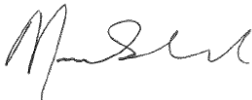




Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 5, 2024
SUBJECT/REPORT NO:	2023 Annual Report for Economic Development Division Financial Incentive and Assistance Programs (PED24082) (City Wide) - REVISED
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Carlo Gorni (905) 546-2424 Ext. 2755 Phil Caldwell (905) 546-2424 Ext. 2359
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

COUNCIL DIRECTION

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 Community Improvement Plan - 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 Revitalizing Hamilton’s Commercial Districts Community Improvement Plan and its programs are intended to apply to properties located within the strategic commercial districts and corridors consisting of the Ancaster, Barton Village, Binbrook, Concession Street, Downtown Hamilton, Dundas, Locke Street, Ottawa Street, Stoney Creek, Waterdown and Westdale Commercial Districts, the

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Mount Hope/Airport Gateway and various other urban Strategic Commercial Corridors as collectively defined through the Revitalizing Hamilton's Commercial Districts Community Improvement Project Area By-law;

- The Environmental Remediation and Site Enhancement Community Improvement Plan - 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 Environmental Remediation and Site Enhancement Community Improvement Plan and its programs are intended to apply to contaminated properties located within historically developed areas of the City as collectively defined through the Environmental Remediation and Site Enhancement Community Improvement Plan By-law; and,

- The Hamilton 'LEED'ing the Way (Leadership in Energy and Environmental Design) Community Improvement Plan – 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 Leadership in Energy and Environmental Design rating system by the Canadian Green Building Council;

The Leadership in Energy and Environmental Design Community Improvement Plan and its program is intended to apply to properties located within the urban area as defined through the Leadership in Energy and Environmental Design Community Improvement Plan 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 Community Improvement Plans 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

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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 targets;
- 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.

Since their inception, the above noted programs continue to leverage significant private sector investment that has to-date resulted in the creation of over 6,800 new residential units and over 2,600,000 square feet (241,548 square metres) of new industrial/commercial/institutional floor area supporting the intensification and revitalization of priority urban areas and sites including downtown, community downtowns, Business Improvement Areas, strategic commercial corridors and brownfields.

INFORMATION

In 2023, the number of program applications received for all programs administered by the Economic Development Division increased by 21% (80-98) compared to 2022 thereby reversing a trend that had seen a lower-than-average number of applications in both 2021 and 2022. While staff are encouraged by this increase, their assessment is tempered by the continuing market uncertainty brought by the recent increases in interest and mortgage rates, persistent inflationary pressures and subsequent fluctuations in construction costs and supply chain impacts and market demand which may have led property owners to cancel or defer planned property improvements and developments supported by City programs.

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In total, 98 program applications were received and processed in 2023. Key highlights from these applications include:

- 40 applications for building façade improvements. This includes seven applications for graffiti removal (none of which were hate related);
- Four applications to the Revitalizing Hamilton Tax Increment Grant Program to support the creation of over 850 new residential units including approximately 350 rental units and approximately 1,800 square meters of new and renovated commercial floor area;
- Nine applications to investigate 2.73 hectares. (6.75 acres) of land for potential soil contamination; and,
- 11 applications for designated heritage building rehabilitation projects.

For further information on the various programs established under the Revitalizing Hamilton's Commercial Districts Community Improvement Plan and those which pertain to buildings designated under either Part IV or V of the *Ontario Heritage Act*, please see Appendix "A" to Report PED24082 - Detailed Application and Financial Statistics (Revitalizing Hamilton Commercial District Community Improvement Plan 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 PED24082 –2023 Downtown Hamilton Development Activity and Appendix "C" to Report PED24082 – 2023 Community Downtown Development Activity, respectively.

For mapping showing applications under the Downtown and Barton/Kenilworth Housing Opportunities Program and the Revitalizing Hamilton Tax Increment Grant Program, please see Appendix "D" to Report PED24082 and Appendix "E" to Report PED24082, respectively.

For further information on the Environmental Remediation and Site Enhancement and Leadership in Energy and Environmental Design Programs, please see Appendix "F" to Report PED24082 – Detailed Application and Financial Statistics (Environmental Remediation and Site Enhancement and Leadership in Energy and Environmental Design Programs).

Updates to the Commercial District Revitalization Grant Program Respecting Graffiti and Vandalism Supports for Commercial Properties and Businesses:

In September 2023, Council approved changes to the Commercial District Revitalization Grant Program (Report PED23140).

