CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Downtown and Community Renewal Division

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<th>TO:</th>
<th>Chair and Members Economic Development and Planning Committee</th>
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<tr>
<td>WARD(S) AFFECTED:</td>
<td>WARDS 1, 2, 3</td>
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<td>COMMITTEE DATE:</td>
<td>September 7, 2010</td>
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<tr>
<td>SUBJECT/REPORT NO:</td>
<td>Temporary Delegated Authority – Hamilton Downtown Multi-Residential Property Investment Program, Hamilton Downtown Property Improvement Grant Program and Hamilton Downtown Office Tenancy Assistance Program (PED10201) (Wards 1, 2, 3)</td>
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<tr>
<td>SUBMITTED BY:</td>
<td>Tim McCabe General Manager Planning and Economic Development Department</td>
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<td>PREPARED BY:</td>
<td>Hazel Milsome 905-546-2424 ext 2755</td>
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SIGNATURE: 

RECOMMENDATION:

(a) That the General Managers of Finance and Corporate Services and Planning and Economic Development be authorized to approve loans/grants under the following financial incentive programs administered by the Downtown and Community Renewal Division on a temporary basis from October 1, 2010 until the inaugural meeting of the newly elected Council:

i) Hamilton Downtown Multi-Residential Property Investment Program
ii) Hamilton Downtown Property Improvement Grant Program
iii) Hamilton Downtown Office Tenancy Assistance Program;

(b) That staff from the Downtown and Community Renewal Division be directed to report back to the newly elected Council in February 2011 on details of the loans/grants that were approved by the General Managers of Corporate Services and Planning and Economic Development.

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Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
SUBJECT: Temporary Delegated Authority – Hamilton Multi-Residential Property Investment Program, Hamilton Downtown Property Improvement Program and Hamilton Downtown Office Tenancy Assistance Program (PED10201) – (Wards 1, 2, 3) - Page 2 of 6

EXECUTIVE SUMMARY

In order to ensure that investment in property redevelopment/development in the Downtown Core is not interrupted subsequent to the final meeting of the Economic Development and Planning Committee and the inaugural meeting of the newly elected Council, staff are recommending that the General Managers of Finance and Corporate Services and Planning and Economic Development be temporarily delegated the authority to approve loans and grants under the Hamilton Downtown Multi-Residential Property Investment Program, the Hamilton Downtown Property Improvement Grant Program and, the Hamilton Downtown Office Tenancy Assistance Program.

Alternatives for Consideration – See Page 5.

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

Financial:

Hamilton Downtown Multi-Residential Property Investment Program - the cost of the Hamilton Downtown Multi-Residential Property Investment Program is the foregone interest income lost to the City. This cost is funded through the Downtown and Community Renewal Division’s Operating Account Number 52901-815010.

Hamilton Downtown Property Improvement Grant Program - the City collects full property taxes on properties under the Hamilton Downtown Property Improvement Grant Program and, in turn, provides a grant for five (5) years declining each year after the first (1st) year by 20% due to the redevelopment/development of the property. Commencing in year two (2) of the grant payment, the City starts to realize the positive results of the Program from a financial perspective.

Hamilton Downtown Office Tenancy Assistance Program - loans provided through the proposed Hamilton Downtown Office Tenancy Assistance Program are funded by creating a receivable on the City’s balance sheet. As loan repayments are made, the receivable is reduced. Funding provided through the Downtown & Community Renewal Division’s program budget is used to subsidize the interest rate charged on the loans which is the difference between the 5 year borrowing rate for the City as indicated by RBC Capital Markets plus 25 basis points (which is currently about 3% + 25 basis points) and the current cost of money for the City which is about 5% plus 25 basis points.
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**Staffing:** Administration of the financial incentive programs can be accommodated within the Downtown and Community Renewal Division as well as the Corporate Services Department.

**Legal:** Legal Services will continue to provide counsel to staff when required on applications received under the financial incentive programs. Relevant loan/grant documentation will also continue to be developed in consultation with staff from Legal Services.

As the delegating authority is for a temporary period only, a by-law authorizing the delegation is not required. The confirming by-law of the City Council wherein Council authorizes the temporary delegation is sufficient.

**HISTORICAL BACKGROUND** (Chronology of events)

The Downtown and Community Renewal Division administers six (6) financial incentive programs namely: the Hamilton Downtown Multi-Residential Property Investment Program; the Hamilton Downtown Property Improvement Grant Program; the Hamilton Downtown Office Tenancy Assistance Program; the Commercial Property Improvement Grant Program; the Hamilton Heritage Property Grant Program; and, the Commercial Corridor Housing Loan and Grant Program.

