TO: Chair and Members
    Economic Development and Planning Committee

WARD(S) AFFECTED: WARD 3

COMMITTEE DATE: July 5, 2010

SUBJECT/REPORT NO:
Hamilton LEEDing the Way, LEED Grant Program Application (LGP-10-01), Spallacci Contracting Ltd., 255 West Avenue North, Hamilton (PED10145) (Ward 3)

SUBMITTED BY:
Tim McCabe
General Manager
Planning & Economic Development Department

PREPARED BY:
Brian Morris
(905) 546-2424 ext. 5602

SIGNATURE:

RECOMMENDATION:

(a) That Hamilton LEEDing the Way, LEED Grant Program Application LGP-10-01, submitted by Spallacci Contracting Ltd., for the property at 255 West Avenue North, Hamilton, for a LEED Grant not to exceed $285,725 payable to Spallacci Contracting Ltd. over a maximum of five (5) years, be authorized and approved in accordance with the terms and conditions of the LEED Grant Program Agreement.

(b) That the City enter into a LEED Grant Program Agreement with Spallacci Contracting Ltd. regarding the terms and conditions governing the payment of a LEED Grant for, and redevelopment of, 255 West Avenue North, Hamilton, with such agreement to be satisfactory to the City Solicitor.
EXECUTIVE SUMMARY

A Leadership in Energy and Environmental Design (LEED) Grant Program (LGP) application was submitted by Spallacci Contracting Ltd. for redevelopment of the property at 255 West Avenue North, Hamilton (Appendix A to Report PED10145). The application for a LEED Grant is a result of the conversion and construction of an existing heritage designated and vacant school (West Avenue Public School) into 27 affordable housing rental units with Live/Work space in the attic. This project, when complete, is classified as multi-unit residential under Part 3 – Group C of the building code. The applicant wishes to attain LEED certification at the Gold level.

The Grant application is for $285,725 in eligible incremental construction costs, consultation, certification and energy modelling fees. Estimated project construction costs are $4,950,000. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $287,997 to approximately $1,725,000. This will increase total annual property taxes generated by this property. The municipal share of this property tax increase (municipal tax increment) will be approximately $15,858.31 of which 75% or approximately $11,893.73 would be paid to the owner in the form of an annual grant for approximately five (5) years up to an amount not to exceed total costs eligible for the LGP of $285,725.

Under the LEED Grant Program, there is no actual loss of tax revenues to the City. The annual grant paid by the City to the owner is actually paid out of increased taxes generated by the development taking advantage of the LEED Grant Program.

This application meets the grant criteria specified in the 2010 Hamilton LEEDing the Way Community Improvement Plan (CIP). This redevelopment will result in the physical enhancement and sustainability of this vacant site leading to the development of the proposed residences and will result in a significant long-term increase in assessment and property tax revenues to the City. The City, under the terms of the LEED Grant Program will need to enter into a LEED Grant Agreement with the owner, as specified in the Hamilton LEEDing the Way CIP.

Alternatives for Consideration – See Page 6

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

Financial: As per the LEED Grant Program, the City will provide the applicant with an annual grant equivalent to 75% of the increase in municipal taxes up to the total eligible cost figure of $285,725 or up to five years, whichever comes first after the property has
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

attained official LEED certification from the Canadian Green Building Council. At that time, the City will begin to collect and retain the full municipal portion of the tax increment.

**Staffing: N/A**

**Legal:** The provision of the LEED Grant Program is authorized in the Hamilton LEEDing the Way CIP which was adopted and approved in 2008 and the expansion to the original plan in 2010 under Section 28 of the Planning Act. The LEED Grant Program Agreement will specify the obligations of the City and the applicant. The Agreement will be prepared in a form satisfactory to City Solicitor.

**HISTORICAL BACKGROUND** (Chronology of events)

The terms and conditions of the LEED Grant program were initially approved by City Council as part of the Hamilton LEEDing the Way Community Improvement Plan September 10, 2008 and subsequently amended by City Council at its meeting held March 10, 2010. This amendment included the provision of mixed-use and multi-unit residential (as defined in Pat 3 – Group C of the building code) developments / redevelopments to be added to industrial and commercial as eligible projects under the terms and conditions of the LEED Grant Program in the expanded Hamilton LEEDing the Way Community Improvement Project Area (entire urban area of the City of Hamilton). The objective of the program is to stimulate sustainable building practices within the urban area by offering a financial incentive to alleviate some of the additional costs associated with LEED certified developments.

In 2007, Housing Division staff issued Request for Proposal (RFP) C10-28-07 seeking proponents to apply for COAHP funding in tandem with the purchase of the City-owned site located at 255 West Avenue North, Hamilton (the former West Avenue School).

On April 2, 2008, through joint Report ECS08017/PED08088, City Council approved funding through the Hamilton Affordable Housing Partnership Initiative Fund (HAHPIF) for Spallacci Contracting Ltd.’s affordable housing project, located at 255 West Avenue North, Hamilton. At the time, this project also received $1.12 million in Federal/Provincial funding through the Canada-Ontario Affordable Housing Program (COAHP). Financial assistance in the amount of $400,000 was approved by Council as a forgivable loan to assist with the affordable rental housing portion of the project. Council also approved additional financial assistance of up to $420,000 to assist with environmental remediation costs associated with the development, as identified by the project’s environmental consultant. Spallacci Contracting Ltd. evidence is that the
actual environmental remediation cost is $73,367.47. Therefore, the total amount of HAHPIF assistance to be provided to Spallacci Contracting Ltd. will be $473,367.47.

