Council Direction:

Council, at its meeting of March 28, 2012, approved the following through General Issues Committee Report 12-007: “That staff be requested to report to the appropriate General Issues Committee meeting with regard to participation by new and existing businesses in either LEED or LEED standards programs in the City of Hamilton and obtain/provide similar information from other municipalities to assist in the development of the report, and that the report include information with respect to the incremental cost of LEED certification (silver, gold, platinum) as it applies to the use of the City program by local stakeholders”.

Information:

The Hamilton LEEDing the Way Community Improvement Plan and the LEED Grant Program have been in place since September 2008. At that time, new employment land was being serviced and brought on stream in several of the City’s industrial areas and business parks, including Ancaster, Stoney Creek and the Red Hill Business Park. The Economic Development Division assumed administration of the program in 2010 and expanded the program to the entire urban area and in doing so, also made the program available to additional types of developments (including mixed-use and multi-unit residential).

The purpose of the LEED Grant program is to encourage private sector investment in sustainable land development and building practices and to help offset the additional
costs of a LEED certified project against future taxes payable on the site that result from development or redevelopment. The City will share (50/50) the incremental construction cost (to a maximum), consultation, energy modelling and certification fees with the applicant to achieve LEED certification. Grants are calculated on the basis of the rating of official certification under the LEED rating system by the Canadian Green Building Council (CaGBC). The Grant is up to five (5) years and shall be an amount which does not exceed 75% of the municipal realty tax increase during the term of the grant.

Since its inception, there have been four (4) applications to the LEED Grant Program: One (1) multi-unit residential - The West Avenue Residences (255 West Avenue North), and three (3) industrial applications - Canada Bread (783 Nebo Road), Maple Leaf Foods Ltd. (440 Glover Road) and Activation Laboratories Ltd. (41 Bittern Street). There has also been one (1) industrial application, 918 South Service Road (Union Gas), to the ERASE Redevelopment Grant Program which also includes eligible LEED certification costs.

In addition to the five (5) applications noted above, there are several other buildings in Hamilton that have achieved LEED certification including several government and institutional facilities which are not eligible for the LEED Grant Program (i.e. CANMET Materials Technology Laboratory, City of Hamilton’s Woodward Avenue Environmental Laboratory, McMaster University Engineering Technology Building and Les Prince Hall) and a few private developments, such as Steel Care’s Plant 19 and West Village Suites Residences, that achieved LEED certification prior to the Grant Program being in place. Moreover, ongoing dialogue with property owners, businesses, the development industry and contractors suggest that there are a number of projects that have or are in the process of incorporating many energy efficient, sustainable and “green” initiatives, but that have not, or will not be pursuing LEED certification, with the most common reasons for not pursuing the certification being: additional costs, lack of resources, and additional reporting.

Other comments observed in the creation of Report PED13024 with respect to participation by new or existing businesses in LEED standard program in Hamilton is the efficiencies created through perceived reduced operations and maintenance costs, specifically with respect to hydro and other energy related uses. New businesses in the Red Hill Business Park, for instance, face an increased premium in terms of hydro related costs by being in a Hydro One served territory as opposed to a Horizon Utilities served territory. Energy efficiencies and participation in the LEED program are one way to mitigate those impacts and keep the area competitive.

While no other municipality in Canada has a stand-alone tax increment equivalent grant program for LEED certified developments (that the City is aware of at the time of writing this Report), there are several municipalities that have programs in place or are undertaking the development of policies towards “green” development and LEED certification. Many of the incentives offered are for residential construction, i.e.) the former Kitchener Green Housing Incentive Program, or the Guelph Blue Built Homes
Program, while others offer other forms of incentives for sustainable commercial/industrial developments. Caledon, as an example, offers a Green Development Pilot Program which offers developers that are undertaking new commercial and industrial projects to qualify for local Development Charge (DC) discounts by achieving a range of green technology measures and/or attaining certain levels of LEED certification. Other larger Cities, such as Toronto and Vancouver, have mandatory performance measures with supporting guidelines for sustainable development practices that go above and beyond the Building Code. In Toronto’s case, the Toronto Green Standard has a stream (tier 2) which is voluntary but offers development charge rebates to developers who successfully achieve certain requirements and specifications. Other municipalities, such as York Region and the City of Burlington, are reviewing programming with the intent of implementing sustainable building policies or guidelines.

