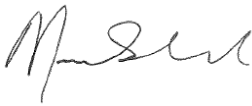




INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 14, 2023
SUBJECT/REPORT NO:	2022 Annual Report for Economic Development Division Financial Incentive and Assistance Programs (PED23094) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Carlo Gorni (905) 546-2424 Ext. 2755 Lisa Browett (905) 546-2424 Ext. 7519 Phil Caldwell (905) 546-2424 Ext. 2359
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

COUNCIL DIRECTION

N/A

The Economic Development Division is responsible for the administration and annual reporting to City Council of activity and successes achieved in the preceding year respecting the following City Council approved Community Improvement Plans and associated financial incentive and assistance programs:

- The Revitalizing Hamilton's Commercial Districts (RHCD) Community Improvement Plan (CIP) - intended to provide financial incentive programs that will 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 improve the appearance, functionality, marketability, usability and/or safety of existing buildings;

The RHCD CIP and its programs are intended to apply to properties located within the strategic commercial districts and corridors consisting of the Ancaster, Barton

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Village, Binbrook, Concession Street, Downtown Hamilton, Dundas, Locke Street, Ottawa Street, Stoney Creek, Waterdown and Westdale Commercial Districts, the Mount Hope/Airport Gateway and various other urban Strategic Commercial Corridors as collectively defined through the RHCD Community Improvement Project Area (CIPA) By-law;

- The Environmental Remediation and Site Enhancement (ERASE) CIP - intended to provide financial assistance programs and other strategies that will help overcome the physical and financial barriers associated with the remediation and redevelopment of underutilized, derelict or vacant contaminated properties, also known as brownfields;

The ERASE CIP and its programs are intended to apply to contaminated properties located within historically developed areas of the City as collectively defined through the ERASE CIPA By-law; and,

- The Hamilton 'LEED'ing the Way (LEED) CIP – intended to provide an economic catalyst for the construction and or redevelopment of sustainable industrial, commercial, mixed-use and multi-unit residential buildings certified under the LEED rating system by the Canadian Green Building Council (CaGBC);

The LEED CIP and its program are intended to apply to properties located within pre-Official Plan Amendment (OPA) 167 Hamilton Urban Area as defined through the LEED CIPA By-law.

In addition to the above, Economic Development staff also administer financial assistance programs supporting the rehabilitation and adaptive reuse of heritage buildings designated under Part IV or V of the *Ontario Heritage Act* which are authorized under s.39(1) of the *Ontario Heritage Act* and City implementing By-law No. 07-346.

These CIPs and programs collectively support key City Council and community goals and objectives respecting community development and improvement including:

- Increasing assessment and new property tax generation on underutilized, vacant or derelict properties within existing urban areas and commercial districts/corridors;
- Reducing the need for greenfield or agricultural lands to accommodate future growth by assisting/incentivizing development to occur within the existing urbanized areas;

- Promoting development that will efficiently utilize existing infrastructure and reducing related costs;
- Supporting the achievement of Provincial/City residential unit/jobs density target;
- Maintaining and growing resident populations to support existing and new commercial businesses;
- Supporting population and employment concentrations that will better utilize existing transit and support new demand and investment in higher-order forms of transit;
- Enabling new economic development opportunities;
- Retaining, rehabilitating, and supporting the adaptive reuse of significant cultural heritage resources; and,
- Encouraging and supporting environmentally sustainable developments.

INFORMATION

In 2022, staff continued to see lower than average applications under programs offered, a continuation of a trend that began in 2020 and through 2021. Staff's assessment continues to be that this reduction in applications is as a result of market uncertainty brought by the COVID-19 pandemic and subsequent fluctuations in construction costs and supply chain impacts and market demand which have led property owners to cancel or defer planned property improvements and developments supported by City programs.

In total, 80 program applications were received and processed in 2022. Key highlights from these applications include:

- 27 applications for building façade improvements;
- 12 applications to support the creation of over 1,400 new residential units including over 200 rental units and approximately 13,000 square meters of new commercial floor area;
- 10 applications to investigate 4.63 ha. (11.43 ac.) of land for potential soil contamination; and,

- Nine applications for designated heritage building rehabilitation projects.

