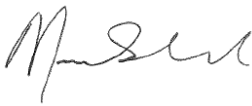




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	December 4, 2024
SUBJECT/REPORT NO:	Revitalizing Hamilton Tax Increment Grant Program Application - 165 James Street South, Hamilton (PED24164) (Ward 2)
WARD(S) AFFECTED:	Ward 2
PREPARED BY:	Phil Caldwell (905) 546-2424 Ext. 2359
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the Revitalizing Hamilton Tax Increment Grant Program Application submitted by James Hughson Inc., as General Partner for, James Hughson Limited Partnership (Core Urban Inc.), for the property at 165 James Street South, Hamilton, estimated to total \$1,227,264 over a maximum of four years based on the incremental tax increase attributable to the redevelopment of 165 James Street South, Hamilton, be authorized and approved in accordance with the terms and conditions of the Revitalizing Hamilton Tax Increment Grant Program;
- (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 Revitalizing Hamilton Tax Increment Grant for James Hughson Inc., as General Partner for, James Hughson Limited Partnership (Core Urban Inc.) for the property 165 James Street South, 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

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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

A Revitalizing Hamilton Tax Increment Grant Program (the Program) Application for the redevelopment of the property at 165 James Street South (the Property), Hamilton was submitted by James Hughson Inc., as General Partner for, James Hughson Limited Partnership (Core Urban Inc.) (the Applicant), the owner of the Property.

The development is now complete and has resulted in two new mixed-use buildings comprising a nine-storey building with 56 residential rental units located at the corner of Augusta Street and Hughson Street South (Building One) and an eight-storey building with 70 residential rental units fronting on James Street South (Building Two) for a total of 126 new residential rental units on the Property. The buildings sit atop a common underground parking structure with each building also containing at grade commercial space totalling approximately 450 square metres. Prior to redevelopment, the Property served as a commercial parking lot.

This is the first application under the Program where the Applicant has elected to pursue the 'enhanced' project stream, introduced in 2021, in which increased Grants are provided for projects which incorporate either affordable housing units or environmental sustainability measures. In this case, the Applicant is intending to meet the Program's requirements for achieving district energy readiness to allow for potential connection to the Downtown Hamilton district energy network.

Construction costs are estimated at \$40,000,000. The assessed value of the Property is estimated to increase from its preconstruction value of \$986,000 to \$23,356,000. This will increase the total annual property taxes realized by the City with the municipal share of this increase (municipal tax increment) estimated at \$306,816 annually. As the development has been identified as an 'enhanced' project, 100% of the municipal tax increment will be granted to the owner in each of the Program's four years for a total estimated Grant of \$1,227,264. Note that each year's Grant payment is calculated based on the actual tax increment realized annually.

The previous and now current use of the Property post-redevelopment are shown below for each building:



Previous and Post Development Condition – Building One (October 2020/June 2024) – 165 Street South (building municipally addressed as 26 Augusta Street), Hamilton viewed looking southeast from Augusta Street and Hughson Street South (Source: maps.google.ca)



Previous and Post Development Condition – Building Two (February 2021/June 2024) – 165 Street South, Hamilton viewed looking east from James Street South (Source: maps.google.ca)

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 equal to 100% of the municipal tax increment realized in each year. Following year four, the City will begin to realize the full municipal

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tax increment from the project of \$306,816 annually for the remaining life of the development.

In accordance with the Council approved Program terms, should the 'enhanced' development requirements not be met prior to the first Grant payment being eligible for payment, the Grant amount provided will revert to the standard non-enhanced formula in which Grants are provided equal to 100% of the municipal tax increment in Year 1 and reduce by 25% in each subsequent year. In such an instance, the estimated Grant would be reduced to an estimated \$767,040.

Staffing: Applications and Grant payments under the Program are administered by staff from the Economic Development Division, Planning and Economic Development Department and the Financial Planning, Administration and Policy Section of the Corporate Services Department.

There are no additional staffing requirements arising from this Report's recommendations.

Legal: The Program is authorized by the Revitalizing Hamilton's Commercial Districts Community Improvement Plan which was last comprehensively reviewed and approved by City Council on September 29, 2021 via By-law No. 21-164.

The Applicant will be required to enter into a Grant Agreement prior to Grant payment which will specify the obligations of the city and the Applicant and will be prepared in a form satisfactory to the City Solicitor.

As projects move forward, it is sometimes necessary to amend previously approved Grant Agreements and any ancillary documentation. Therefore, staff are recommending 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 Program are maintained.

HISTORICAL BACKGROUND

The Program 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 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.

In 2021, the Program was revised to provide a greater financial incentive for projects which incorporate housing affordability and/or environmental sustainability and climate change measures. Such projects would be considered as 'enhanced' under the Program and would be supported with increased Grants in order to better incentive the achievement of these key community and Council priorities within developments and off-set related costs. Optional paths under the Program allowing for a project to be considered 'enhanced' include:

- Receiving certification for the achievement of environmental sustainability standards from an eligible organization/program;
- Incorporating specific building components that would allow for current or future connection of the buildings to a district energy network system; or,
- Incorporating affordable rental housing units which are the subject of an approval under a Canada Mortgage and Housing Corporation, federal, provincial or City program for the purposes of creating residential rental housing.

