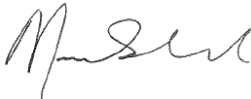




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	September 6, 2023
SUBJECT/REPORT NO:	Revitalizing Hamilton Tax Increment Grant - 41 Wilson Street (PED23055) (Ward 2) – FURTHER REVISED
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 Revitalizing Hamilton Tax Increment Grant Program (RHTIG) Application submitted by Hamilton II LP, by its General Partner, Hamilton II GP Inc. (Kashayar Pashootan), for the property at 41 Wilson Street, Hamilton, estimated at \$5,984,364.55 over the maximum of a four-year period, and based upon the incremental tax increase attributable to the redevelopment of 41 Wilson Street, Hamilton, be authorized and approved in accordance with the terms and conditions of the RHTIG;
- (b) That the General Manager of the Planning and Economic Development Department be authorized and directed to execute a Grant Agreement together with any ancillary documentation required, to give effect to the RHTIG for Hamilton II LP, by its General Partner, Hamilton II GP Inc. (Kashayar Pashootan) for the property known as 41 Wilson Street, 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

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conditions of the RHTIG Program, as approved by City Council, are maintained and that any applicable Grant Amending Agreements are undertaken in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The RHTIG Application for the redevelopment of the property at 41 Wilson Street, Hamilton was submitted by Hamilton II LP, by its General Partner, Hamilton II GP Inc. (Kashayar Pashootan), owner of the property. This address contains a commercial parking lot. The proposed works will see the redevelopment of the property resulting in the construction of three 30-storey buildings (each with a mechanical penthouse) connected by an eight-storey podium including parking. There are to be 931 residential condominium units with retail space located on the ground/mezzanine level.

Construction costs are estimated at \$331,412,768. and it is projected that the proposed works will increase the assessed value of the property from its current value of \$4,353,000. to approximately \$223,345,000.

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 \$2,393,745.82 of which 100% would be granted to the owner during year one, 75% or approximately \$1,795,309.37 in year two, 50% or approximately \$1,196,872.91 in year three and 25% or approximately \$598,436.46 in year four. The estimated total value of the Grant is approximately \$5,984,364.55. Note that every year the tax increment is based on actual taxes for that year.

The utilization of the RHTIG will assist in bringing about the development of the subject property. This, in turn, will play a role in supporting a number of key City objectives including:

- Reducing the need for greenfield or agricultural lands to accommodate future growth by directing development to under-utilized/ vacant properties in the urban area;
- Maintaining and growing resident populations to support existing and new commercial businesses including those in both the Downtown Hamilton and International Village Business Improvement Areas and along James Street North and Barton Street East; and,
- Supporting population and employment concentrations that will better utilize existing transit and support new demand and investment in higher-order forms of transit.

It should be noted that the applicant had the option to submit this application as an Enhanced Revitalization Project under the terms of the RHTIG but chose not to do so.

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To qualify as such a project, it would have had to meet one or more of the following requirements in support of City objectives:

- The improvement/development will receive certification for the achievement of environmental sustainability standards from an eligible organization/program and/or will be connected to (or be designed to allow for future connection to) a district energy system. Eligible environmental sustainability certifications as well as building standards required to be provided for future district energy connections shall be in accordance with Section B, paragraph seven and eight; and/or,
- The improvement/development has been approved for financial assistance under a Canada Mortgage and Housing Corporation (CMHC), federal, provincial or City program for the purposes of creating residential rental housing that address housing affordability within the City.

Had this option been pursued, the applicant would have been considered to receive a grant equal to 100% of the grant in each of the four years. The total grant paid at the end of the four - year period would have totalled approximately \$9,574,983.28.



**41 Wilson Street, Hamilton-Pre-Construction Photo
(Source: Applicant)**

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**41 Wilson Street, Hamilton-Post-Construction Rendering
(Source: Applicant)**

Prior to its demolition, The Chinese Community Centre Association of Hamilton occupied a building at 97 John Street North, Hamilton from at least approximately 2007. The recognized use of the building was a “private club”. The property is now recognized as vacant.

Staff note that while the subject site is currently municipally known as 41 Wilson Street, Hamilton, the site has previously also been municipally known as 41-61 Wilson Street and 97, 99 and 117 John Street North, Hamilton prior to the various addresses becoming consolidated. Currently, the future address of the property upon completion of the planned development is unknown. Notwithstanding this status, and regardless of any future address assigned to the site, this Report and Staff’s Recommendations shall, for clarity, apply to the site area as defined in Appendix “A” to Report PED23055.

Alternatives for Consideration – See Page 9

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The City will collect full property taxes on the property and, in turn, provide a grant for four years, declining each year after the first year by 25%, based on the increase in the municipal portion of the taxes, post-redevelopment completion of 41 Wilson Street, 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 four years totals \$9,574,983.28, of which the Applicant would receive a grant totalling approximately \$5,984,364.55 and the City retaining taxes totalling approximately \$3,590,618.73.

