



Hamilton

CITY OF HAMILTON

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Growth Management Division**

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: September 19, 2012	
SUBJECT/REPORT NO: Accelerate Shovel-ready Strategy for Industrial Servicing and Transportation (ASSIST) Incentive Program Review (PED12171) (City Wide)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Guy Paparella (905) 546-2424 Ext. 5807 Jason Thompson (905) 546-2424 Ext. 3933
SIGNATURE:	

RECOMMENDATIONS

- (a) That the 2010 Capital Budget Program Accelerated Shovel-ready Strategy for Industrial Servicing and Transportation (ASSIST) Incentive Program Review, be discontinued;
- (b) That the \$2 Million in approved funding be reallocated to the City's Land Banking Program (for a total commitment of \$6 Million).

EXECUTIVE SUMMARY

In 2010, Council approved the Accelerate Shovel-ready Strategy for Industrial Servicing and Transportation (ASSIST) Incentive Program for all Industrial-Business Parks and Industrial Areas in the City of Hamilton. The basis of the program was that once private-owned industrial lands are identified, either through approved Draft Plans of Subdivision or approved Development Agreements for Consents, they would qualify for

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financial assistance under the proposed program. The parameters for the program provided for front-end financing for servicing up to \$2 Million with financing at the City's external financing rate of 3.25 to 5.24 percent for a 5 to 15 year term plus .25 of a percent for an internal administration fee.

It was anticipated that the advantage to the developer and the City was that it helped share the load of front-ending and cash flow financing. In addition, it would give the private sector the ability to service and market the land as a shovel-ready product that can then move to a building construction stage much more quickly.

However, when developers reviewed the ASSIST Program, they determined that the loan, and its parameters, did not represent sufficient enough incentive to front-end the servicing of industrial lands.

Since the implementation of the program, no developer has entered into an agreement with the City, and as a result, staff is recommending that Council support the discontinuance of the ASSIST Program and reallocate the \$2 Million in funding to the City's Land Banking Program (refer to Report PED11222 which originally approved \$4 Million and was passed by Council December 14, 2011). This would bring the total funding available for the City's Land Banking Program to \$6 Million.

Alternatives for Consideration – See Page 4

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: Staff is recommending that Council support the discontinuance of the ASSIST Program and reallocate the \$2 Million in funding to the City's Land Banking Program (refer to Report PED11222 which originally approved \$4 Million and was passed by Council December 14, 2011). This would bring the total funding available for the City's Land Banking Program to 6 Million.

Staffing: Not Applicable.

Legal: There are no legal implications if the City of Hamilton were to discontinue the ASSIST Program.

HISTORICAL BACKGROUND (Chronology of events)

In 2010, staff introduced a new incentive program to address the issues of risk in the front-ending process when servicing industrial land. The program was called Accelerate Shovel-ready Strategy for Industrial Servicing and Transportation (ASSIST). All Industrial-Business Parks and Industrial Areas in the City of Hamilton were included in

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this program. Since the initial introduction of the ASSIST Program to the development community in 2010, staff has dealt with numerous inquiries and interest in the program. The main focus of inquiries came from developers interested in developing in the Stoney Creek Industrial Business Park, the Ancaster Industrial Business Park and the North Glanbrook Industrial Park. To date, no developer has taken advantage of the ASSIST Program and the funds allocated to this program have not been used for any development of industrial lands.

POLICY IMPLICATIONS

There are no policy implications with discontinuing the ASSIST Program.

RELEVANT CONSULTATION

Staff have consulted with the development community, as well as, City Department's including Legal Services and Finance.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Staff has been involved and continued to work with developers to take advantage of the ASSIST Program since it was initially approved in 2010. Over this time period, staff has had several meetings with interested developers, specifically in relation to the Stoney Creek, Ancaster, and the North Glanbrook Industrial Park areas. As the details of the program were explained to the interested parties, the biggest issue involved the program not being able to offer a competitive interest rate compared to other financing sources that were available to them. The City's external financing rate fell within a range of 3.25 percent to 5.25 percent for a 5 to 15 year term, which at the times of discussion with interested developers, was higher than what they could get through other conventional financing sources.

In addition to the above, some developers did not see the financing for servicing up to a maximum of \$2 Million as a large enough incentive for substantially large industrial projects. Some projects would then have to obtain financing from multiple sources which was seen as an administrative disadvantage.

It should also be noted that the dramatic increases in non-residential building activity in Hamilton and the attraction of large companies (i.e. Maidstone, Maple Leaf, Canada Bread, etc.) to the City is contributing to a market demand for serviced industrial/commercial properties. This trend combined with the Planning and Economic Development Department's aggressive marketing efforts in the Greater Toronto Area, nationally and internationally to attract business will continue to increase interest in

Hamilton as a location for business. Sustained economic development success should serve as sufficient stimulus for the private sector to service employment lands without a financial contribution from the municipality. Senior staff feel that is also prudent to build up our funding in the new Land Banking Reserve which was approved as part of the 2012 Capital Budget with initial funding of \$4 Million approved. With only 50± acres left in City ownership within our Business Parks, it is important for the City to have land we can directly use for our business attraction efforts.

Taking this into account and the fact that no developer has taken advantage of the program to date, it is staff's opinion that the ASSIST Program be discontinued and that the funds allocated to the ASSIST Program be returned to the City of Hamilton's Strategic Initiatives Budget for redistribution.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

That Council direct staff to continue the program and complete a Community Improvement Plan which would include a no interest or low interest loan program for all the City of Hamilton Industrial Business Parks and industrial areas. The Community Improvement Plan would be utilized to stimulate private sector investment through an incentive based program so as to avoid concerns with bonusing under the Municipal Act.

Since January 1, 2007, Municipal Councils can now adopt Community Improvement Plans without need for formal approval of the Minister of Municipal Affairs and Housing.

The process involved for the implementation of a Community Improvement Plan is to prepare the plan in consultation with the Ministry of Municipal Affairs and Housing and hold public forums with citizens and key stakeholders. Once the Community Improvement Plan is prepared in its final form, the Planning Act requires the holding of a Public Meeting prior to the plan being considered by Council for adoption. Once Council adopts the Community Improvement Plan, notice of its decision must be provided in accordance with the requirements of the Planning Act and a 20 day appeal period commences. At the end of the appeal period, if there is no appeal to the Ontario Municipal Board, the Community Improvement Plan comes into effect.

Funding for this program would be included as part of the City Capital Budget process for Council's consideration. This alternative is not recommended as considerable monies would have to be allocated involving interest costs in the Planning and Economic Development Department's operating budget, similar to the Downtown Loan Programs.

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Another alternative for Council's consideration would be to discontinue the ASSIST Program and allocate the \$2 Million in funding to the City of Hamilton's Unallocated Capital Reserve 108020. While the City's Unallocated Capital Reserve balance as at July 31, 2012 is \$28.7 Million, commitments against this reserve for the balance of the year has a projected year-end balance of approximately \$15 Million. Projected year-end balances for 2013 and 2014 are \$10 Million and \$9.5 Million respectively. The justification for returning the funds to the Unallocated Capital Reserve 108020 is to maintain a sufficient balance for future in-year requirements.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Effective and sustainable Growth Management
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- ◆ Address infrastructure deficiencies and unfunded liabilities

Growing Our Economy

- ◆ Competitive business environment
- ◆ Newly created or revitalized employment sites

Healthy Community

- ◆ Plan and manage the built environment

APPENDICES / SCHEDULES

Not applicable.

:GP/JT/ra