SUBJECT: Downtown Projects – Details and Cost Analysis
(PED07123(b)/FCS07068) (Wards 1, 2, 3, 4, 5, 6, 7, 8)

RECOMMENDATION:

(a) That CityHousing Hamilton be directed to acquire property within the Downtown Hamilton Community Improvement Project Area, specifically on King Street between Wellington and James Streets, for the purpose of redeveloping the property for housing purposes.

(b) That an upset limit of $1,000,000 be funded from the Main Street Housing Capital Project IDs 8200603601 ($500,000) and 8200703601 ($500,000) to acquire the property as per sub-section (a) above.

(c) That staff from the Downtown and Community Renewal Division be directed to administer a Grant Program for heritage properties within the Downtown Hamilton Community Improvement Project Area which would cover the costs for technical and historical studies related to the project, including consultant fees for heritage impact assessments, condition assessments, conservation plans, and engineering reports.
(d) That the funding required to administer sub-section (c) above in the amount of $200,000 be funded from the Main Street Program Reserve 102048.

(e) That staff from the Downtown and Community Renewal Division, in consultation with staff from the Community Planning and Design Section, administer a Grant Program that would cover costs directly related to the preservation of heritage properties within the Downtown Hamilton Community Improvement Project Area to a maximum of 25% of the total cost of the restoration component, to a total maximum grant of $250,000, and that the grant for heritage properties be contingent on an easement being placed on the property prior to grant monies flowing to the property owner, and on the designation of the property under the **Ontario Heritage Act**.

(f) That the funding required to administer sub-section (e) above in the amount of $1,150,000 be funded from the Main Street Program Reserve 102048.

(g) That staff from the Downtown and Community Renewal Division be directed to administer a pilot project that will expand the existing Commercial Property Improvement Grant Program to include an arts component offering a matching grant, to a maximum of $10,000 per property, for exterior art work for properties along King William Street between James Street North and Ferguson Avenue North that will promote cultural arts along the King William Urban Art Walk and, that staff from Cultural Services be directed to report back on a companion public art project that will transform public space on King William Street into visual art works through a public art process and, support performing and visual arts through temporary public art instalments and performances through a variety of special events.

(h) That the funding required for administering sub-section (g) above in the amount of $100,000 be funded from the Main Street Program Reserve 102048.

(i) That staff from the Downtown and Community Renewal Division be directed to expand the Main Street Housing Loan and Grant Program to properties included in the nodes and corridors as contemplated under the Growth Related Integrated Development Strategy (GRIDS) Program.

(j) That an annual operating cost in the amount of $250,000 for interest on $5 million required to expand the Main Street Housing Loan and Grant Program as described in sub-section (i) and the cost to continue administering the program within the Business Improvement Areas and Community Downtowns be referred to the 2008 Operating Budget and that interest for the program in 2007 be funded from the Downtown Residential Loan Program Account 52901–815010.

(k) That an annual operating cost of $100,000 for the grant portion of the Main Street Housing Loan and Grant Program be referred to the 2008 Operating Budget for approval and that the grant monies required for the program in 2007 be funded from the Downtown Residential Loan Program Budget Account 52901–815010.
(l) That staff from the Downtown and Community Renewal Division be directed to report back on details of the location of the nodes and corridors and, for the purpose of amending the Downtown Hamilton, Community Downtowns and Business Improvement Areas Community Improvement Project Area and Community Improvement Plan as required under the Planning Act to authorize the expansion of the Main Street Housing Loan and Grant Program and the Commercial Property Improvement Grant Program.

EXECUTIVE SUMMARY:

The Committee of the Whole, at its meeting held April 13, 2007, directed staff to report back with a cost analysis and project details for four (4) Downtown Project Initiatives presented by staff at the meeting. Report PED07123(b)/FCS07068 provides that information.

