street between James Street North and Victoria Avenue North as identified in the Downtown and Community Renewal Community Improvement Project Area By-law. The terms of the Program offer a nine-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 five years, 80% in year six, 60% in year seven, 40% in year eight, and 20% in year nine.

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The project at 675-681 Barton Street East, Hamilton, is an eligible project under the terms of the BKTIGP. The Applicant will qualify for the BKTIGP grant upon completion of the project. Development costs are estimated at \$567,708.61. The total estimated grant over the nine (9) year period is approximately \$45,015.11.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Urban Hamilton Official Plan

The subject site and building is municipally known as 675-681 Barton Street East and is located within “Neighbourhoods” on Schedule E – Urban Structure and designated “Neighbourhoods” on Map E-1 – Urban Land Use Designations which is intended to support a full range of residential dwelling types and densities as well as supporting commercial uses that will serve local residents. The specific ground floor commercial uses will be subject to the respective sections of the in force and effect Urban Hamilton Official Plan with respect to permitted commercial uses and associated policies.

The existing use of the site conforms to the above designation.

City of Hamilton Zoning By-law No. 05-200

The site is zoned “Neighbourhood Commercial (C2) Zone” which permits a range of commercial uses/buildings along major arterial and collector roads of a scale intended to serve the surrounding neighbourhood as well as dwelling units when provided in conjunction with a commercial use.

The existing use of the site is permitted. Ground floor commercial uses 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 Finance and Administration Division, Corporate Services Department and the Legal Services Division, City Manager’s Office was consulted, and the advice received is incorporated into Report PED21182.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The Hamilton Tax Increment Grant Program is established under the Downtown and Community Renewal Community Improvement Plan (2016) (DCR CIP) which is intended to provide programs that support the revitalization of strategic urban commercial districts by minimizing financial barriers to, and stimulating new private sector investment in, the development of under-utilized properties and/or to improve the

appearance, functionality, marketability, usability and/or safety of existing commercial and mixed use buildings. In 2020, staff commenced a comprehensive review of the DCR CIP and its programs. This review, which included a change to the plan's name (Revitalizing Hamilton's Commercial Districts Community Improvement Plan (RHCD CIP)), included several updates that were intended to support Council and community priorities including housing affordability, climate change and environmental sustainability and post-COVID economic recovery. Key updates included incentivizing the incorporation of housing affordability and/or environmental sustainability measures in developments, supporting environmentally sustainable building improvements to commercial and mixed-use buildings and establishing a new temporary pilot program to address street facing commercial vacancies, among other updates.

On July 9, 2021 a staff direction was approved by Council seeking policy revisions to the Hamilton Tax Increment Grant Program to address the eligibility of applications consisting of renovations to existing residential rental units at properties subject to potential historical displacement of tenants. In response, staff identified a series of program amendments that effectively remove from Program eligibility any renovations to existing residential rental units except in certain limited circumstances where there is a low or no risk of tenant displacement having occurred. These Amendments were presented via Report PED21159 with a recommendation that the Amendments be incorporated into the updated RHCD CIP and associated program Descriptions due to the amendments triggering a requirement for a statutory public meeting under the *Planning Act*. Report PED21159 was approved by Council on September 15, 2021.

Staff subsequently brought forward Report PED21035(a) containing the updated RHCD CIP and associated program Descriptions for a statutory public meeting at the September 21, 2021 Planning Committee which was approved by Committee and subsequently approved by City Council on September 29, 2021. The updated RHCD CIP is currently subject to a statutory 20-day appeal period before coming into effect. This appeal period will end no earlier than October 19, 2021 and, subject to no appeals being registered, the updated RHCD CIP and Program Descriptions will come into effect at that time. Upon coming into effect, the updated policies respecting the eligibility of renovations to existing residential rental units will become applicable to any new Program applications as well as any existing Program applications not already approved by Council.

Commercial Districts and Small Business staff, in co-operation with staff from the Taxation and Legal Services Divisions, 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 Municipal Property Assessment Corporation (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 Municipal Property Assessment Corporation

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(MPAC) 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 nine-year period.

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

Grant Level:		100%
Total Eligible Costs (Maximum):	\$567,708.61	
*Pre-project CVA: Year: 2019		
CT (Commercial)	\$333,000.00	
MT (Residential)	<u>\$345,000.00</u>	
Total	\$678,000.00	
Municipal Levy: \$14,810.96		
Education Levy:	<u>\$ 3,418.34</u>	
Pre-project Property Taxes	\$18,229.30	
** <b>Estimated</b> Post-project CVA: Year: TBD		
CT (Commercial)	\$400,000.00	
MT (Residential)	<u>\$500,000.00</u>	
Total	\$900,000.00	
Post-project Property Taxes		
** <b>Estimated</b> Municipal Levy:	\$21,241.69	
** <b>Estimated</b> Education Levy:	<u>\$ 4,285.00</u>	
** <b>Estimated</b> Post-Project Property Taxes:	\$25,526.69	

\*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).

\*\*2021 tax rates have been used for calculation of the estimated post-development property taxes.

Pre-project Municipal Taxes = Municipal Levy = \$14,810.96  
Municipal Tax Increment = \$21,241.69 - \$14,810.96 = \$6,430.73  
Payment in Year One = \$6,430.73 x 1.0 = \$6,430.73

**ESTIMATED GRANT PAYMENT SCHEDULE for mixed use building with three commercial units and eight residential units  
(Subject to re-calculation each year and up to the total eligible costs)**

<b>Year</b>	<b>Grant Factor</b>	<b>Tax Increment*</b>	<b>Grant</b>
1	100%	\$6,430.73	\$6,430.73
2	100%	\$6,430.73	\$6,430.73
3	100%	\$6,430.73	\$6,430.73
4	100%	\$6,430.73	\$6,430.73
5	100%	\$6,430.73	\$6,430.73
6	80%	\$6,430.73	\$5,144.58
7	60%	\$6,430.73	\$3,858.44
8	40%	\$6,430.73	\$2,572.29
9	20%	\$6,430.73	\$1,286.15
<b>Total</b>		<b>\$57,876.57</b>	<b>\$45,015.11</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 renovation 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 renovation 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**

### **Decline the Grant and Approve a Reduced Amount**

Declining a grant and/or approving a reduced amount would undermine the principles of the BKTIGP and regeneration efforts in general. This alternative is not recommended.

**Financial:** Grants totalling \$45,015.11 over a nine-year period would not be issued.

**Staffing:** Not applicable

**Legal:** Not applicable

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Economic Prosperity and Growth**

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**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report PED21182 – Location Map