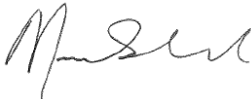




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	October 6, 2021
SUBJECT/REPORT NO:	Hamilton Tax Increment Grant - 152-154 James Street North and 4-6 Cannon Street East, Hamilton (PED21185) (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 Department
SIGNATURE:	

RECOMMENDATION

- (a) That a Hamilton Tax Increment Grant Program Application submitted by Malleum Real Estate Partners V LP and Malleum Real Estate Partners V LP, by its General Partner Malleum Real Estate Partners V GP Limited (Tyler Pearson and Greg Clewer) in 2019, for the property at 152-154 James Street North and 4-6 Cannon Street East, Hamilton, estimated at \$32,424.03 over a maximum of a five year period, and based upon the incremental tax increase attributable to the renovation of 152-154 James Street North and 4-6 Cannon 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 Malleum Real Estate Partners V LP and Malleum Real Estate Partners V LP, by its General Partner Malleum Real Estate Partners V GP Limited (Tyler Pearson and Greg Clewer) for the property known as 152-154 James Street North and 4-6 Cannon 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 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 renovation of the property at 152-154 James Street North and 4-6 Cannon Street East, Hamilton was submitted in 2019 by Malleum Real Estate Partners V LP and Malleum Real Estate Partners V LP., by its General Partner Malleum Real Estate Partners V GP Limited (Tyler Pearson and Greg Clewer), owner of the property. This address contains three commercial units on the ground floor and six residential units on the upper floors. The proposed works will see the renovation of the interior of all commercial and residential units. Improvements will also be made to the exterior of the buildings including new windows, doors and painting.

Renovation costs are estimated at \$412,000 and it is projected that the proposed renovations will increase the assessed value of the property from its current value of \$660,000 to approximately \$1,110,000.

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 \$10,808.01, of which 100% would be granted to the owner during year one, 80% or approximately \$8,646.41 in year two, 60% or approximately \$6,484.81 in year three, 40% or approximately \$4,323.20 in year four and 20% or approximately \$2,161.60 in year five. The estimated total value of the Grant is approximately \$32,424.03. 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 five years, declining each year after the first year by 20%, based on the increase in the municipal portion of the taxes, post-renovation completion of 152-154 James Street North and 4-6 Cannon 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

\$54,040.05, of which the Applicant would receive a Grant totalling approximately \$32,424.03 and the City retaining taxes totalling approximately \$21,616.02.

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 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-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.

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The project at 152-154 James Street North and 4-6 Cannon 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. Renovation costs are estimated at \$412,000. The total estimated Grant over the five-year period is approximately \$32,424.03.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject site and building are municipally known as 152-154 James Street North and 4-6 Cannon Street East 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” and “Pedestrian Focus” on Map B.6.1-1 – Downtown Hamilton Secondary Plan – Land Use Plan which is intended to support intensive, urban-scale mixed use development.

The planned use of the site conforms to the above designation. 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 uses and associated policies.

Zoning By-law No. 05-200

The subject site is zoned “Downtown Mixed Use – Pedestrian Focus (D2) Zone” which is intended to support a range of active street level commercial uses and a pedestrian-oriented built form which may include residential uses above grade.

The existing use of the property is permitted. The specific 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 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 PED21185.

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.

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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 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 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-year period.

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

Grant Level:	100%	
Total Eligible Costs (Maximum):	\$412,000	
Total Pre-project CVA:		Year: 2020
CT (Commercial)	\$280,700	
MT (Residential)	<u>\$379,300</u>	
Total	\$660,000	
Pre-Project Property Taxes		
Municipal Levy:	\$15,527.25	
Education Levy:	<u>\$ 3,331.19</u>	
Pre-project Property Taxes	\$18,858.44	
*Post-project CVA:		
XT (New Commercial)	\$ 430,000	Year: TBD
MT (Residential)	<u>\$ 680,000</u>	
Estimated Post-project CVA	\$1,110,000	
Post-Project Property Taxes		
**Estimated Municipal Levy:	\$26,335.26	
**Estimated Education Levy:	<u>\$ 5,254.40</u>	
**Estimated Post-Project Property Taxes:	\$31,589.66	

*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.

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Pre-project Municipal Taxes = Municipal Levy = \$15,527.25
Municipal Tax Increment = \$26,335.26 - \$15,527.25 = 10,808.01
Payment in Year One = \$10,808.01 x 1.0 = \$10,808.01

ESTIMATED GRANT PAYMENT SCHEDULE for renovation of three commercial units and six residential units

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$10,808.01	\$10,808.01
2	80%	\$10,808.01	\$8,646.41
3	60%	\$10,808.01	\$6,484.81
4	40%	\$10,808.01	\$4,323.20
5	20%	\$10,808.01	\$2,161.60
Total		\$54,040.05	\$32,424.03

*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

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 \$32,424.03 over a five-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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Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED21185 – Location Map