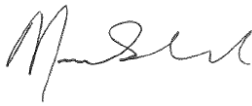




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	December 6, 2023
SUBJECT/REPORT NO:	Revitalizing Hamilton Tax Increment Grant Program - 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West, Hamilton (PED23243) (Ward 1)
WARD(S) AFFECTED:	Ward 1
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 Application submitted by 235 Main Holdings Inc. (David Kemper), for the properties municipally known as 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West, Hamilton, estimated at \$2,117,592.80 over a maximum of a four year period, and based upon the incremental tax increase attributable to the redevelopment of 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West be authorized and approved in accordance with the terms and conditions of the Revitalizing Hamilton Tax Increment Grant Program, and on the condition that these properties merge on title and that the ownership of these properties is solely held by 235 Main Holdings Inc. (David Kemper), prior to any grant payment being made and prior to the Grant Agreement being entered into;
- (b) That the city enter into a a Revitalizing Hamilton Tax Increment Grant Program Grant Agreement with 235 Main Holdings Inc. for the properties municipally known as 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West, and that the General Manager of the Planning and Economic Development Department be authorized and directed to execute the Grant Agreement together with any ancillary documentation in a form satisfactory to the

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.

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City Solicitor and with the following terms and conditions:

- (i) Terms and conditions as provided for in the Revitalizing Hamilton Tax Increment Grant Program;
 - (ii) That title for the properties municipally known as 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West merge and are owned solely by 235 Main Holdings Inc. prior to the Grant being paid and prior to the Grant Agreement being executed by the General Manager of Planning and Economic Development;
 - (iii) Such further conditions as determined by the General Manager of Planning and Economic Development;
- (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 Revitalizing Hamilton Tax Increment Grant 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 Revitalizing Hamilton Tax Increment Grant Application for the redevelopment of the properties at 235 Main Street West, 74 Queen Street South, 244 Jackson Street West and 246 Jackson Street West (all in Hamilton) was submitted by 235 Main Holdings Inc. (David Kemper), owner or partial owner of the properties. This address contains a commercial parking lot, the former Italian Consulate, a two-family dwelling, and a single-family dwelling, respectively. The proposed works will see the redevelopment of the property resulting in the construction of a 23-storey residential condominium building, including a five-storey podium, 18-storey tower containing 281 residential units and six at-grade dwelling units.

The following properties, showing their current owners, are, based on information provided by the Applicant, to be merged on title prior to construction commencing:

Property	Current Owner
235 Main Street West, Hamilton	235 Main Holdings Inc.

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Property	Current Owner
74 Queen Street South, Hamilton	235 Main Holdings Inc. and David Kemper
244 Jackson Street West, Hamilton	235 Main Holdings Inc. and Richard Kennedy
246 Jackson Street West, Hamilton	235 Main Holdings Inc. and Richard Kennedy

The Applicant has advised that the ownership of 235 Main Street West, 74 Queen Street South, 244 Jackson Street West and 246 Jackson Street West will be transferred and registered on title as 235 Main Holdings Inc.

At the time of preparing Report PED23243, the new ownership of the properties by 235 Main Holdings Inc. had not been registered on title. Therefore, a condition of the Grant is that ownership of the properties has been transferred and registered on title to 235 Main Holdings Inc. prior to the Grant Agreement being entered into and the grant being paid.

Construction costs are estimated at \$173,373,000 and it is projected that the proposed works will increase the assessed value of the property from its current value of \$2,683,000 to approximately \$76,000,000.

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 \$847,037.12 of which 100% would be granted to the owner during year one, 75% or approximately \$635,277.84 in year two, 50% or approximately \$423,518.56 in year three and 25% or approximately \$211,759.28 in year four. The estimated total value of the Grant is approximately \$2,117,592.80. Note that every year the tax increment is based on actual taxes for that year.

As noted previously, 235 Main Street West, 74 Queen Street South, 244 Jackson Street West and 246 Jackson Street West are to be merged on title after ownership of each is transferred solely to the Applicant. Currently, the future address of the property upon completion of the planned development has not been confirmed. 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 PED23243.

Alternatives for Consideration – See Page 9

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 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West. 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 \$3,388,148.48, of which the Applicant would receive a grant totalling approximately \$2,117,592.80 and the city retaining taxes totalling approximately \$1,270,555.68.

Staffing: Applicants and subsequent Grant Payments under the Revitalizing Hamilton Tax Increment Grant Program 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 Revitalizing Hamilton Tax Increment Grant Program are maintained. The Revitalizing Hamilton Tax Increment Grant Program description requires that the grant is provided to the applicant who is the owner of the property and who is undertaking the development. 235 Main Holdings Inc. is the sole owner of one of the properties and one of two owners of the other properties which are the subject of the application. The condition that the properties

which are the subject of the application are transferred into the sole ownership of 235 Main Holdings Inc. and merge on title, prior to the Grant Agreement being entered into and prior to any Grant Payment being made result in compliance with the intent of the Terms of the Revitalizing Hamilton Tax Increment Grant Program.

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 Revitalizing Hamilton Tax Increment Grant Program is currently established through the updated Revitalizing Hamilton's Commercial Districts Community Improvement Plan, which was approved by City Council on September 29, 2021, by way of By-law No. 21-164.

