

West End Home Builders' Association

1112 Rymal Road East, Hamilton

Serving members in Hamilton and Halton Region

February 6, 2023

To: Phil Caldwell RPP, MCIP

Senior Project Manager

Economic Development Division

City of Hamilton

WE HBA Letter of Support: ERASE Grant Program

The West End HBA and many of our member companies were pleased to participate in the City of Hamilton's November 22, 2022 virtual meeting to discuss the ERASE Grant Program. Based on discussions with our members, WE HBA would like to provide the City with a formal letter of support for the program. WE HBA believes this program is an important component of building on *sustainable sites* in Hamilton communities. **The most important message we have heard from our membership is that the ERASE Grant Program is *not* a form of "corporate welfare", but instead a critical use of government incentives to allow for development on heavily contaminated sites, that would have otherwise been cost prohibitive—while also permanently increasing tax revenue in the City over the long term.** Without this grant program, contaminated brownfield sites would otherwise remain undeveloped and unremediated. The purpose of the ERASE program is to level the playing field in terms of cost of developing brownfield intensification sites when compared to greenfield sites. As such, the program is critical to the future of intensification and growth in Hamilton.

Tax Increment Financing (the model through which much of the ERASE Grant Program is built) is a widely misunderstood financial model,¹ and as such clarity is of the utmost importance. A large portion of the program is "tax increment-based grants provided annually equal to a portion of the increase in taxes resulting from the remediation and redevelopment of a site as a means of reimbursing for costs required to remediate the environmental condition of the property".² In other words, the remediation of the site is contingent on its redevelopment, but the redevelopment and tax assessment uplift from the better utilization of the site is what pays for its remediation. Once the remediation grant has been repaid, the new development provides continual property tax revenue to the City at the newly uplifted property value, in perpetuity. Without having this incentive program in place, these sites would remain contaminated, undeveloped and underutilized. Hamilton has been, and should continue to be a leader in the brownfield remediation space.

It is within this context that WE HBA would like to follow up on the survey and provide feedback on behalf of our collective membership:

Should promoting and supporting the remediation and redevelopment of brownfields financially continue to be a priority for the City?

WE HBA believes the City of Hamilton should continue the promotion and support of remediation and redevelopment of brownfields. Part of this justification is that costs for both new development and remediation have increased on ERASE eligible sites. This is predominantly due to an increased focus on

¹ Jim Tischler, "C4C Housing Systems Workshop Series: Financial Incentives - TIFs, CIPs & More" Windsor Law Centre for Cities, June 21, 2022. <https://windsorlawcities.ca/housing-systems-workshop-series/>

² City of Hamilton, "ERASE Grant Program" February 2021.

residential redevelopment (which requires a higher standard of remediation) and that many of the remaining sites eligible for ERASE funding are contaminated at a higher level than previous sites, needing more intensive attention. Our members have emphasized that without the support from the City of Hamilton, these projects may be put off or potentially abandoned. The level of site contamination is often not fully known until a study has been completed, meaning there can often be hidden costs to a redevelopment project. Without having this program in place, many projects would simply be unfeasible, and the increased cost would likely make the sale price beyond what an average Hamilton home buyer could afford, writing off the development's feasibility. Smaller scale intensification projects will also be challenged to find ways to absorb that additional cost of remediation without the ERASE program funding. Our members have also identified that the program is a benefit to young/new companies that do not have the same resources to shoulder additional or unexpected costs. They noted that the projects built will be a better product for the end consumer, having received this funding. This could be through the provision of nicer features to enrich the development if the profit margins are not so small that they cannot be included.

Given all of the benefits the program provides to the City, WE HBA believes there is tremendous opportunity to be had by increasing awareness for the program. Informing developers of the program can help them make decisions about where and what properties they can purchase to redevelop. Timeliness of their awareness of the programs is especially important, so they may take full advantage of the program.

Do you believe that developments receiving financial assistance through ERASE should be required to address additional community priorities?