Staff are recommending the initiatives being proposed in this report be funded from two (2) Capital Accounts ($1M) and the Main Street Program Reserve ($1.45M) that were previously approved to fund the costs of the Main Street Housing Loan Program for the Business Improvement Areas and Community Downtowns. Table 1 below summarizes the funds available and the funds required to fund the initiatives recommended in Report. PED07123(b)/FCS07068.
Table 1

<table>
<thead>
<tr>
<th>Existing Funding Available</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Street Housing Loan Program</td>
<td></td>
</tr>
<tr>
<td>2006  Project ID 8200603601</td>
<td>500,000</td>
</tr>
<tr>
<td>2007  Project ID 8200703601</td>
<td>500,000</td>
</tr>
<tr>
<td>Main Street Program Reserve 102048</td>
<td>1,843,000</td>
</tr>
<tr>
<td>Total Funding Available</td>
<td>2,843,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Funding Required</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Purchase Property in the Downtown</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Fund for Heritage Impact Assessment</td>
<td>200,000</td>
</tr>
<tr>
<td>Grant for Restoration of Heritage Features</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Art Walk</td>
<td>100,000</td>
</tr>
<tr>
<td>Total Funding Required</td>
<td>2,450,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remaining Funds in Main Street Program Reserve 102048</th>
</tr>
</thead>
<tbody>
<tr>
<td>393,000</td>
</tr>
</tbody>
</table>

It is being recommended that the interest costs for the existing Main Street Housing Loan Program, as well as for the expanded Loan Program being recommended in this report for a total of $250,000, be referred to the 2008 Operating Budget. In addition, the $100K for the grant portion of the program is being referred to the 2008 Operating Budget process. Based on past experience and the time delay in implementing the programs, staff believe the Operating Budget effect for Main Street Housing Loan and Grant Programs can be phased in over two (2) years (2008 – 9). Any actual interest costs in excess of the budgeted amounts can be funded from the remaining funds in the Main Street Program Reserve 102048 as identified in Table 1 above.

Table 2 below summarizes the amounts being referred to the 2008 Operating Budget and the proposed phase-in.
BACKGROUND:

The Committee of the Whole, at its meeting held April 13 2007, directed staff to report back with a cost analysis and project details on the following projects:

1) Purchase of Property in Downtown Hamilton
2) Enhance grant funding for historically designated/listed properties in Downtown Hamilton
3) Art Walk in Downtown Hamilton
4) Expansion of the Main Street Housing Loan and Grant Program

Discussion at the meeting focussed on funding the above initiatives with unallocated monies from the 2007 Downtown Capital Block Funding in the amount of $1 million and, $2.7 million of Capital funding deferred from the Central Library Entranceway Reconstruction project. Subsequently, staff from the Corporate Services Department has advised that the above monies are not available for the initiatives therefore this report presents alternative funding options for the four (4) projects described above.

Purchase of Property in Downtown Hamilton

Germaine to the revitalization of the Downtown Core is the renaissance of derelict properties as identified by Council during their Capital Budget strategic priorities meeting in December 2004 where "Affordable Housing" and "Downtown Development/Revitalization" were two (2) of the six (6) priorities identified. Two (2) very

Table 2

<table>
<thead>
<tr>
<th>Main St. Housing Loan &amp; Grant Programs</th>
<th>Loan Amount</th>
<th>Interest Cost (Operating Exp.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing &amp; Expanded Main St. Housing Loan Program</td>
<td>5,000,000</td>
<td>250,000</td>
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<tr>
<td>Grant Portion of Main St. Housing Program</td>
<td>100,000</td>
<td>350,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>350,000</strong></td>
<td><strong>350,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Budget Phase-in</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Increase</td>
<td>175,000</td>
<td>175,000</td>
</tr>
<tr>
<td>Total Budgeted</td>
<td>175,000</td>
<td>350,000</td>
</tr>
</tbody>
</table>
successful housing projects funded with City money through CityHousing Hamilton are located in the Downtown Core namely, CityViews and CityPlaces, that are located at King William/Walnut/King Streets. A third housing project presently being constructed is located at 87-89 King Street East.