The Revitalizing Hamilton Tax Increment Grant 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 Revitalizing Hamilton Tax Increment Grant Program is available are defined through the associated Revitalizing Hamilton Community Improvement Project Area By-law No. 21-163.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The subject Site is municipally known as 235 Main Street West, 74 Queen Street South and 244-246 Jackson Street West and is identified as an "Urban Corridor" on Schedule "E" – Urban Structure and designated as "Mixed Use Medium Density" on Schedule "E-1" – Urban Land Use Designations. The subject Site is also located within the Strathcona Secondary Plan area (OPA 11) and designated "Mixed Use Medium Density" and subject to Site Specific Policy - Area 'M' (OPA 139), which restricts the height, on "Map B.6.6-1 – Land Use Plan". These designations are intended support mixed use development including residential intensification.

The planned use of the Site is permitted.

Zoning By-law No. 05-200

The subject Site is zoned Mixed Use Medium Density (C5, 736) with Site Specific Exception 736, which provides for Site specific zoning regulations (e.g., height, setbacks, and parking ratios). The Mixed-Use Medium Density Zone is found along collector and arterial roads and permits a range of uses including retail, commercial and residential uses in a built form intended to support active transportation while creating a pedestrian friendly environment.

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 PED23243.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Potential Tenant Displacement Mitigation:

On September 17, 2021, City Council approved the Recommendations of PED21159 to amend the eligibility of projects under this, and other financial incentive programs, to minimize the potential use of city incentive programs in circumstances where tenant displacement could occur.

Specifically, under the Council-approved program terms, projects are not eligible for consideration under this Program except where at least one of the following exceptions are met to the satisfaction of the city:

- (a) There has been no residential rental tenant displacement. Applicants shall be required to submit supporting documentation that demonstrates residential rental tenants have not been displaced. Documentation required to be submitted, and the acceptance of such documentation in terms of satisfying this condition, shall be at the discretion of the city;
- (b) The project has been approved for financial assistance under a Canada Mortgage and Housing Corporation, Federal, Provincial or City program for the purposes of creating residential rental housing to address housing affordability in the city;

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- (c) The existing building has been entirely vacant for at least two years prior to a Program Application being submitted to the city (not including periods of vacancy due to renovations); or,
- (d) The property owner and Program Applicant are a registered not-for-profit organization.

As the existing buildings on the Site contain a total of three units occupied by tenants, staff engaged with the Applicant to advise of the applicable program terms and the necessity of ensuring that existing tenants not be displaced. In addition, and in accordance with the applicable program terms, the city provided notices to existing tenants advising them of existing rental conditions in Hamilton, information respecting their rights under the *Residential Tenancies Act* and a list of available resources should they believe, they would be the subject of potential displacement.

Staff received written confirmations from each of the three tenants that they were aware of the redevelopment of the properties and that they had secured new residential accommodations once their tenancies were terminated. As such, it is staff’s opinion that no tenant displacement is arising as a result of the planned development and that the project meets exemption as noted above to allow for eligibility under this Program.

Financials:

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 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’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)	\$173,373,000		
Total Pre-Project CVA:			Year: 2023
CVA CX Commercial	\$1,162,000		

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CVA RT Residential	\$599,000		
CVA RT Residential	\$409,000		
CVA RT Residential	<u>\$513,000</u>		
Total	\$2,683,000		
Pre-Project Property Taxes			
Municipal Levy	\$44,849.71		
Education Levy	<u>\$12,552.73</u>		
Pre-Project Property Taxes	\$57,402.44		
*Post-Project CVA			
CVA NT- New Residential	<u>\$76,000,000</u>		
Estimated Post-Project CVA	\$76,000,000		Year: TBD
**Estimated Municipal Levy	\$891,886.83		
**Estimated Education Levy	<u>\$116,280.00</u>		
**Estimated Post-Project Property Taxes	\$1,008,166.83		

*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 (Municipal Property Assessment Corporation).

**2023 tax rates have been used for calculation of the estimated post-development property taxes.

Pre-project Municipal Taxes = Municipal Levy = \$44,849.71
Municipal Tax Increment = \$891,886.83 - \$44,849.71 = \$847,037.12
Payment in Year One = \$847,037.12 x 1.0 = \$847,037.12

ESTIMATED GRANT PAYMENT SCHEDULE

Redevelopment of a property which at the time of application contained a single-family dwelling, two residential duplexes and a lot containing vacant commercial land. The proposed works will see the redevelopment of the properties resulting in the construction of a 23-storey building with a five-storey podium and an 18-storey tower containing 281 residential condominium and 128 parking spaces.

Year	Grant Factor	Tax Increment*	Grant
1	100%	\$847,037.12	\$847,037.12

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Year	Grant Factor	Tax Increment*	Grant
2	75%	\$847,037.12	\$635,277.84
3	50%	\$847,037.12	\$423,518.56
4	25%	\$847,037.12	\$211,759.28
Total		\$3,388,148.48	\$2,117,592.80

*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 of writing this Report. Any minor changes to the planned redevelopment that occur prior to the final Municipal Property Assessment Corporation 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 Revitalizing Hamilton Tax Increment Grant and regeneration efforts in general. This alternative is not recommended.

Financial: Grants totalling \$2,117,592.80 over a four-year period would not be issued.

Staffing: Not applicable

Legal: Not applicable

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED23243 – Location Map

CG/rb