District Energy systems, also called low-carbon thermal energy networks, distribute thermal energy from a central plant through underground pipes to provide the heating and cooling in interconnected buildings. In Hamilton, Hamilton Community Enterprises operates a district energy system in Downtown Hamilton. Key benefits of district energy include allowing for potentially significant emission reductions from buildings which no longer have to provide their own heating and cooling as well as creating opportunities to provide heating and cooling using a variety of less carbon intensive fuel sources via the central plant.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The Property is identified as being within the Downtown Hamilton Secondary Plan area (Official Plan Amendment 102) which designates the Site as "Downtown Mixed Use" with a Pedestrian Focus on "Map B.6.1-1 – Land Use Plan" and as "Mid-rise" on "Map B.6.1-2 – Maximum Building Heights". These designations are intended to support pedestrian focused developments with building heights between six and 12 storeys.

The development conforms to the designation.

City of Hamilton Zoning By-law 05-200

The subject Site is zoned D2 (Downtown Prime Retail Streets Zone) which is intended to provide a range of uses above grade combined with commercial uses at grade to acknowledge the pedestrian focus of the area and to create an active street level and inviting pedestrian experience.

The development is permitted.

Site Plan Control

The Site is subject to Site Plan Control. The development has received Site Plan approval (DA-21-121).

RELEVANT CONSULTATION

Staff from Financial Services and Taxation and Legal Services of the Corporate Services Department were consulted, and the advice received incorporated in this Report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The Property is located within the Downtown Hamilton Community Improvement Project Area required for eligibility under the Program as established via By-law 21-163.

The redevelopment of the Property, which previously served as a surface commercial parking lot, meet's the Program's intent for eligibility by supporting the following key City objectives:

- 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 to the City;
- Supporting the achievement of Provincial/City residential unit/jobs density targets;
- Maintaining and growing resident populations/jobs in commercial districts to support existing and new commercial businesses;

**SUBJECT: Revitalizing Hamilton Tax Increment Grant Program Application - 165
James Street South, Hamilton (PED24164) (Ward 2) - Page 7 of 9**

- Supporting population/employment concentrations that better utilize existing transit and support new demand and investment in higher-order forms of transit; and,
- Enabling new economic development opportunities.

In addition to the above, the Applicant has elected to pursue district energy readiness which would allow the development to be considered as 'enhanced' and eligible for an increased Grant under the Program.

In accordance with the Council approved Program terms, meeting the 'enhanced' criteria will require the following to be met to the satisfaction of staff:

- Providing space in the development for the sole purpose of future equipment and thermal piping;
- Securing an easement between the mechanical room and the property line to allow for a thermal piping connection; and,
- Including two-way pipes in the building to carry the thermal energy from the district energy network to the section in the building where the future energy transfer station will be located.

Should the above requirements be met, the Applicant will be entitled to receive an increased Grant equal to 100% of municipal tax increment for each of the Program's four years. Should one or more of the above requirements not be met, the development will not meet the 'enhanced' criteria and the Applicant will receive a reduced non-enhanced Grant amount equal to 100% of the municipal tax increment in Year One and reducing by 25% in each subsequent year.

**SUBJECT: Revitalizing Hamilton Tax Increment Grant Program Application - 165
James Street South, Hamilton (PED24164) (Ward 2) - Page 8 of 9**

The following is an overview of pre and post development Property assessments and associated taxes which have informed the estimated Grant contained in this Report:

Grant Level:	100%	
Total Eligible Costs (Maximum)	\$40,000,000	
Total Pre-Project CVA:		
CT Commercial	\$7,000	
GT Commercial Surface Parking	<u>\$979,000</u>	
Total	\$986,000	Year: 2022
Pre-Project Property Taxes:		
Municipal Levy	\$21,324	
Education Levy	<u>\$8,677</u>	
Pre-Project Property Taxes	\$30,001	
Actual Post-Project CVA:		
NT New Multi Residential	\$20,842,500	Year: To be determined
CT Commercial	<u>\$2,513,500</u>	
Total	<u>\$23,356,000</u>	
**Estimated Year 1 Municipal Levy	\$328,139	
**Estimated Education Levy	<u>\$54,008</u>	
**Estimated Total Post-Project Property Taxes	\$382,147	

Provisions for Calculations:

- 1) 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;
- 2) As per Program requirement, the increase in realty taxes is based on the year in which Building Permit that initiated the above grade construction of the development was issued;
- 3) 2024 tax rates have been used for calculation of the estimated post-development property taxes;
- 4) Annual taxes exclude any Local Charges; and,

5) All dollar figures rounded.

Estimated Grant Payments

The estimated Grant Payments under the terms of the Program are provided below and based on the following municipal property tax increment calculation:

Pre-project Municipal Taxes = Municipal Levy = \$21,324

Estimated Post Project Municipal Taxes = Municipal Levy = \$328,140

Municipal Tax Increment = \$328,140 - \$21,324 = \$306,816

Annual Payment in Year One through Four = \$306,816 x 1.0 = \$306,816

Year	Grant Factor	Tax Increment	Grant
1	100%	\$306,816	\$306,816
2	100%	\$306,816	\$306,816
3	100%	\$306,816	\$306,816
4	100%	\$306,816	\$306,816
Total		\$1,227,264	\$1,227,264

The Grant Agreement required to execute the Grant payments will contain provisions respecting the timing of payments and criteria for calculating the Grant payment in each year to ensure Grant payments reflect the Property's actual assessed value and actual municipal taxes levied each year. The Applicant will be required to accept the terms and conditions of the Grant Agreement prior to any Grant payments being made.

ALTERNATIVES FOR CONSIDERATION

The Application meets the eligibility criteria and requirements of the Program. Declining a Grant and/or approving a reduced amount would undermine the principles of the Program and urban regeneration efforts in general. This alternative is not recommended.

In the event the project is not considered for the Program, the Application should be referred to staff for further information on possible financial and/or legal implications.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED24164 – Location Map