City Council at its meeting January 27, 2010 authorized the General Manager of the Planning and Economic Development Department to approve loans and grants to a maximum of $200,000 under the Commercial Property Improvement Grant Program, the Commercial Corridor Housing Loan and Grant Program and, the Hamilton Heritage Property Grant Program. By-law 10-52 delegates the authority to the General Manager, Planning and Economic Development to approve grants and loans for certain financial incentive programs namely: the Commercial Property Improvement Grant Program; the Commercial Corridor Housing Loan and Grant Program; and, the Hamilton Heritage Property Grant Program. Therefore approval of loan/grants under the aforementioned financial incentive programs will not be interrupted during the pending municipal election period.

**Hamilton Downtown Property Improvement Grant Program**

The program provides a tax increment equivalent grant to projects that develop or renovate residential and/or commercial land and buildings in Downtown Hamilton. Based on pre-development and post-development assessments, the five year grant is equivalent to 100% of the municipal realty tax increase during the first year, 80% in year two, 60% in year three, 40% in year four, and 20% in year five. Grants are not assignable by the property owner to anyone except for purchasers of new condominium units. The grant may also be applied to the repayment of a City loan issued under the Hamilton Downtown/West Harbourfront Remediation Loan Pilot Program.
SUBJECT: Temporary Delegated Authority – Hamilton Multi-Residential Property Investment Program, Hamilton Downtown Property Improvement Program and Hamilton Downtown Office Tenancy Assistance Program (PED10201) – (Wards 1, 2, 3) - Page 4 of 6

**Hamilton Downtown Multi-Residential Property Investment Program**
Development projects in Downtown Hamilton that convert existing commercial space into residential units, renovate existing residential units, or create new residential units, may be eligible for this program. It provides an interest free loan calculated on the basis of 25% of the cost to construct budget, including uses accessory to the residential development. City funds are advanced in three stages, upon completion of 60%, 80% and substantial completion of the project. The loan is interest-free for the first five years of a maximum term of five years and six months from the date of the final advance. Repayments commence one year following the final advance.

**Hamilton Downtown Office Tenancy Assistance Program (OTAP)**
OTAP provides a low interest loan to building owners or tenants to support eligible leasehold improvements to office buildings located in Downtown Hamilton. The amount of the loan depends on the square foot area and term of lease or owner-occupied status of the office space, to a maximum of $450,000 per application. City funds begin to flow upon 50% completion of the work. The maximum loan term is the term of the lease and/or shall not exceed five years from the date of the final advance. Loan repayments commence one month following the final advance and no later than four months following the first advance.

**POLICY IMPLICATIONS**

The Hamilton Downtown Multi-Residential Property Investment Program, the Hamilton Downtown Property Improvement Grant Program and the Hamilton Downtown Office Tenancy Assistance Program are contained within the City’s Downtown and Community Renewal Community Improvement Plan.

**RELEVANT CONSULTATION**

The General Manager of Corporate Services and staff from Legal Services, City Manager’s Office were consulted in developing the recommendations included in Report PED10201.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

In order that there are no interruptions in the delivery of loan and grant approvals under the financial incentive programs during the municipal election campaign, temporary delegated authority to the General Managers of Finance and Corporate Services and Planning and Economic Development is required. Delaying loan or grant approvals for
development/redevelopment projects within the Downtown Core could cause significant uncertainty in a project’s feasibility and overall costs. Staff will continue to undertake due diligence on each application received including: a financial risk analysis; confirmation of compliance with zoning; determination of outstanding Work Orders, Fire Code Orders and Property Standards Infractions, status of taxes etc. Upon confirmation that all terms and conditions have been met, staff will recommend approval of the loan/grant to the General Managers.

Staff will report back on all activity to the appropriate Committee of Council in February 2011.

**ALTERNATIVES FOR CONSIDERATION:**

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

An alternative is not to delegate temporary authority to the General Managers of Finance and Corporate Services and Planning and Economic Development that could cause the delay or cancellation of a Downtown development/redevelopment project. In order to provide a seamless service, this alternative is not recommended.

**Financial:** Not applicable.

**Staffing:** Not applicable

**Legal:** Not applicable

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


**Growing Our Economy**

- Investment in Hamilton is enhanced and supported. Property owners invest in their properties leading to property assessment increases. New office tenants are attracted to Downtown Hamilton.

**Environmental Stewardship**

- The financial incentive programs support residential intensification and the reuse of existing building stock and infrastructure.
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Healthy Community
Partnerships are promoted.

APPENDICES / SCHEDULES

N./A

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