Staff from the Downtown and Community Renewal Division and the Housing Division have discussed the potential of acquiring properties in the Downtown Core, specifically along King Street from Wellington Street to James Street, for the purpose of creating housing units that would, because of their prominent location, benefit the surrounding community and further Council’s agenda for a regenerated Downtown Core. Staff has been in very preliminary discussions with an owner of one such property. The $1 million required for this Downtown Project initiative would, for the most part, be exhausted by the acquisition of a property. It is anticipated that additional funding from Council would be required in future years for renovation and upgrading of such a structure in accordance with City planning and urban design requirements.

The $1 million will be allocated to CityHousing Hamilton for the purchase of a property as previously described.

Enhance Funding for Historically Designated/Listed Properties:

Heritage buildings are key to urban revitalization and renewal in city cores. Heritage conservation triggers both economic and social improvements in urban areas. However, the renovation and integration of heritage properties poses specific challenges. To assist in the moving forward of these developments with heritage properties and to add value to these properties, this uncertainty must be mitigated or removed. Therefore, financial assistance would be provided to the property owners as follows:

a) Funding technical studies related to the project, including consultant fees for heritage impact assessments, condition assessments, conservation plans, and engineering reports

The program would pay for an appropriately qualified consultant to undertake technical and historical studies. The results would determine:

- the important heritage features of the building
- the existing condition of those features and the building in general
- the appropriate strategies for expanding, renewing and/or changing the use of the building that will respect the heritage features
- the cost guidelines for renewing, reconstructing and/or replacing those heritage features that contribute to the public realm and/or would be of interest to the public
- the viability of maintaining the heritage property

In order to ensure fast delivery of this service, a list of qualified consultants will be developed, working with staff to set terms and conditions and the maximum fee under which consultants could be used.
These studies would provide a degree of certainty to the owner/developer and allow them to determine a clearer business case for the property. The owner/developer could then decide if they wish to move forward or not with the renovation/redevelopment of the heritage property. If not, the heritage studies would remain in public ownership and could be used as a tool to find a more appropriate use/owner for the property.

The heritage studies would also provide the information and costs for repairing the heritage features and provide a basis for granting monies to the project for the repair and maintenance of those features possibly improving the business case for the development.

The heritage studies would describe existing heritage conditions and scope of work required for obtaining Heritage Permits. This information would provide a basis for granting monies to the project for the repair and maintenance of those features.

Grant commitments towards the restoration work of a heritage property will be contingent on an easement being placed on the property prior to flowing grant monies to the owner. Staff will also trigger the historical designation process of the property if required at the time of grant commitments by City Council. Research is required in the designation process for the purpose of identifying why a property is historically significant. Monies for hiring a consultant to undertake the research will assist in the designation process.

While the initiative is to preserve heritage buildings through adaptive reuse and renovation, these studies may also reveal that the building is not viable for reuse.

b) Heritage Grant for Restoration of Heritage Features

In order to assist in mitigating the challenges of developing a heritage property, a Financial Incentive Program will be developed that offers a grant for the conservation of heritage features based on a maximum of 25% of the total cost of the restorative component of the redevelopment, to a maximum per property of $250,000. The template for the administration of the Grant Program will be based on the existing Commercial Property Improvement Grant Program.

The grant will be contingent on an easement being placed on the property prior to any grant monies flowing to the property owner upon completion of the works and, ultimately a heritage designation of the property in the longer-term. These conditions will form part of the agreement entered into between the City of Hamilton and the property owner.

The heritage grants may be received by an owner in conjunction with any other available municipal program, excluding the Commercial Heritage Property Restoration Program and the Community Heritage Trust Program, in support of the redevelopment/development of the property including the municipality’s Hamilton Downtown Residential Loan Program, the Enterprise Zone Municipal Realty Tax Incentive Grant Program and the Commercial Property Improvement Grant Program.
for listed properties. The approved grants will not be assignable by the owner to anyone. The total cost of the approved municipal programs will not exceed the cost to redevelop/develop the property.