For further information on the various programs established under the RHCD and those which pertain to buildings designated under either Part IV or V of the *Ontario Heritage Act*, please see Appendix “A” to Report PED23094 - Detailed Application and Financial Statistics (RHCD CIP and Heritage Programs).

For area specific development statistics for downtown Hamilton and the community downtowns of Ancaster, Binbrook, Dundas, Stoney Creek, Waterdown and the Mount Hope/Airport Gateway, see Appendix “B” to Report PED23094 - Downtown Hamilton Development Activity and Appendix “C” to Report PED23094 - Community Downtown Development Activity, respectively.

For mapping showing applications under the Downtown & Barton / Kenilworth Housing Opportunities Program and the Revitalizing Hamilton Tax Increment Grant Program, please see Appendix “D” to Report PED23094 and Appendix “E” to Report PED23094, respectively.

For further information on the ERASE and LEED Programs, please see Appendix “F” to Report PED23094 – Detailed Application and Financial Statistics (ERASE and LEED Programs).

Economic Benefits and Development Activity Supported through Tax Increment-Based Grant Programs to End of 2022:

Tax increment grants are a popular tool among municipalities in Canada and the United States as they are self-funded directly from the uplift in municipal taxes generated as a result of a property being redeveloped. As a result, tax increment grant programs do not require an upfront budgeting/funding as grants are only payable once a development is complete and cease after a pre-determined number of annual payments in accordance with the applicable programs terms.

To the City, tax increment grant programs represent a delay in the realization of new tax revenue from a development; revenue that may not have otherwise materialized if not for the tax grant being provided as a means of incentivizing the development to occur or to provide financial assistance to help overcome financial impediments that would have otherwise prevented the development from occurring in the first place. After tax grant payments cease, the City realizes the full increase in new taxes generated by the development for the remainder of the development’s life. This increased revenue becomes part of the City’s general tax revenue and supports tax-supported City services on a go-forward basis.

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The City currently operates four tax increment-based grant programs; the Revitalizing Hamilton Tax Increment Grant (RHTIG) Program, the Barton/Kenilworth Tax Increment Grant (BKTIG) Program, the ERASE Redevelopment Grant (ERG) Program and the LEED Grant Program (LGP).

Below are key highlights of economic and development successes achieved since each program's inception until the end of 2022:

- For the RHTIG and BKTIG Programs which incentivize and promote/direct new development to key commercial districts and corridors to support revitalization through increased resident populations to support existing and new commercial businesses and mitigate impacts from the reduced office employees working in the core as well as to generate new municipal property tax revenue through increased property assessments:
 - For every dollar rebated under the RHTIG/BKTIG programs, approximately \$27 in private sector investment has been leveraged;
 - Over 2,500 new residential units (of which over 1,700 are rental) and 230,000 sq. ft. (20,000 sq. m.) of new commercial floor area will have been created through intensification and infill of commercial areas; and,
 - Since 2016, new municipal property taxes generated from completed developments cumulatively total over \$25,000,000 and growing.
- For the ERG Program which provides financial assistance to overcome costs required to remediate environmental contamination on brownfield sites which would otherwise impede the reuse/redevelopment of under-utilized or vacant properties in the urban area and leave historical environmental issues unaddressed in the community:
 - For every dollar rebated under the ERG program, approximately \$18 in private sector investment has been leveraged;
 - Over 206 acres (83 hectares) of land will have been cleaned of environmental contamination;
 - Built and under construction projects will result in the creation of over 3,300 new residential units and over 1,900,000 sq. ft (176,000 sq. m.) of Industrial/Commercial/Institutional floor area on brownfield sites; and,

- Since 2001, built and under construction projects will result in an estimated \$1B in new property assessment and generate over \$11,000,000/annually in new municipal property tax revenue.
- For the LEED Grant Program which provides financial assistance to mitigate increased construction costs required to achieve LEED certification in more environmentally sustainable developments:
 - Over 530,000 sq. ft. of new industrial floor area certified for environmental sustainability has been built.

Current and On-Going Direction for City Tax Increment Grant Programs

Ensuring Programs Respond to Evolving Market Conditions:

Tax increment grant programs utilized by the City are primarily focused either on incentivizing/directing development to strategic geographic areas of the City (RHTIG/BKTIG) or to provide financial assistance to overcome systemic impediments/costs to development (ERG/LEED).

