SUBJECT: Enterprise Zone Municipal Realty Tax Incentive Grant Program
132 Main Street West/40 Bay Street South, Hamilton EZ06/06
(PED06417(a)) (Ward 2)

RECOMMENDATION:

a) That the condition of the approval of Enterprise Zone application EZ06/06 for a Hilton Homewood Suites Hotel at 132 Main Street West/40 Bay Street South as an eligible project under the Enterprise Zone Municipal Realty Tax Incentive Grant Program, as recommended in Report PED06417 and approved by City Council on October 25, 2006, be deleted and replaced with the condition that the applicant provide photographic documentation of the building at 40 Bay Street South to the satisfaction of the Manager of Community Planning and Design prior to demolition.

b) That, as per the requirement of the Enterprise Zone Municipal Realty Tax Incentive Grant Program, Council declare the proposed demolition of the buildings and the proposed redevelopment of the property are in conformity with the Downtown Hamilton, Community Downtowns and Business Improvement Areas Community Improvement Plan, including its goals and objectives.
EXECUTIVE SUMMARY:

Report PED06417(a) recommends that the condition of Enterprise Zone application EZ06/06 for a Hilton Homewood Suites Hotel located at 132 Main Street West/40 Bay Street South, previously approved by Council at its meeting held October 25, 2006, be deleted and replaced with a revised condition.

The original condition requiring a Heritage Impact Assessment was put in place in order to encourage the applicant to explore the option of retaining and integrating the former garage structure at 40 Bay Street South into the development. Subsequent to the refinement of a revised development concept over the past year, it has been determined that retaining the heritage resource is not financially feasible. The condition requiring a Heritage Impact Assessment is therefore no longer necessary, and is not a mandatory policy requirement. A new condition requires a photographic documentation of the heritage components of the building be undertaken prior to demolition. The effect of this report and its recommendation is that the property will be removed from the Inventory of Buildings of Architectural and/or Historic Interest, maintaining the property’s status as an eligible project under the Enterprise Zone Municipal Realty Tax Incentive Grant Program.

BACKGROUND:

Enterprise Zone application EZ06/06 is for the proposed development of a Hilton Homewood Suites Hotel located at 132 Main Street West/40 Bay Street South. The property was formerly the HMP car dealership, and presently contains the vacant showroom/office building fronting on Main Street and the vacant garage fronting on Bay Street and George Streets. The front portion of the garage at 40 Bay Street South has been identified as a heritage resource as the property is listed in the City’s Inventory of Buildings of Architectural and/or Historical Interest.

Initially, the applicant was proposing to demolish all of the existing buildings located on the property. In order to address the heritage policies of the Downtown Hamilton Secondary Plan and the Downtown Hamilton, Community Downtowns and Business Improvement Areas Community Improvement Plan, Report PED06417 recommended that the proposal be approved as an eligible project under the Enterprise Zone program, “subject to the completion of a Heritage Impact Assessment which may warrant partial retention of the heritage resource on site”. Report PED06417 was approved by Council on October 25, 2006.

Upon receiving the conditional approval for project eligibility under the Enterprise Zone program, the applicant re-evaluated the proposed development and proceeded with the intention of retaining the front portion of the vacant garage at 40 Bay Street South, originally the home of the McLaughlin Carriage Company Limited, for restaurant and office uses. To that end, the applicant’s architects designed a concept that would retain and integrate a portion of the former garage into the development. However, their further investigation and refinement of the concept has led to a determination that it is not financially feasible. The development constraints associated with retaining the
garage add an estimated cost of $1.25 million to the proposal which constitutes a financial burden to the success of the project, as described in the letters from the architect dated July 19 and September 11, 2007, attached as Appendix A to Report PED06417(a). In addition, the physical condition of the building has deteriorated. The Building Services Division issued an Unsafe Order on July 18, 2007 as a result of a partial collapse of the south/west corner of the building's roof due to a failure of the support members. The Building Services Division has confirmed that the owner has complied with the Unsafe Order.

Appendix B to Report PED06417(a) is a map that identifies the location of the property.

**ANALYSIS/RATIONALE:**

In consideration of the circumstances reviewed above, the partial retention of the heritage resource on site as contemplated in the original condition can no longer be warranted, and the original condition is no longer necessary. Instead, a photographic inventory of the building to be undertaken by the proponent prior to demolition and to the satisfaction of the Community Planning and Design Section of the Planning Division is now required to be undertaken. This new condition forms part of the recommendation of Report PED06417(a).