Upon approval of the funding required to administer the Heritage Grant Program, staff will report back to Committee and Council with the program description and terms. Staff will also ensure the requirements of the Ontario Heritage Act are met that authorizes the municipality to offer grants for heritage properties. In accordance with the Ontario Heritage Act, such Heritage Programs are provided for and consequently do not require a Community Improvement Plan amendment.

**King William Urban Art Walk**

The King William Art Walk will be a permanent urban art trail on King William Street from James Street North to Ferguson Avenue North. Its purpose is two-fold: firstly, a collaborative effort among the City, the Downtown Hamilton and International Village Business Improvement Areas (B.I.A.s), and private businesses to promote cultural arts along King William Street through transforming businesses and public spaces into visual art works through a public arts process; and, secondly, the King William Art Walk venues will also provide an opportunity to support performing and visual arts through temporary public art installations and performances through a variety of special events.

Applications for the arts component for properties on King William Street between James Street North and Ferguson Avenue North under the Commercial Property Improvement Grant Program will be administered through the Downtown and Community Renewal Division staff and juried by staff from the Cultural Services Section and the Downtown Hamilton and International Village B.I.A.s.

Cultural Services staff will report back separately on the public art component of the King William Urban Art Walk.

**Expansion of the Main Street Housing Loan and Grant Program**

The Downtown and Community Renewal Division presently administers the aforementioned program for property owners within the Community Downtowns and Business Improvement Areas (B.I.A.s) with the exception of the B.I.A.s located within the Downtown Core. The program is funded with $2.843 million that was in the Main Street Program Reserve Account 102048.

The program is intended to provide financial assistance for converting existing built commercial space into residential units, renovations to existing residential units or construction of new units via building additions. The program is also intended to provide assistance for the costs of creating new residential units on vacant land. The maximum loan per unit is $10,000 to a maximum of $100,000 per property. A grant portion to a maximum of $5,000 per property is also available for professional fees, e.g. architects, engineers, lawyers.
The program is administered very similarly to the Hamilton Downtown Residential Loan Program: money starts to flow at 60% completion of the works; an external lawyer is hired to prepare the loan agreement and undertake due diligence prior to releasing loan monies; the loan is repaid over five (5) years commencing one (1) year after construction completion with 10% for four (4) years followed by a balloon payment in year five (5); 25% equity is required at all times; the loan is secured as a second mortgage on title.

To expand the program to property owners within the corridors and nodes as contemplated in GRIDS, operating monies will be required in the Downtown and Community Renewal Division as explained under the Financial Section of this report.

Upon approval of the monies required to expand the Main Street Housing Loan and Grant Program, staff will report back under separate cover for the purpose of reviewing the proposed locations for expansion and to amend the Downtown Hamilton, Community Downtowns and Business Improvement Areas, Community Improvement Project Area and Community Improvement Plan in accordance with the Planning Act that will provide the municipality the authorization to expand the program.

**ALTERNATIVES FOR CONSIDERATION:**

Non-acceptance of the recommendations contained within Report PED07123(b)/FCS07068 would result in the inability of the municipality to administer any of the downtown/community renewal initiatives contained in Report PED07123(b)/FCS07068.

There are no alternative options for approval at this time.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial** – The Downtown and Community Renewal Division has $1,000,000 budgeted in Capital Accounts: 8200603601 ($500K) and 8200703601 ($500K) and $1.843 million in the Main Street Program Reserve Account 102048. The funding is for the existing Main Street Housing Loan and Grant Program that is offered to property owners in Community Downtowns and B.I.A.s. The total of $2.843 million in these accounts will be utilized to fund the following capital projects:

- Purchase of Property in the Downtown: $1,000,000
- Enhance Grant Funding for Historically Designated/Listed Properties: $1,350,000
- Art Walk $ 100,000

