



City of Hamilton Report for Information

To: Mayor and Members
General Issues Committee

Date: May 21, 2025

Report No: PED25133

Subject/Title: 2024 Annual Report for Economic Development
Division Financial Incentive and Assistance
Programs

Ward(s) Affected: City Wide

Recommendations

That Report PED25133 respecting the 2024 Annual Report for Economic Development Division Financial Incentive and Assistance Programs **BE RECEIVED** for information.

Key Facts

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

Financial Considerations

No new funding or staffing resources are required. All programs are administered and funded from existing resources currently allocated to the Division.

Background

In the context of the various financial incentive programs offered by the City of Hamilton, the Division administers the following Community Improvement Plans:

- The Revitalizing Hamilton’s Commercial Districts Community Improvement Plan (“the 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 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 Mount Hope/Airport Gateway and various other urban Strategic Commercial Corridors as collectively defined through the Plan's 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 Project Area By-law; and,
- The Hamilton 'LEED'ing the Way (Leadership in Energy an 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 an Environmental Design rating system by the Canadian Green Building Council;
 - The Hamilton Leadership in Energy an Environmental Design Community Improvement Plan and its program are intended to apply to properties located within the urban area as defined through the Hamilton Leadership in Energy an Environmental Design Community Improvement Project Area By-law.

In addition to the above, the Division also administers 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 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;
- Enabling new economic development opportunities;
- Retaining, rehabilitating, and supporting the adaptive reuse of significant cultural heritage resources; and,
- Encouraging and supporting environmentally sustainable developments.

Analysis

In 2024, the number of program applications received for all programs administered by the Economic Development Division decreased slightly by 5.3% (98-93) compared to 2023. On a program basis, most of them fluctuated slightly compared to their respective number of applications received in 2023.

In the case of the Commercial District Revitalization Grant Program, there was a decrease in the number of applications compared to the previous year for improvements not related to the removal of graffiti. In its first full year of program eligibility, thirty-nine applications for graffiti removal were received. Staff are encouraged by this uptake in this eligible expense under the Program.

Overall, Staff are encouraged by this final total as it shows a continuing interest in the various programs offered by the Division; this despite the continuing high interest environment that began in 2023 and has resulted in deferred or cancelled planned improvements that might have otherwise taken advantage of the City's programs.

Staff believe that the challenges faced by the City and its commercial districts make the Division's programs as important as ever. During these challenging

times, City support of small businesses and their respective property owners, through the offering of programs which allow for the improvements to properties and/or their viability to host commercial enterprises, assist in maintaining the attractiveness of these areas to both residents of and visitors to the city.

In total, 93 program applications were received and processed in 2024. Key highlights from these applications include:

- 59 applications for building façade improvements. This includes 39 applications for graffiti removal (two of which were seen by the applicant as hate related; one of which was reported to the police by the applicant);
- Two applications to the Revitalizing Hamilton Tax Increment Grant Program were approved to support the creation of 126 new residential rental units, a new 40-room hotel and approximately 821 square meters of new and renovated commercial floor area;
- Two applications to the Barton Kenilworth Tax Increment Grant Program were approved to support the creation of 44 new residential rental units and approximately 130 square meters of new and renovated commercial floor area;
- Three applications to investigate 0.06 ha. (0.15 ac.) 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 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 PED25133 - Detailed Application and Financial Statistics (Revitalizing Hamilton's Commercial Districts 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 PED25133 - Downtown Hamilton Development Activity and Appendix C to Report PED25133 - 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 PED25133 and Appendix E to Report PED25133, respectively.

For further information on the Environmental Remediation and Site Enhancement

Community Improvement Plan and Leadership in Energy and Environmental Design Programs, please see Appendix F to Report PED25133 – Detailed Application and Financial Statistics (Environmental Remediation and Site Enhancement Community Improvement Plan 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 application 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 \$200.00 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 \$1,000.00 (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 18-months through to March 31, 2025. On December 11, 2024, Council adopted the recommendations found in Report PED24163 which resulted in these amendments becoming a permanent part of the Program.

Economic Benefits and Development Activity Supported through Tax Increment-Based Grant Programs to End of 2024:

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 2024:

- 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 programs, approximately \$22 in private sector investment has been leveraged; and,
 - Over 4,200 new residential units (of which over 2,000 are rental) and approximately 244,880 sq. ft. (22,750 sq. m.) of new commercial floor area will have been created through intensification and infill of commercial areas.
- 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, over \$18 in private sector investment has been leveraged;
 - 206.9 acres (83.7 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 sq. ft (177,000 sq. m.) of Industrial/Commercial/Institutional floor area on brownfield sites; and,
 - Since 2001, built and under construction projects will result in over \$1,076,000,000 in new property assessment and generate over \$11,800,000/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 the Leadership in Energy and Environmental Design 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 (Revitalizing Hamilton Tax Increment Grant Program and Barton Kenilworth Tax Increment Grant Programs) or to provide financial assistance to overcome systemic impediments/costs to development (Leadership in Energy and Environmental Design/ Environmental Remediation and Site Enhancement Redevelopment Grant Programs).

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 years' 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 Plan, 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 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, 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 Plan 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 improvement 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 the 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 bringing recommendations forward for City Council consideration in the third quarter of 2025 to replace the Leadership in Energy and Environmental Design Community Improvement Plan with a new community improvement plan that, among other things, expands eligibility of sustainable building beyond Leadership in Energy and Environmental Design certifications.

Relationship to Council Strategic Priorities

1. Sustainable Economic & Ecological Development
 - 1.1. Reduce the burden on residential taxpayers

2. Safe & Thriving Neighbourhoods
 - 2.2 Make sure people can safely and efficiently move around by food, bike, transit or car

Appendices and Schedules Attached

Appendix A - Detailed Application and Financial Statistics (Revitalizing Hamilton's Commercial Districts Community Improvement Plan and Heritage Programs)

Appendix B - 2024 Downtown Hamilton Commercial District Community Improvement Project Area Development Activity

Appendix C - Community Downtown Development Activity

Appendix D - Downtown & Barton/Kenilworth Housing Opportunities Program Developments Map

Appendix E - Revitalizing Hamilton Tax Increment Grant Program Map

Appendix F - Detailed Application and Financial Statistics (Environmental and Site Enhancement and Leadership in Energy and Environmental Design Programs)

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