**ALTERNATIVES FOR CONSIDERATION:**

Non-acceptance of the recommendations contained within Report PED06417(a) would result in no change to the conditional approval of Enterprise Zone application EZ06/06, such that a Heritage Impact Assessment would still be required in order for the application to proceed. It should be noted that a Demolition Permit has already been issued to the owner by the City's Building Services Division. Demolition can proceed without Council's approval. However, the project would then not be eligible for the City's Enterprise Zone Municipal Realty Tax Incentive Grant Program or any other Downtown Incentive Programs.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial:** There are no current financial implications at this time. Final approval by City Council will be the subject of a further staff report that will include the cost of the nine (9) year grant under the Enterprise Zone Municipal Realty Tax Incentive Grant Program. The cost will be determined once construction of the proposed development is complete and the Municipal Property Assessment Corporation (MPAC) has reassessed the property.

**Staffing:** Administration of this application under the terms of the program can be accommodated by staff of the Downtown and Community Renewal Division and the Corporate Services Department.
Legal: Subsection 28 (7) of The Planning Act permits a municipality, in accordance with a Community Improvement Plan, to make loans and grants that would otherwise be prohibited under Subsection 106 (2) of The Municipal Act, to registered owners, assessed owners, tenants, or their respective assignees, of lands and buildings within designated Community Improvement Project Areas.

Once construction of the proposed development is complete and upon the reassessment of the property by the Municipal Property Assessment Corporation (MPAC), an Agreement between the City and the applicant will be negotiated and executed in a form satisfactory to the Director of Downtown and Community Renewal and the City Solicitor.

POLICIES AFFECTING PROPOSAL:

The Downtown Hamilton Secondary Plan applies Mixed Use and Specialty Commercial land use designations to the property at 132 Main Street West/40 Bay Street South. The proposed hotel development is an appropriate use within those designations. The Secondary Plan also promotes the conservation of built heritage resources and cultural heritage landscapes. It requires a Heritage Impact Assessment in accordance with the Official Plan for the City of Hamilton, for any development or redevelopment in the Downtown that proposes to erect, demolish or alter buildings or structures on or adjacent to properties that include buildings listed in the City’s Inventory of Buildings of Architectural and/or Historical Interest. The Official Plan for the City of Hamilton states that a Heritage Impact Assessment may be required; accordingly a Heritage Impact Assessment is not mandatory.

Applications to the Enterprise Zone Municipal Realty Tax Incentive Grant Program are affected by the Downtown Hamilton, Community Downtowns and Business Improvement Areas Community Improvement Plan (CIP). The proposed hotel development achieves several of the goals and objectives of the CIP, including the enhancement of Downtown as a place where people are attracted to live, work and visit, the utilization of existing infrastructure, and reinvestment that promotes the long-term stability and viability of the Downtown. With respect to heritage matters, the CIP encourages the preservation and enhancement of significant heritage resources and the rehabilitation of buildings to ensure their long-term economic viability.

In consideration of the efforts undertaken over the past year to encourage the applicant to incorporate the former garage structure into the development, the relative significance of the building, and the other goals and objectives, the development proposal is in conformity with the intent of the CIP and the Downtown Hamilton Secondary Plan. Staff of the Planning and Economic Development Department will continue to work with the applicant through future site plan and permitting processes to ensure that the development remains/is in conformity with City policy and the specific requirements of the Zoning By-law.
The Enterprise Zone Municipal Realty Tax Incentive Grant Program has specific program requirements for applications that propose to clear or demolish properties with commercial, residential or industrial buildings after July 1, 2001. Enterprise Zone application EZ06/06 addresses these requirements as follows:

1. Projects are not eligible for the Enterprise Zone program if the buildings to be cleared or demolished are designated heritage buildings. Prior to amendments to the program approved by Council in March 2007, buildings intended to be cleared or demolished that are on the City’s Inventory of Buildings of Architectural and/or Historical Interest were also not eligible for the Program. The effect of this report and recommendations is that the property will be removed from the Inventory of Buildings of Architectural and/or Historical Interest.

2. Prior to clearance and demolition, the property owner is to inform Council of: a) their plans for the demolition and clearance; and, b) their plans for the redevelopment of the property through the application for a tax grant under the program. These conditions are satisfied through the submission of Report PED06417(a).

3. The proposed redevelopment of the cleared and demolished property shall be for residential and/or commercial uses expressly permitted by the Zoning By-law applicable to the property. In this case, the proposed use (i.e. hotel) is a permitted use in the applicable Downtown Mixed Use (D3) Zone.