**TOTAL** $2,450,000

Therefore, in order to fund $5 million over a five (5) year period to offer the Loan and Grant Program in Community Downtowns, B.I.A.s and expanding the program to nodes and corridors, an annual operating cost in the amount of $250,000 to pay interest on the $5 million is required in the Downtown and Community Renewal Division commencing in 2008. It is important to note that this funding formula is the same formula as utilized to
fund the interest for the Hamilton Downtown Residential Loan Program. It is equally important to note that interest for loans advanced in 2007 for applications under the Main Street Program for Community Downtowns and B.I.A.s can be accommodated within the 2007 Operating Account Number 52901–815010 based on the anticipated loans that will be 60% complete prior to the end of 2007.

The annual operating cost of $100,000 for the grant portion of the Main Street Housing Loan and Grant Program for the professional fee component is required for 2008. The grant monies required for the program in 2007 are to be funded from Account Number 52901–815010.

It is being recommended the operating costs totalling $350,000 for the Main Street Loan and Grant Programs be referred to the Operating Budget process and be phased in over two (2) years (2008-9) as summarized in the Executive Summary.

**Staffing** – The project initiatives contained in Report PED07123(b)/FCS07068 can be accommodated within the existing staff complement of the Downtown and Community Renewal Division of the Planning and Economic Development Department; the Taxation/Administration Banking Section of the Corporate Services Department; and the Cultural Services Section of the Community Services Department.

**Legal** – Staff from the Downtown and Community Renewal Division in consultation with Legal Services and Corporate Counsel, will prepare and process the necessary amendment to the Downtown Hamilton, Community Downtowns and Business Improvement Areas, Community Improvement Project Area and Community Improvement Plan and hold necessary Public Meetings under the Planning Act to implement the expanded Main Street Housing Loan and Grant Program and to expand the Commercial Property Improvement Grant Program to incorporate an arts component.

Staff will ensure that all requirements of the Heritage Act are met for the administration of the Grant Program for historically designated/listed properties in the Downtown Core.

**POLICIES AFFECTING PROPOSAL:**

The Planning Act, Section 28, Subsection (7) permits a municipality, in accordance with a Community Improvement Plan, to make loans and grants which would otherwise be prohibited under Section 106, Subsection (2) of The Municipal Act, to the registered owners or assessed owners of lands and buildings within the designated Community Improvement Project Areas. Expanding the Main Street Housing Loan and Grant Program to nodes and corridors as contemplated in GRIDS would require an amendment to the Downtown Hamilton, Community Downtowns and Business Improvement Areas, Community Improvement Project Area and Community Improvement Plan. The expansion of the existing Commercial Property Improvement Grant Program introducing the arts component for properties on King William Street between James Street North and Ferguson Avenue North will also require an amendment to the Plan.
The intent of expanding the Main Street Housing Loan and Grant Program is to provide financial incentives for private land owners to increase or improve residential units and reuse vacant space and lands such as parking lots. The provision of such programs lead to efficient use of land within the urban area of the City, therefore keeping in line with the Provincial government’s Places to Grow policy.

Section 39.1 of the Ontario Heritage Act states that a council of a municipality may pass by-laws providing for the making of a grant or loan to the owner of a property designated under this part for the purpose of paying for the whole or any part of the cost of alteration of such designated property on such terms and conditions as the council may prescribe.

**RELEVANT CONSULTATION:**

Corporate Services Department staff were consulted with respect to the funding sources required for the project initiatives; Cultural Services staff were consulted with respect to the King William Art Walk Program as well as the Downtown Hamilton and International Village B.I.A.s; Housing Division staff were consulted with respect to the purchasing of property in the Downtown for housing initiatives; and the Community Planning and Design staff were consulted with respect to the Grant Program for historically designated/listed properties.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, 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
  The initiatives help to improve the quality of life of the residents. The rehabilitation of the building stock and the development of properties in the Hamilton make 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. Property owners invest in their properties leading to property assessment increases through the rehabilitation of buildings.

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 rewarding and attract high performing public servants with an interest in improving community life.

RM:HM:jcs