SUBJECT: Enterprise Zone Municipal Realty Tax Incentive Grant Program Application for 284 King Street East, Hamilton EZ06/04 (PED07049) (Ward 2)

RECOMMENDATION:

That Application EZ06/04 for the proposed redevelopment of 8 residential units at 284 King Street East, be approved as an eligible project under the 10 Year “Enterprise Zone Municipal Realty Tax Incentive Grant Program”.

EXECUTIVE SUMMARY:

Report PED07049 summarizes an application under the “Enterprise Zone Municipal Realty Tax Incentive Grant Program” submitted by R. Denninger Limited for the property located at 284 King Street East, Hamilton, an existing commercial/residential property (see Appendix “A” to Report PED07049). The proposed project involves the redevelopment of 8 residential units on the 3rd floor of the property that are presently vacant. The proposed redevelopment meets the criteria and requirements of the EZ Program and is consistent with the designations and policy direction of the Downtown Hamilton Secondary Plan. R. Denninger Limited is presently working with their architect with respect to preparing detailed drawings and at the appropriate time will work with
staff of the Planning and Economic Development Department through various permitting processes.

**BACKGROUND:**

On August 22, 2001, City 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 City Council. The EZ Program applies to properties within the Downtown Hamilton Community Improvement Project Area. The program authorizes for each approved grant application, a 9 year grant, the amount of which is subject to Council approval, in an amount not exceeding the increase in municipal realty taxes as a direct result of the development/redevelopment of the land and/or building. The total of each property’s 9 years of approved grants shall not exceed the costs of the property’s development/redevelopment. The grant does not exceed 100 percent 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 is the ability of a developer of residential condominium units to pass the tax grant on to first residential condominium purchasers only. If the developer chooses to exercise this option the tax grant program is reduced from nine (9) years to five (5) years at 100%.

As applications have been received under the EZ Program since 2002, the Downtown Renewal Division has sought City Council’s initial approval of the proposed developments. Once the projects have been completed and reassessment by the Municipal Property Assessment Corporation (MPAC) has occurred, staff will submit a final report relating to the proposal recommending a program of tax grants as contemplated under the terms of the EZ Program.

**ANALYSIS/RATIONALE:**

Application EZ06/04 for the property located at 284 King Street East is for the redevelopment of 8 residential units representing approximately 7,300 square feet. The units will occupy the third floor of the building, above Denninger’s specialty food store. The redevelopment cost is estimated at $292,000. The subject property is within the Enterprise Zone boundary outlined in the Downtown Hamilton Community Improvement Plan.

The proposed redevelopment is consistent with the designation, intent and policy direction of the Downtown Hamilton Secondary Plan. The applicable “Prime Retail Streets” land use designation envisions:

i) ground floor, street-oriented commercial uses with mixed uses such as office commercial, residential and live-work arrangements on the upper floors of buildings.
Retail and multiple dwelling units above are permitted uses under the Downtown Zoning By-law’s “Downtown Prime Retail Streets (D2)” Zone. The property falls within the Heritage Character Zone which applies regulations relating to the built form of new development or alterations to existing buildings. The redevelopment proposes no change to the exterior of the existing building, so these regulations are not an issue in this case.

ALTERNATIVES FOR CONSIDERATION:

The Enterprise Zone Municipal Realty Tax Incentive Grant Program enhances the financial viability of the proposed redevelopment at 284 King Street East. In the event that the project was not to be considered for the program, the redevelopment would be faced with a significant financial difficulty.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financing - Report PED07049 recommends that 284 King Street East be approved as an eligible project under the Enterprise Zone Municipal Realty Tax Incentive Grant Program. The recommendation also authorizes staff to continue processing this application, and as such, there are no current financial implications. Final approval by City Council will be the subject of a further staff report.

Staffing - Administration of this application under the terms of the program can be accommodated by staff of the Downtown Renewal Division and the Corporate Services Department.

Legal – Upon City Council approval of the staff recommendation and 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 Renewal and the City Solicitor. Appendix “B” to Report PED07049 outlines the issues to be addressed within the Agreement.

POLICIES AFFECTING PROPOSAL:

Report PED07049 relates to the processing of an application under the EZ Program which is contained within the City’s Provincially-approved Downtown Hamilton Community Improvement Plan. The proposed development is consistent with the designation, intent and policy direction of the Downtown Hamilton Secondary Plan.

RELEVANT CONSULTATION:

Comments from the Taxation as well as the Legal Services and Corporate Counsel Divisions of the Corporate Services Department have been incorporated within Report PED07049. 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, 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
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

Downtown Renewal actively engages Downtown and BIA stakeholders in decision making as well as other City Departments.

**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.

GM:HM

Attachs. (2)
Application is in respect of proposed development at 284 King Street East, Hamilton.

Applicant is R. Denninger Limited the owner of the property.

Eligible improvement work is the redevelopment of 8 residential units on the 3rd floor of the property. The estimated construction cost is approximately $292,000.

Application is based on current assessment, as of the date the application was received complete.

Property taxes must be paid current, to receive final approval by City Council.

Grant to be calculated based upon the recorded assessed value as above.

Grant comprises the municipal portion of the tax increase attributable to the assessment increase resulting from the project, in accordance with and subject to the provisions of the Enterprise Zone Municipal Realty Tax Incentive Grant Program. All other provisions of the program shall also be referenced within the Letter of Understanding.

Applicant to acknowledge that although the project may be recognized by City Council as an acceptable, eligible project, the award and the final amount of a grant (if any) is solely within City Council’s discretion (except award may not exceed maximum amount determined within program parameters) and no grant is available unless and to the extent the assessment and municipal taxes increase, as required by the program.

The program starts following post development reassessment.

Any other matters deemed appropriate by the City of Hamilton.