While the need for programs that address systemic financial impediments to development largely remain static in terms of need over time, those programs which are primarily intended to incentivize development within geographic areas (RHTIG/BKTIG) have a greater potential to be scaled up/down in response to evolving market conditions in those areas of focus.

With each comprehensive review, staff continually seek opportunities to modify the duration/value/availability of geographically focused incentives where deemed appropriate in response to evolving market conditions. Specifically, in response to increased development activity in strategic commercial districts which are the focus of the RHTIG program, this program has been periodically reduced from its original nine annual grant payments to five annual grant payments with the most recent reduction being in 2021 both in terms of grant duration and value with grant payments reducing from five years to four years and the value of each years' grant payment dropping at an increased rate of 25% versus the original 20%. This is in contrast to the BKTIG program which has remained static in grant duration and value since the program's inception in 2014, as a result of continually depressed market demand along the Barton Street and Kenilworth Avenue North commercial corridors.

2021 Council Direction Respecting Future Program Availability in Downtown Hamilton:

As part of staff's comprehensive review of the RHCD CIP, Council approved the following direction at the June 23, 2021 Council meeting in relation to a Motion respecting a Hamilton Light Rail Transit (LRT) Project Memorandum of Understanding:

“(d) That the Hamilton Tax Increment Grant Program [now Revitalizing Hamilton TIG Program] be eliminated in downtown Hamilton through the next incentive program review, which is estimated to result in additional estimated savings of \$0.917 million [\$917,000] annually for the City.”

In response, staff amended the RHCD CIP and the associated implementing draft by-law to include the following statement:

“In accordance with Council direction at its June 23, 2021 meeting, as part of the next scheduled review of the RHCD CIP, anticipated to commence in 2025, staff will present for a future Council's consideration a recommendation that the [Revitalizing Hamilton Tax Increment Grant Program and Downtown and Barton/Kenilworth Housing Opportunities Program] cease to be made available within the Downtown Hamilton CIPA taking into consideration progress/timing of the Hamilton Light Rail Transit (LRT) Project.”

Detailed recommendations respecting the availability of the above referenced programs will be brought forward for Council consideration at the next comprehensive review of the RHCD CIP and programs tentatively scheduled to begin in late 2025.

Aligning Tax Increment Grant Programs to Council Priorities:

Beginning with staff's review of the RHCD CIP in 2021, staff have sought to update the direction of City tax increment grant programs to better focus City support towards developments which will achieve additional City Council and community priorities, such as affordable housing and climate change, while reducing grants for developments that do not address these priorities.

In 2021 the RHTIG program was updated to provide increased grants to applicants whose projects achieved environmental sustainability certification or incorporated affordable housing, while grants provided to those projects that do not incorporate these priorities were significantly reduced.

In 2022 staff began a comprehensive review of the ERASE CIP with a similar goal of identifying program improvements to better support the achievement of environmental

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sustainability certification and/or affordable housing in brownfield projects. Proposals arising from this review were presented at the April 19, 2023 General Issues Committee Report PED23076 which included, among others:

- The creation of an ERASE Affordable Housing Grant Program to off-set costs associated with remediation of contamination on sites being developed for not-for-profit housing to be supported by the reallocation of \$1,000,000 in non-affordable housing financial incentive program funds;
- Promotion of more environmentally sustainable remediation practices; and,
- Modifying grant amounts to leverage the achievement of additional community/City Council priorities respecting housing affordability and/or environmental sustainability and climate change goals.

Economic Development anticipate starting a similar review of the existing LEED CIP beginning in Q4 2023.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED23094 – Detailed Application and Financial Statistics (RHCD CIP and Heritage Programs)

Appendix "B" to Report PED23094 – 2022 Downtown Hamilton Development Activity

Appendix "C" to Report PED23094 – Community Downtown Development Activity

Appendix "D" to Report PED23094 – Downtown & Barton/Kenilworth Housing Opportunities Program Developments Map

Appendix "E" to Report PED23094 – Revitalizing Hamilton Tax Increment Grant Program Map"

Appendix "F" to Report PED23094 – Detailed Application and Financial Statistics (ERASE and LEED Programs)