4. Council is to declare that the proposed clearance, demolition and redevelopment of the property is in conformity with the Downtown Hamilton, Community Downtowns and Business Improvement Areas Community Improvement Plan, which will be done through Council’s approval of Report PED06417(a); and

5. To be eligible for the City’s Incentive Grant Program, demolition must not occur until after Council’s declaration is made and communicated to the property owner.

RELEVANT CONSULTATION:

The Corporate Services Department, City Solicitor and Community Planning and Design Section of the Planning Division were consulted during the preparation of Report PED06417(a).

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.

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.

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.

GM:HM:jcs
Attachs. (2)
July 19, 2007

City of Hamilton
Planning & Economic Development
71 Main Street West, 8th Floor
City Hall,
Hamilton, Ontario

ATTENTION: Mr. Tim McCabe

RE: Hamilton Motor Products Building
George Street & Bay, Hamilton, Ontario

Dear Sir:

In reference to the above-noted existing building, our firm has been involved with the present Owner for about 2 years. We have been commissioned to design a new hotel on this site that will carry the Hilton brand name.

In our efforts to combine a new hotel building with the retention of a portion of the existing HMP building, a number of design constraints will cause our client an additional financial burden in consideration of the following issues:

- Stabilization of the existing 2 bays to be retained at the George Street and Bay corner, including structural, mechanical and aesthetic modifications;
- Underpinning of the existing HMP building structure to accommodate the proposed below-grade parking;
- Upgrading the existing "turn of the century" industrial building to public accessibility standards as per the intended usage of the space;
- Exterior façade upgrades on portions of the building that have no architectural value;

The items identified herein amounted to an additional budget of approximately $1.25M to the development cost of this project and have contributed greatly to the delay we now experience in the re-development of this site for the Hilton hotel.

Trusting this letter will help clarify the constraints experienced on this project to date given the position that has been taken on the retention of the existing HMP building.

If you require additional input on this issue, please contact the undersigned.

Sincerely,

CHAMBERLAIN ARCHITECT SERVICES LIMITED

Una Sapely
Project Director

LS/We

Note: Unsafe order issued by Bldg. Serv. on Wed. July 18/07 (Ralli)
Appendix A to Report PED06417(a)
Page 2 of 3

VIA FAX: (905) 546-4107

September 11, 2007

City of Hamilton
Planning & Economic Development
City Hall
71 Main Street West, 5th Floor
Hamilton, Ontario

ATTENTION: Mr. Tim McCabe

RE: Hamilton Motor Products Site Re-Development
    George Street at Bay Street South, Hamilton, Ontario
    Our File: 105694

Dear Sir:

Further to my letter of July 18, 2007 outlining our initial estimate of costs, we have been asked to elaborate in more detail on that estimate of costs. Please understand that the following elemental breakdown is a budget that has been compiled based on our experience with this project and our involvement with the development in its preliminary state.

To further your understanding of our thought process in establishing our initial budget, we have identified the following major components as the renovation costs for the portion of the HMP building deemed to be retained and most valuable by the Heritage Planning Section.

1. To stabilize the existing structure and demolish the rear service bays: $125,000.00
2. Provide new foundations and underpinning to match intended below-grade garage for hotel development: $100,000.00
3. Construction of new exterior wall at severed bays along north and east: $80,000.00
4. Restoration of exterior Bay Street and George Street façade, including repair and pointing reconstruction of parapets and detailing for exterior walls, Insulation and vapour barrier: $275,000.00
5. New windows (insulated) supply and install: $200,000.00
6. New roof - remove existing and replace: $75,000.00
7. New floors for interior due to oil impregnation situation (remove and replace 7,500 square feet): $225,000.00
8. General conditions and contingency: $160,000.00

TOTAL BUDGET COST: $1,250,000.00

Creating and Sustaining Value for the Built Environment
We have once again reviewed our notes on this projected budget and can confirm that the items noted herein will prove to be at least $1.25M, thereby adding a cost element to this project that is not a workable component for this new development.

A further costing breakdown will require detailed design and at this point in the development, this analysis is as complete as the information will allow.

We trust that this latter further supports our client's position that a portion of the HMP building is too costly to be retained as part of our re-development.

We respectfully request that you allow us to proceed on our client's direction for full demolition of this structure.

Sincerely,

CHAMBERLAIN ARCHITECT SERVICES LIMITED

Linas Sapiys
Project Director

LS

cc: Mr. Darko Vranich, Vrancor Development Corporation Inc. via e-mail: darko@vrancor.com