

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Downtown Renewal Division

Report to: Chair and Members Planning and Economic Development Committee	Submitted by: Lee Ann Coveyduck General Manager Planning and Economic Development Department
Date: March 17, 2006	Prepared by: James Goodram ext. 6109

**SUBJECT: Enterprise Zone Municipal Realty Tax Incentive Grant Program -
Application for 89 King Street East, Hamilton EZ06/01 (PED06108)
(Ward 2)**

RECOMMENDATION:

That Application EZ06/01 for the proposed construction of a 5 storey mixed-use building containing commercial uses on the ground floor and 16 apartment units, located at 89 King Street East, Hamilton, be approved as an eligible project under the "Enterprise Zone Municipal Realty Tax Incentive Grant Program".

Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

EXECUTIVE SUMMARY:

An application has been made under the "Enterprise Zone Municipal Realty Tax Incentive Grant Program" for a property located at 89 King Street East, Hamilton (see Appendix "A" to Report PED06108).

The owner is presently the City of Hamilton and ownership will be transferred to CityHousing Hamilton, as they are proposing to demolish the existing 1 ½ storey vacant building and construct a new, 5 storey mixed-use building with commercial uses on the ground floor and 16 apartment units above. The property is known locally as the "Kit Kat" building. While City staff made various attempts over the past few years to sell the property so that it may be redeveloped by the private sector with a building that meets

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the vision and policy direction of the Downtown Hamilton Secondary Plan, such efforts failed to secure an appropriate offer. CityHousing Hamilton's proposed development meets the criteria and requirements of the EZ Program and is consistent with the designations and policy direction of Downtown Hamilton Secondary Plan. CityHousing Hamilton has worked with staff of the Planning and Economic Development Department over the past several months through the various permitting processes.

BACKGROUND:

On August 22, 2001, 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 Council. The EZ Program applies to properties within the Downtown Hamilton Community Improvement Project Area. Under the terms of the EZ Program, a nine-year grant is available that does not exceed the increase in municipal realty taxes as a direct result of the development/redevelopment of the land and/or building. 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 that was 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%. Such assignment is subject to an additional administration fee of \$308 per unit or such fee approved by City Council. Said fee will be deducted from the first grant payment to the residential condominium purchaser.

As applications have been received under the EZ Program since 2002, the Downtown Renewal Division has sought 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 submits 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 EZ06/01 for the property at 89 King Street East is for the demolition of the existing 1 ½ storey vacant building and the construction a new, 5 storey mixed-use building containing commercial uses on the ground floor and 16 apartment units above. The construction cost is approximately \$1.8 million and has been supported by a construction cost estimate. The property is known locally as the "Kit Kat" building and the City took ownership of the property through tax arrears in the 1990's. While City staff made various attempts over the past few years to sell the property so that it may be redeveloped by the private sector with a building that meets the vision and policy direction of the Downtown Hamilton Secondary Plan. The subject property is within the

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Enterprise Zone boundary outlined in the Downtown Hamilton Community Improvement Plan.

The proposed development is consistent with the designation, intent and policy direction of the Downtown Hamilton Secondary Plan, such efforts failed to secure an appropriate offer. CityHousing Hamilton staff have been working with staff of the Downtown Renewal and Development and Real-Estate Divisions of the Planning and Economic Development Department on the project design.

ALTERNATIVES FOR CONSIDERATION:

The Enterprise Zone Municipal Realty Tax Incentive Grant Program enhances the financial viability of the proposed development at 89 King Street East. In the event that the project was not to be considered for the program, the development would be faced with a significant financial difficulty.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financing - Report PED06108 recommends that 89 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 Council approval of the staff recommendation and reassessment of the property by the Municipal Property Assessment Corporation (MPAC), a Letter of Understanding 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 PED06108 outlines the issues to be addressed within the Letter of Understanding.

POLICIES AFFECTING PROPOSAL:

Report PED06108 relates to the processing of an application under the Enterprise Zone Municipal Realty Tax Incentive Grant 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.

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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 PED06108. 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 (Police, Public Works, Tourism etc).

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.

JEG

Attach. (2)

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Site of Application



Ward 8 Keymap

N.T.S.

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Location Map



File Name/Number: 89-KingStE	Date: March 7, 2006
Appendix "A"	Planner/Technician: JG/LMM

Subject Property
 89 King Street East

**Appendix “B” to Report PED06108
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**APPLICATION EZ06/01
Enterprise Zone Municipal Realty Tax Incentive Grant Program
89 King Street East, Hamilton**

A Letter of Understanding between the City and the applicant regarding the application will address the following:

- Application is in respect of proposed development at 89 King Street East, Hamilton.
- Applicant is CityHousing Hamilton, the registered owner of the property.
- Eligible improvement work is the construction of a 5 storey mixed-use building contained commercial uses on the ground floor and 16 apartment units at an estimated cost of approximately \$1.8 million.
- Application is based on current assessment, as of the date the application was received complete.
- For the residential units (if registered and sold as condominiums), the grant will reduce to a five (5) year 100% municipal tax grant assignable/payable to the first residential condominium purchasers only. Such assignment is subject to an additional administration fee of \$308 per unit or such fee approved by City Council. Said fee will be deducted from the first grant payment to the residential condominium purchaser.
- 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 Council as an acceptable, eligible project, the award and the final amount of a grant (if any) is solely within 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.