SUBJECT: Enterprise Zone Municipal Realty Tax Incentive Grant Program – 47 Caroline Street North, EZ04/04 (PED08213) (Ward 2)

RECOMMENDATION:

That the Enterprise Zone grant, as detailed within Report PED08213, be applied to 47 Caroline Street North, as the redevelopment of the property is complete and the terms and conditions of the program have been satisfied.

EXECUTIVE SUMMARY:

Report PED08213 relates to the processing of an application under the Enterprise Zone – Municipal Realty Tax Incentive Grant Program for the property located at 47 Caroline Street North. A location map is attached as Appendix “A” to Report PED08213. This development represents the eighth completed Enterprise Zone Program application since the program’s inception in 2002. As such, a program of grant payments as contemplated under the terms of the program are discussed within the report and will total approximately $550,155 over a five-year period.
BACKGROUND:

On August 22, 2001, Council approved an amendment to the Downtown Hamilton Community Improvement Plan which introduced the “Enterprise Zone – Municipal Realty Tax Incentive Grant Program” (“EZ Program”). Since that time, a number of program refinements have been approved by Council. The EZ Program applies to properties within the Downtown Hamilton Community Improvement Project Area. Under the original terms of the EZ Program, a nine-year grant was available not to exceed the increase in municipal realty taxes as a direct result of the development/redevelopment of the land and/or building. The grant was not to exceed 100% of the municipal realty tax increase during the first five (5) years, 80% in year six (6), 60% in year seven (7), 40% in year eight (8) and 20% in year nine (9). One of the program enhancements approved since the original program was introduced, was the ability of a developer of residential condominium units to assign the grant to first condominium purchasers of each unit. By choosing this option, the grant program is reduced from nine (9) years to five (5) years at 100%. The developer of 47 Caroline Street North chose the option to assign the grant to the original condominium purchasers.

ANALYSIS/RATIONALE:

The purpose of Report PED08213 is to recommend a program of grants for the first condominium purchasers of each unit for 47 Caroline Street North. The redevelopment of the property represents the eighth completed and reassessed development submitted under the EZ Program and the third completed project where the developer has chosen to assign the grant to the first condominium purchasers. At its meeting held June 30, 2004, City Council approved the redevelopment of a vacant lot at 47 Caroline Street North to a 40 residential unit building as an eligible project under the terms of the EZ Program. As the project progressed the number of condominium units increased to a total of 51.
Grant payments to the condominium owners at 47 Caroline Street North over the five-year period will total approximately $550,155 with the average grant ranging from approximately $1,800 to $2,900 with exception of the first year grant to each purchaser as an administration fee of $320 will be deducted. The actual costs incurred in developing the property were $7,250,000. The assignment of the grant shall not apply to any subsequent resale of any unit.

As per the terms of the program, the first-year grant is payable during the calendar year in which 75% of the condominium units within the project have been fully reassessed by the Municipal Property Assessment Corporation (MPAC) and the new (post development) taxes have been determined. When MPAC submits the second supplementary billing in September/October 2008, 75% of the condominiums will have been reassessed therefore the first-year grant for the property will commence in 2008 with grant payments being processed in December 2008. Staff from the Downtown and Community Renewal Division and Taxation Division attended a meeting of the condominium owners in August 2008 to discuss the EZ Program from an administrative perspective.

The Grant shall be calculated according to the following formulas:

<table>
<thead>
<tr>
<th>Formula</th>
<th>Value</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Level:</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Total Eligible Costs (Maximum):</td>
<td>$7,250,000</td>
<td></td>
</tr>
<tr>
<td>Pre-project assessed value:</td>
<td>$249,000</td>
<td>2004</td>
</tr>
<tr>
<td>Municipal Levy:</td>
<td>$3,513.71</td>
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<tr>
<td>Education Levy:</td>
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</tr>
<tr>
<td>Pre-project Property Taxes:</td>
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</tr>
<tr>
<td>Post-project assessed value:</td>
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<tr>
<td>Municipal Levy:</td>
<td>$128,766.04*</td>
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<tr>
<td>Education Levy:</td>
<td>$24,599.52*</td>
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</tr>
<tr>
<td>Post-project Property Taxes:</td>
<td>$153,365.56</td>
<td>2008</td>
</tr>
</tbody>
</table>

* Note: Post-project assessed value and taxes once all 51 units have been fully reassessed.

Grant Terms
- Total grant under the loan program shall not exceed $7,250,000 with respect to 47 Caroline Street North.
- Property owners must maintain property taxes in good standing.
- The grant payment is recalculated annually.
- Annual grant payments after the first grant payment are adjusted downwards in the event the municipal tax increment in any subsequent year has been reduced.
- The property must be maintained in its rehabilitated state.
- The grant is not transferable from the original condominium purchaser to subsequent owners.
In addition, prior to the issuance of the first grant payment, the condominium purchaser is required to sign an Acknowledgement Form attesting to understand the terms and conditions of the EZ Program.

**ALTERNATIVES FOR CONSIDERATION:**

Report PED08213 recommends grant payments for the redevelopment of 47 Caroline Street North.

The alternative to the recommendation would be to not approve the grant payments or to reduce the amount of the annual grant payments. Choosing such alternatives would undermine the principles of the EZ Program and downtown renewal efforts generally.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial** – The City is collecting full property taxes on each condominium unit and in-turn providing a grant for five (5) years to the first condominium purchasers based on the increase in the municipal portion of the taxes attributable to the redevelopment of 47 Caroline Street North. Following year five (5) of the grant payment, the City will start to realize the positive results of this program from a financial perspective.

**Staffing** – EZ Program applications and subsequent grant payments will continue to be processed by the Downtown and Community Renewal Division and Taxation Division within the City. There are no additional staffing requirements.

**Legal** – The terms and conditions of the EZ Program were developed in consultation with staff of the Legal Services Division.

**POLICIES AFFECTING PROPOSAL:**

Report PED08213 relates to the processing of an application under the Enterprise Zone Municipal Realty Tax Incentive Grant Program which is contained within the City’s Downtown and Community Renewal Community Improvement Plan. The Downtown Hamilton Secondary Plan applies to 47 Caroline Street North. The application for the property is consistent with the policy direction of both plans.

**RELEVANT CONSULTATION:**

Comments from the Taxation Division as well as the Legal Services Division of the Corporate Services Department have been incorporated within Report PED08213. The recommendations within this report are in a form satisfactory to the City Solicitor.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, and economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.
Community Well-Being is enhanced. ☑ Yes ☐ No
Partnerships are promoted.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Human health and safety are protected.

The rehabilitation of the building stock and the development of properties in the Downtown makes efficient and effective use of City services as well as protecting human health and safety.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Investment in Hamilton is enhanced and supported.

Downtown Renewal programs lead to effective partnerships with community stakeholders and the development community. Developers and property owners invest in Downtown properties leading to property assessment increases through the rehabilitation of buildings and properties.

Does the option you are recommending create value across all three bottom lines?
☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
☑ Yes ☐ No

Hamilton continues to lead initiatives related to renewal. Such initiatives are professionally stimulating and result in Hamilton being a choice for employment to those interested in bettering community life.

HM:vk
Attach. (1)
Appendix 'A' to Report PED08213

Location Map

File Name/Number: 47 Caroline Street North
Date: August 20, 2008

Appendix "A"

Subject Property

47 Caroline Street North

Site of the Application

Ward 2 Key Map N.T.S.