No, given ongoing challenges with the housing shortage, and multi-partisan provincial direction to build 1.5 million more homes over the next decade it is important to view housing as a community benefit, in and of itself.³ When a developer chooses to build housing in a space that will remediate historically contaminated lands, this is delivering on two of the City's needed community priorities—that being the cleanup of an environmental hazard and the delivery of new intensification housing units. WE HBA members are already challenged to deliver new housing at attainable prices. The layering on of additional community priorities to access ERASE grant funding would place an additional cost burden on the development. This will either increase the price for the purchaser or, given current market uncertainty, result in projects not moving forward. The Hamilton market will not bear cost increases at this time.

An alternative approach is that additional incentives on top of the ERASE program could be given for helping the City achieve these additional priorities. This could take the form of increasing the grant from 80% to 100%, or increasing the repayment timelines for affordable or non-for-profit housing. Any potential additional goals should be focused and targeted on only the most important and immediate needs—one of which is increasing overall housing supply.

Staff are considering establishing a per project dollar cap on tax grants. Are there areas of the city or types of developments/uses where a cap should not be applied?

WE HBA believes that there should not be a cap to the per project tax grants. As previously mentioned, the sites being redeveloped now are some of the more heavily contaminated sites. They have higher costs attached to their redevelopment. This is especially true for residential redevelopments, as they require a higher standard of soil remediation. Projects where the grant does not cover the cost of remediation may be delayed or abandoned, as developers would choose other locations to invest. When looking back to the goal of the ERASE Grant Program—to level the playing field between greenfield costs versus brownfield costs—the financial costs

³ Bohmee Kim, Rachel Long, Maryam Sheikh, Anastasija Zecevic and Rhea Saini, "Unlocking Municipal Land: Exploring Tools for Affordable Housing," CityLab Hamilton, December 2022.

to redevelop must be kept as close to equal as possible. If costs rise, especially in the housing market, they may be too high for the Hamilton area to support.

Are there remediation-related costs that should be added/removed from eligibility under the programs?

WE HBA does not recommend removing any current items from the program eligibility. In terms of items that should be added, our members have noted there are significantly rising costs for moving and testing of excess soil/fill. For residential development, the testing of excess fill is a requirement that should be considered as an addition to the program. A further idea is that an incentive could be given depending on the technology used for soil remediation, WE HBA might recommend the City of Hamilton look to the ClimatSol Plus program run by the Quebec government.

How could the City better support remediation and redevelopment of potentially contaminated commercial properties like current/former gas stations, dry cleaners etc.?

WE HBA would recommend the City provide a larger percentage for the grant portion of the loan on these sites or utilize funds from the MAPP program to support these projects. It was suggested that if these areas or types of properties in the City of Hamilton are a priority, they could incentivize those projects for redevelopment.

The Remediation Loan Program has not been well utilized. Why? What changes could be made to make it more useful?

Reasons for little success for this program seems to be due to banks having a more attractive loan process than the City of Hamilton, as banks do not require Letters of Credit. That said, low interest rates may have contributed to developers using banks rather than using the City program. There is some speculation that with the rise in interest rates, more use of the program may occur. Members also voiced concerns that the funding caps are too low for the types of projects the City is trying to capture. It was suggested that MAPP funds could be combined with this program to target and incentivize affordable housing and non-for-profit housing projects.

Conclusion

The ERASE program is a vital program for the redevelopment and intensification in the City of Hamilton. It helps the revitalization of Hamilton continue, and supports the completion of projects that would not otherwise be feasible when a site has been historically contaminated. As the continued intensification of the City of Hamilton occurs, this program will be come even more integral to the future growth of our City as the “easy” or most cost effective remediation sites have already been redeveloped. The program supports a number of the City of Hamilton’s identified priorities including the provision of enough housing for the community, the remediation of contaminated sites, and achieving high levels of intensification. WE HBA therefore submits this letter of support for the program for the City’s consideration.

Sincerely,



Michelle Diplock, RPP, MPI

Manager of Planning and Government Relations
West End Home Builders’ Association