The result was a series of temporary and permanent Program amendments which would provide additional support for grants and a revised and expedited application and staff review processes for program applications solely respecting building improvements arising from vandalism or graffiti removal on private commercial properties. The adopted amendments which pertain to instances of vandalism were as follows:

- Allowing for a single contractor quote for building improvements instead of the typical requirement for two quotes;
- The elimination of the Program fee;
- Providing discretion to the Manager of Commercial Districts and Small Business, Economic Development Division, to waive requirements for applicants to submit claims through insurance or submit a copy of a police report in extenuating circumstances; and,
- Increasing the portion of eligible costs which may be considered under the Program from 50% to 100%.

The adopted amendments which pertain to instances of graffiti were as follows:

- A maximum of one grant equalling \$200 would be permitted per instance of graffiti removal occurring on any façade of a commercial or mixed-use commercial building to a total maximum of \$1,000 (five instances of graffiti) per eligible property in a calendar year;
- Applications may be submitted by the property owner or commercial tenant with graffiti removal undertaken by a contractor or by the property/business owner themselves;
- A grant provided solely with respect to graffiti removal shall not be counted towards the maximum available grant amount otherwise available to the subject property to support building improvements under the Program; and,

Applications solely in respect to graffiti removal shall not be subject to an application fee. The above amendments were approved by Council on a temporary basis for a

period of approximately 18-months through to March 31, 2025. The approved Program terms allow for a potential extension of these amendments at the discretion of City Council after one year.

Updates to the Commercial Vacancy Assistance Program:

The Commercial Vacancy Assistance Program was first introduced in October 2021 on a two-year pilot basis as part of the 2021 Revitalizing Hamilton's Commercial Districts Community Improvement Plan comprehensive review. The Program was intended to provide cost-sharing grants of up to \$10,000 to businesses for interior improvements when establishing a permanent or 'pop-up' business in a currently vacant at or below grade commercial space within Downtown and other strategic commercial districts and corridors in the City. The Program was a direct response to staff concerns about a potential rise in commercial storefront vacancies resulting in the aftermath of the COVID-19 pandemic. The program was set to expire on October 22, 2023.

On October 25, 2023, Council adopted the recommendations contained in Report PED23081(a). Among those recommendations was one to make the Commercial Vacancy Assistance Program permanently available. At the same time, Council also adopted amendments to the relevant program terms such that the eligible uses be expanded to include personal service business, microbreweries and commercial entertainment and recreation uses.

Economic Benefits and Development Activity Supported through Tax Increment-Based Grant Programs to End of 2023:

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.

The City currently operates four tax increment-based grant programs: the Revitalizing Hamilton Tax Increment Grant Program, the Barton/Kenilworth Tax Increment Grant Program, the Environmental Remediation and Site Enhancement Redevelopment Grant Program and the Leadership in Energy and Environmental Design Grant Program.

Below are key highlights of economic and development successes achieved since each program's inception until the end of 2023:

- For the Revitalizing Hamilton Tax Increment Grant Program and Barton Kenilworth Tax Increment Grant 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 these two programs, approximately \$23 in private sector investment has been leveraged;
 - Over 3,700 new residential units (of which over 1,800 are rental) and approximately 235,000 square feet (21,832 square metres) of new commercial floor area will have been created through intensification and infill of commercial areas; and,
- For the Environmental Remediation and Site Enhancement Redevelopment Grant 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 Environmental Remediation and Site Enhancement Redevelopment Grant 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 3,500 new residential units and over 1,900,000 square feet (176,516 square metres) of Industrial/ Commercial/Institutional floor area on brownfield sites; and,
 - Since 2001, built and under construction projects will result in an estimated \$1,000,000,000 in new property assessment and generate over

\$11,000,000/annually in new municipal property tax revenue.

- For the Leadership in Energy and Environmental Design Grant Program which provides financial assistance to mitigate increased construction costs required to achieve Leadership in Energy and Environmental Design certification in more environmentally sustainable developments:
 - Over 530,000 square feet (49,239 square metres) 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 (Revitalizing Hamilton Tax Increment Grant Program/Barton Kenilworth Tax Increment Grant Program) or to provide financial assistance to overcome systemic impediments/costs to development (Environmental Remediation and Site Enhancement Redevelopment Grant Program/Leadership in Energy and Environmental Design).

