SUBJECT: Amendment to the Environmental Remediation and Site Enhancement (ERASE) Community Improvement Plan (CIP) to Modify the Tax Assistance Program (TAP) and Development Charge Reduction Program (DCR) (PED07201) (City Wide)

RECOMMENDATION:

a) That staff be authorized and directed to develop draft amendments to the ERASE CIP Tax Assistance Program (TAP) and Development Charge Reduction Program (DCR) as outlined within Report PED07201.

b) That staff be authorized and directed to consult with stakeholders as well as the general public with regard to the draft amendments to the Tax Assistance Program (TAP) and Development Charge Reduction Program (DCR).

c) That staff be authorized and directed to prepare and process the necessary amendments to the ERASE CIP and hold the formal Public Meeting as required by the Planning Act following the consultation process.
EXECUTIVE SUMMARY:

Report PED07201 seeks Committee's authorization to modify the Tax Assistance Program (TAP) and Development Charge Reduction Program (DCR) in an effort to take advantage of the education tax benefit being provided by the Province under their Brownfields Financial Tax Incentive Program. These program amendments will be implemented through a comprehensive amendment to the ERASE Community Improvement Plan (CIP). In order to amend the ERASE CIP, public consultation and a formal public meeting as per the Planning Act are required.

BACKGROUND:

In June of 1999, City Council directed that a CIP to promote the redevelopment of industrial and commercial properties in the City of Hamilton be prepared. The Plan was called the Environmental Remediation and Site Enhancement (ERASE) Community Improvement Plan (CIP) and was adopted by City Council in April of 2001 and approved by the Minister of Municipal Affairs and Housing in August of 2001.

Subsequently, the ERASE CIP was amended in April of 2005 and the project area was expanded to include the “Urban Area” of the City of Hamilton. However, the project area now identifies three separate sub-areas. These areas are known as Area 1 (rest of Urban Area), Area 2 (older Industrial Area) and Area 3 (West Harbour Area). These areas were delineated to recognize different municipal goals and objectives unique to each area as well as to target financial incentive programs.

In addition to the ERASE Redevelopment Grant Program (RGP) and the ERASE Study Grant Program (SGP), the ERASE Tax Assistance Program (TAP) was introduced. The purpose of the TAP is similar to the RGP, i.e. to remove a serious financial impediment to brownfield redevelopment efforts, namely the large tax increase that can result when a brownfield property is redeveloped. Specifically, the TAP applies only to the costs of environmental remediation and allows, with an application under the RGP, the City to apply on behalf of the property owner, for matching tax assistance under the education component of the property taxes from the Province.

The legislative authority for the TAP is established under Sections 365.1(2) and (3) of the Municipal Act which allows municipalities to pass a by-law providing tax assistance to an eligible property in the form of a freeze or cancellation of part or all of the taxes levied on that property for municipal and education purposes during the rehabilitation period (maximum 18 months from the date that tax assistance begins), the development period of the property or post development. Matching assistance from the education property tax is subject to approval by the Ministry of Municipal Affairs and Housing.

The Tax Assistance Program consists of two (2) stages. In the first stage, taxes may be frozen at the base rate whereby any increment will be used towards off setting the eligible costs. In the second stage, the developer pays for entire cost of the site remediation and redevelopment. When the City and Province receive the tax increment
resulting from the redevelopment project, the City and the Province may cancel aportion of the tax increase (both City and Education taxes) and again, this would be used to offset the eligible costs (remediation). The combined tax assistance will continue for a period of up to three (3) years, at which point, the education component of the tax increase is no longer offered by the Province. At this point, if all eligible costs have not been met, and if the City so chooses, continued assistance may be offered through the ERASE Redevelopment Grant Program (RGP) for a period of up to seven (7) years or until all eligible costs are met, whichever comes first. When the municipality receives the incremental property taxes that result from the project, the municipality will reimburse the applicant in the form of an annual grant equivalent to 80% of the increase in City taxes that result from redevelopment. Each year, the property owner must first pay taxes owing and then the approved applicant will receive the grant.

Presently, the Development Charge Reduction (DCR) Program provides a reduction of development charges equal to the cost of environmental remediation approved under the ERASE RGP. The applicant, with an approved application and agreement for a property under the ERASE RGP, has the option of applying the costs of environmental remediation on the property against development charges payable for the property (after any demolition charge credits are applied). If the applicant chooses to exercise this option, the costs of environmental remediation applied against development charges payable will be deducted from eligible costs under the ERASE RGP.

**ANALYSIS/RATIONALE:**

**Amendments to the ERASE CIP**

Presently, the ERASE Tax Assistance Program (TAP) is a voluntary program by the applicant. The ERASE Development Charge Reduction (DCR) Program is an option to an applicant with an approved ERASE Redevelopment Grant Program (ERG) application. As noted in the background, the TAP is a freezing or cancellation of the education tax increment where remediation costs are the only eligible costs similarly to the DCR program. If an applicant chooses to make application for the DCR program then the project is ineligible for the TAP.

When the applicant chooses this course of application, the City loses the cost sharing benefit with the Province resulting in an increased financial burden to the City. Therefore, staff proposes drafting amendments to the ERASE CIP making it mandatory and not voluntary where eligible for tax assistance under the TAP program for all approved ERG applications to seek cost sharing with the Province and therefore making the DCR program ineligible. Prior to holding the formal Public Meeting required by the Planning Act, staff recommends consulting with stakeholders and members of the general public with respect to the proposed amendments.

**ALTERNATIVES FOR CONSIDERATION:**

**Status Quo -** Maintain the terms of ERASE Tax Assistance Program (TAP) and the ERASE Development Charge Reduction (DCR) Program as they are presently. In
choosing this alternative the City loses the cost sharing benefit with the Province under approved ERASE Redevelopment Grant Program (ERG) applications. Staff does not recommend this alternative.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: If the status quo is maintained, the City loses the cost sharing benefit provided by the Province. This will result in longer pay back periods, reduced tax revenues and the City and developer fully financing brownfield redevelopment without Provincial assistance.

Staffing: The application of the recommendations would be handled by the Economic Development and Real Estate Division and the Industrial Parks and Airport Development Division of the Planning and Economic Development Department in consultation with other City Divisions (Planning, Legal, Finance etc.) and staff from the Ministry of Municipal Affairs and Housing.

Legal: Amendments to the ERASE CIP require public consultation, a public meeting as per the Planning Act, as well as consultation with the Minister of Municipal Affairs and Housing. This report has been vetted through the City Solicitor.

POLICIES AFFECTING PROPOSAL:

Consultation and amendments to the ERASE CIP will be carried out as required by Section 28 of the Planning Act and the City of Hamilton Official Plan.

RELEVANT CONSULTATION:

This report has been reviewed by Planning Division staff as well as 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
Brownfield sites are being remediated. This contributes to the health and vitality of the neighbourhoods within which they are located.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
The remediation and redevelopment of brownfield properties makes efficient and effective use of City services as well as protecting human health and safety.
Economic Well-Being is enhanced. ☑ Yes ☐ No
Brownfield redevelopment programs lead to effective partnerships with community stakeholders and the development community. Developers and property owners invest in brownfield properties leading to property assessment increases through the rehabilitation and redevelopment 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 brownfield redevelopment. Such initiatives are professionally stimulating and result in Hamilton being a choice for employment to those interested in bettering community life.

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