Because the LEED Grant program is still relatively new since the expanded version and first application in 2010, there have been no applicants that have reconciled eligible costs and none have received a grant payment from the City of Hamilton, to date. In this instance, it is difficult to determine the incremental costs of LEED certification in general, and as it relates to the incentives offered through the City’s LEED Grant Program. Staff should have a better understanding of the level of incentive offered and its effectiveness in helping businesses and developers offset incremental costs towards LEED certification at the varying levels by the time the mandatory five (5) year review of the LEED Grant Program comes into effect (2015). It is at this time staff will be in a better position to report back on effectiveness of the program and its impact on the City’s budgetary process in consultation with staff from Finance and Taxation. Staff will also, at this time, be reviewing recommendations for continuation or ending of the program.

Lastly, the benefits (environmental, economic and social) of sustainable development practices and LEED certified projects are well documented for business, but more importantly, for communities (please reference the Hamilton LEEDing the Way Community Improvement Plan (CIP) for a synopsis). There is evidence that the Program has been successful in garnering national attention and impacting the changing image of the City of Hamilton as well as having played a role in the attraction and retention of new and existing companies to Hamilton.

Hamilton has gained a reputation, provincially and nationally, for its innovative economic development related incentive programs. The LEEDing the way CIP is considered a best practice and has played a significant role in the attraction of two major plant locations (see Appendix "A") creating 1,000 new jobs and the retention / expansion of established local companies like Activation Laboratories and Union Gas. In 2011, the Hamilton LEEDing the Way Community Improvement Plan (CIP) won the EDAC/RBC Financial Group Economic Development Achievement of the Year Award presented at the annual Economic Developers Association of Canada (EDAC) conference. The CIP
and LEED Grant program have also been mentioned in several industry publications and magazines.

BM/dkm

Appendix “A” – Letter from Maple Leaf Foods (dated December 13, 2012)
December 13, 2012

Delivered via Electronic Mail

Neil Everson  
Director of Economic Development and Planning  
City of Hamilton  
71 Main Street West, 7th Floor  
Hamilton, Ontario L8P 4Y5

Dear Neil:

On behalf of Maple Leaf Foods I can confirm that the City’s unique LEED Grant Program was an important point of difference as we considered various locations in Ontario for our new bakery and prepared meats facilities. As you know, these facilities are establishing over 1,000 new jobs in Hamilton.

Like many companies, our goal is to build new facilities to the highest possible standards of environmental sustainability but this is not easy when capital is scarce and profit margins are tight. Even where companies know that LEED recognition is helpful in the long run to reducing operating costs (for example in relation to energy and water consumption) and that LEED recognition benefits corporate reputation, customer relations and employee attraction, the higher construction costs necessary to achieve LEED are difficult to justify at the outset of a large, costly project.

Hamilton’s program wisely recognizes this by allowing a portion of the cost to be offset against property taxes in the start-up period when the company’s balance sheet is stretched and plant operations are unlikely to be profitable. Simply put, the design and delivery of the program is a good business attraction tool for Hamilton while also fostering a “green image” that makes the city a more attractive place to live. We are grateful to Hamilton City Council for making the program available to Maple Leaf Foods.

Sincerely,

Rory McAlpine  
Vice President, Government and Industry Relations

Maple Leaf Foods Inc. 6985 Financial Drive, Mississauga, ON, Canada M5N 0A1 tel. 905.285.5000 fax. 905.285.6000