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 (Revitalizing Hamilton Tax Increment Grant Program/Barton Kenilworth Tax Increment Grant Program) 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 Revitalizing Hamilton Tax Increment Grant 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 year's grant payment dropping at an increased rate of 25% versus the original 20%.

This is in contrast to the Barton Kenilworth Tax Increment Grant 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 Revitalizing Hamilton Commercial District Community Improvement Plan, Council approved the following direction at the June 23, 2021, Council meeting in relation to a Motion respecting a Hamilton Light Rail Transit Project Memorandum of Understanding:

"(d) That the Hamilton Tax Increment Grant Program [now Revitalizing Hamilton Tax Increment Grant 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 Revitalizing Hamilton's Commercial District Community Improvement Plan 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 (Revitalizing Hamilton's Commercial Districts Community Improvement Project Area), 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 Community Improvement Project Area 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 Revitalizing Hamilton's Commercial Districts Community Improvement Project Area and programs tentatively scheduled to begin in late 2025.

Aligning Financial Incentive and Assistance Programs to Community and Council Priorities:

Staff have sought to update the direction of City financial incentive and assistance programs in recent years to, where possible, leverage such programs to further encourage and support developments that address additional community and City Council priorities, such as affordable housing and climate change, while reducing the availability or value of incentives for developments that do not address additional priorities. To-date these efforts have included the following:

- In 2021 staff completed the comprehensive review of the Revitalizing Hamilton's Commercial Districts Community Improvement Plan intended to support revitalization and investment in strategic commercial districts, such as downtown Hamilton. Changes recommended by staff were approved by City Council via Report PED21035(a) and came into effect in October 2021. Key program changes introduced included:
 - Updates to the Revitalizing Hamilton Tax Increment Grant Program to provide increased grants for redevelopment projects achieving specific environmental certifications, district energy readiness or which incorporate affordable housing; and,
 - Enhancements to the Commercial District Revitalization Grant Program to expand building improvements eligible under the program to include those which support environmental sustainability including: solar panels/micro-turbine installation; exterior green walls; depaving of hard, impervious surfaces on private property and the installation of electric vehicle charging stations for customers/employees on private property.

- In 2023 staff completed a comprehensive review of the Environmental Remediation and Site Enhancement Community Improvement Plan intended to identify program changes which would continue to support the remediation and redevelopment of brownfields in the City while also ensuring programs are responsive to emerging market conditions and supportive of additional community and City Council priorities. Changes recommended by staff were approved by City Council via Report PED23076(a) and came into effect in July 2023. Key program changes introduced included:
 - The creation of an Environmental Remediation and Site Enhancement Affordable Housing Grant Program to provide grants of up to \$200,000 to off-set remediation costs on sites being developed for not-for-profit housing;
 - Increasing the maximum grant amount provided for environmental studies on sites being investigated for potential not-for-profit housing developments;
 - Incentivizing remediation practices and methods which reduce or eliminate the need for disposal of contaminated soil at landfills; and,
 - Providing increased remediation grants for brownfield projects that achieve additional community/City Council priorities respecting housing affordability and/or environmental sustainability and climate change goals.

Staff continue to seek opportunities to further align and enhance additional programs. In 2024, staff began a comprehensive review of the Leadership in Energy and Environmental Design Community Improvement Plan and associated Leadership in Energy and Environmental Design Grant Program. This tax increment grant-based program currently provides financial incentives to support the certification of developments in the City's urban area under the Leadership in Energy and Environmental Design green building rating system. Staff's review will assess the performance of the existing program and identify potential opportunities for program changes to further support and incentivize 'green' development and redevelopment in support of community and City Council priorities respecting environmental sustainability and climate change.

Staff are tentatively planning to bring recommendations forward for City Council consideration in late 2024.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED24082 – Detailed Application and Financial Statistics (Revitalizing Hamilton's Commercial District Community Improvement Plan and Heritage Programs)

Appendix "B" to Report PED24082 – 2023 Downtown Hamilton Development Activity

Appendix "C" to Report PED24082 – 2023 Community Downtown Development Activity

Appendix "D" to Report PED24082 – Downtown and Barton/Kenilworth Housing Opportunities Program Developments Map

Appendix "E" to Report PED24082 – Revitalizing Hamilton Tax Increment Grant Program Map (2002-2023)

Appendix "F" to Report PED24082 – Detailed Application and Financial Statistics (Environmental Remediation and Site Enhancement and Leadership in Energy and Environmental Design Programs)