Staffing: Applicants and subsequent Grant Payments under the RHTIG 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 on August 22, 2001, approved an amendment to the Downtown and Community Renewal Community Improvement Plan which introduced the Hamilton Tax Increment Grant Program. The RHTIG Program is currently established through the updated Revitalizing Hamilton's Commercial Districts

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Community Improvement Plan (RHCD CIP) which was approved by City Council on September 29, 2021 by way of By-law No. 21-164.

The RHTIG is intended to incentivize property owners located in Downtown Hamilton, Community Downtowns, Business Improvement Areas, the Mount Hope/Airport Gateway, the corridors of Barton Street and Kenilworth Avenue as identified in the Revitalizing Hamilton's Commercial Districts Community Improvement Project Area and to properties designated under Part IV or V of the *Ontario Heritage Act* to develop, redevelop or otherwise improve properties and/or buildings in a manner that will support the broader revitalization of these districts as well as generate new municipal property tax revenue through increased property assessments. The exact geographic boundaries within which the RHTIG is available are defined through the associated Revitalizing Hamilton Community Improvement Project Area By-law No. 21-163.

The RHTIG also supports key City objectives including:

- Reducing the need for greenfield or agricultural lands to accommodate future growth by directing development to under-utilized/ vacant properties in the urban area;
- Efficiently utilizing existing infrastructure and reducing related costs;
- Supporting the achievement of Provincial/City residential unit/jobs density targets;
- Maintaining and growing resident populations to support existing and new commercial businesses including those in the City's Business Improvement Areas;
- 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; and,
- Making new development more environmentally sustainable.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**Urban Hamilton Official Plan**

The subject site is municipally known as 41 and 51 Wilson Street and 97, 99 and 117 John Street North. The site is located within the "Downtown Urban Growth Centre" on Schedule "E" – Urban Structure and further identified as being within the Downtown Hamilton Secondary Plan area (OPA 102) which designates the site "Downtown Residential" on "Map B.6.1-1 – Land Use Plan" and "High-rise 2" on "Map B.6.1-2 – Maximum Building Heights". These designations are intended support the development of vacant and under-utilized land for a range of residential uses up to

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30-storeys to support a vibrant healthy core with a balanced mix of commercial and residential development.

The planned use of the site is permitted.

Zoning By-law No. 05-200

The subject site is zoned D5 (Downtown Residential) which is intended to maintain residential areas by allowing for a range of housing forms and to create opportunities for the integration of retail and commercial uses to meet the daily needs of local residents.

The planned use of the site is permitted.

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 PED23055.

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 four-year period.

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

Grant Level:	100%	
Total Eligible Costs (Maximum)	\$332,412,768	
Total Pre-Project CVA:		Year: 2022
GT Commercial Parking	\$4,353,000	
Pre-Project Property Taxes		
Municipal Levy	\$94,140.25	
Education Levy	<u>\$38,306.40</u>	
Pre-Project Property Taxes	\$132,446.65	

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*Post-Project CVA			
CVA RT Residential	\$218,823,000.00		
CVA CT Commercial	<u>\$4,522,000.00</u>		
Estimated Post-Project CVA	\$223,345,000.00		Year: TBD
**Estimated Municipal Levy			
	\$2,487,886.07		
**Estimated Education Levy			
	<u>\$374,592.79</u>		
**Estimated Post-Project Property Taxes			
	\$2,862,478.86		

*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).

**2022 tax rates have been used for calculation of the estimated post-development property taxes.

Pre-project Municipal Taxes = Municipal Levy = \$94,140.25
Municipal Tax Increment = \$2,487,886.07 - \$94,140.25 = \$2,393,745.82
Payment in Year One = \$2,393,745.82 x 1.0 = \$2,393,745.82

ESTIMATED GRANT PAYMENT SCHEDULE for redevelopment of a commercial parking lot with the construction of three 30-storey buildings (each with a mechanical penthouse) connected by an eight-storey podium including parking. There are to be 931 residential condominium units with retail space located on the ground/mezzanine level.

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$2,393,745.82	\$2,393,745.82
2	75%	\$2,393,745.82	\$1,795,309.37
3	50%	\$2,393,745.82	\$1,196,872.91
4	25%	\$2,393,745.82	\$598,436.46
Total		\$9,574,983.28	\$5,984,364.55

*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 redevelopment and its estimated assessment and municipal tax increments are based on the project as approved, or conditionally approved, at the time

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of writing this Report. Any minor changes to the planned redevelopment 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 RHTIG and regeneration efforts in general. This alternative is not recommended.

Financial: Grants totalling \$5,984,364.55 over a four-year period would not be issued.

Staffing: Not applicable

Legal: Not applicable

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED23055 – Location Map