On December 10, 2008, an agreement was signed between the Province of Ontario and Spallacci Contracting Ltd. for 16 affordable rental housing units. Subsequent to that agreement, the proponent requested COAHP funding for an additional 11 units. Provincial approval was given on June 23, 2009. With a partial subsidy of $1.89 million in Federal and Provincial funding to assist with capital costs, the 27 units will offer rents that are 20% below Canada Mortgage and Housing Corporation’s (CMHC) average market rents for Hamilton.

The former school is also designated as a heritage building, under Part IV of the Ontario Heritage Act, and the proponent has committed to maintaining the important Victorian characteristics of the property. As well, the proponent has indicated to City staff that the school will be the first heritage property in the Province of Ontario to have Leadership in Energy and Environmental Design (LEED) certification.

On May 13, 2010, Spallacci Contracting Ltd. submitted an application to the LEED Grant program after learning of the expansion of the Hamilton LEEDing the Way Community Improvement Plan Area to the urban area boundary and including mixed-use and multi-unit residential developments/ redevelopments as eligible projects in March 2010. Construction for the project commenced in January 2010.

POLICY IMPLICATIONS

Report PED10145 relates to the processing of an application under the LEED Grant Program which is contained within the Council approved Hamilton LEEDing the Way Community Improvement Plan.

RELEVANT CONSULTATION

The grant application was circulated to the Corporate Services Department (Taxation Division and Legal Services Division), Community Services Department (Housing and Homelessness Division) and the Planning and Economic Development Department (Planning Division, Downtown and Community Renewal Division and Building Division) for comment. The pertinent departmental comments are provided below. As per the Hamilton LEEDing the Way CIP, the grant application was reviewed by the Planning and Economic Development Department (Economic Development and Real Estate Division) in consultation with the Planning Division and Budgets and Finance Division. None of the comments received from staff suggest that the application not be approved.
Departmental Comments:

Taxation Division

The 2009 assessed value was $287,997 and the property was classed as Commercial Taxable (CT). Property taxes are paid in full. Taxes for 2009 (as calculations for 2010 are not yet available) on this property total $12,286.00 is broken down as follows:

Municipal Levy = $ 7,180.94  
Education Levy = $ 4,471.76  
Business Improvement Area Levy = $ 633.30  
Total = $12,286.00

Legal Services Division

The Owner and the City shall enter into the appropriate LEED Grant Program Agreement as a condition of this grant in accordance with the provisions of the Hamilton LEEDing the Way CIP.

Building Division

The proposed redevelopment of 27 units falls under Part 3 – Group C of the Building Code.

Downtown and Community Renewal Division

255 West Avenue is located within the boundaries of the Downtown and Community Renewal Community Improvement Project Area (CIPA), specifically the Barton Village CIPA an area in need of regeneration. Financial tools created and offered through the Downtown and Community Renewal Division provides incentives to preserve and enhance significant heritage resources and encourage intensification. To this end, City Council at its meeting held May 27, 2009 approved funding for 255 West Avenue under the Hamilton Heritage Property Grant Program (HHPGP) and the Commercial Corridor Housing Loan and Grant Program (CCHLGP), formerly the Main Street Housing Loan and Grant Program.

The grant commitment under the Hamilton Heritage Property Improvement Grant Program was in the amount of $150,000 for the replacement of windows; re-pointing and cleaning of the exterior façade; roofing and restoration of broken slate tiles; reconfiguring and restoring the entranceway; and, restoring the cupola, dormers, cornice and eaves. The loan commitment under the Commercial Corridor Housing Loan and Grant Program was in the amount of $200,000 for the conversion of a former...
institution to a 27 unit multiple dwelling. Under the same Program a $5,000 grant commitment was also approved for related professional fees.

In order to meet milestone and benchmarking data for the advancement of funds under the Commercial Corridor Housing Loan and Grant Program, Spallacci Contracting Ltd.'s architect has submitted a progress claim certifying that 60% of the project is complete as of April 16, 2010. Estimated project completion is fall of 2010.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

At commencement of the project, the LEED Grant Program was not available to multi-unit residential developments/redevelopments within the urban boundary. Although the LEED Grant Program is not retroactive in nature, and despite the redevelopment project being over 60% complete, the LEED Grant Program was not available to property owners/developers in the urban area for mixed-use and multi-unit residential projects until April 16, 2010 (End date for appeal period to expansion of the Hamilton LEEDing the Way CIP). Once learning of the expansion of the LEED grant program, making this project eligible, Spallacci Contracting Ltd. submitted their application. Aside from the project commencement date, the application meets all of the eligibility requirements under the expanded Hamilton LEEDing the Way CIP and LEED Grant Program and represents the first formal application to the LEED Grant Program since the program’s inception in fall of 2008.

Furthermore, this redevelopment and infill project will contribute to revitalization and redevelopment of the entire neighbourhood surrounding, and including, the Hamilton General Hospital.

**ALTERNATIVES FOR CONSIDERATION:**

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

Council may choose to decline this application and related grant payment based on the fact that this project is over 60% completed as of April 16, 2010.
CORPORATE STRATEGIC PLAN  (Linkage to Desired End Results)


Financial Sustainability
- Financially Sustainable City by 2020
- Effective and sustainable Growth Management
- Generate assessment growth/non-tax revenues

Growing Our Economy
- Competitive business environment

Social Development
- Everyone has a home they can afford that is well maintained and safe

Environmental Stewardship
- Reduced impact of City activities on the environment
- Aspiring to the highest environmental standards

Healthy Community
- Plan and manage the built environment
- An engaged Citizenry
- Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

APPENDICES / SCHEDULES

Appendix A: Location Map for 255 West Avenue North

BM:dt