

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning & Policy Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> WARD 2
<b>COMMITTEE DATE:</b> November 23, 2011	
<b>SUBJECT/REPORT NO:</b> Development Charge Demolition Credit Extension Request - 119 & 121 Young St. (FCS11094) (Ward 2)	
<b>SUBMITTED BY:</b> Roberto Rossini General Manager Finance & Corporate Services	<b>PREPARED BY:</b> Joseph Spiler 905-546-2424, Ext. 4519 Adam Smith 905-546-2424, Ext. 1434
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That the Development Charge Demolition Credits for 119 & 121 Young St. be extended by 5 years – expiring July 5, 2014.

**EXECUTIVE SUMMARY**

On May 30, 2011, the City received a letter requesting an extension of the Development Charge (DC) Demolition Credits for the vacant lots located at 119 and 121 Young Street in Hamilton (refer Appendix “A”). At the City Council meeting on June 15, 2011, Council referred the issue to the General Manager of Finance & Corporate Services for a report to the Audit, Finance and Administration Committee.

According to the City’s existing DC Bylaws (09-144, 11-174, 11-175) a DC Demolition credit is available for a period of 5-years from the date of demolition permit issuance.

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Staff are recommending extending the Development Charge Demolition credit expired on July 6, 2009 for these particular properties since the redevelopment of these properties would meet several key strategic City initiatives. These initiatives include;

- The redevelopment of downtown properties which would not be financially feasible without the demolition credit.
- Generate assessment growth through intensification.

The residences on these properties were purchased with the intention of repairing them to clean up an eye sore in the neighbourhood by the neighbour. However, after purchasing the properties, the new owner realized the houses were in such poor shape that they needed to be demolished and rebuilt. The owner took out demolition permits for the properties on July 6, 2004. Soon after, the owner became ill, and decided to sell the property rather than develop it himself.

Due to a combination of the owner's health issues and real estate market conditions, the owner was unable to dispose of the land prior to the expiration of the demolition credit. The owner has been active in trying to sell the properties, having had them listed on the Multiple Listing Service (MLS) on and off by various brokers since June of 2005.

As per the property owners request, the owner is seeking the extension as his intention was to clean up his neighbourhood, at a considerable cost between the demolition and maintenance costs. The extension of the demolition credit serves to promote the City initiatives listed above.

***Alternatives for Consideration – Not Applicable***

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

**Financial:**

Demolition Credits are provided for a period of five (5) years from the date of a demolition permit issuance.

Demolition credits expire after five (5) years - in part to promote timely redevelopment of sites in hopes of avoiding vacant lots. Development Charges are collected to cover the costs for increased infrastructure services due to development. In this case, redevelopment of the properties in question would not increase the infrastructure needs beyond what was required for the demolished buildings.

The approval of the recommendation of Report FCS11094 will result in a short-term loss of one-time revenue in the hope that the property will be redeveloped resulting in a sustainable source of property taxation.

**Staffing:** None

**Legal:** None

<b>HISTORICAL BACKGROUND</b> (Chronology of events)
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Development Charges are levied against development (and redevelopment) to pay for the increased infrastructure services that are required as a result of the development. Demolition Credits are provided for a period of five (5) years from the date of demolition permit issuance where a property is being redeveloped. The demolition credits are based on the usage and size of the structure that was demolished on the property, which ensures that timely redevelopment of the property only results in DC's being payable in cases where there a increased infrastructure service needs over and above what previously existed. In the 2004 DC Bylaw, Demolition Credits were provided for demolitions dating back to 1990, however it also determined that all Demolition Credits for buildings demolished prior to the 2004 DC Bylaw coming into effect would expire at the end of the term of the bylaw on July 5, 2009. Going forward, the 2004 DC Bylaw provided a five (5) year limit on Demolition Credits for demolitions occurring from July 6, 2004 forward. Subsequent DC Bylaws (09-143, 09-144, 11-174,11-175) have provided the same five (5) year limit on Demolition Credits.

The subject properties – 119 & 121 Young Street, were purchased by the current owner early in 2004. The owner purchased them in hope of repairing the homes in order to remove an eye sore from the neighbourhood. After purchase, the owner came to the realization that the homes could not be salvaged and would need to be demolished and rebuilt. The City issued Demolition Permits to the owner for 119 and 121 Young Street on July 6, 2004. The owner had some health issues shortly after the demolitions were completed which prompted him to put the properties up for sale, rather than redevelop them himself.

A combination of health issues and real estate market conditions have hampered the owner's efforts to dispose of the land, which was first listed for sale on the MLS in June of 2005. The owner has used multiple realtors over the years in his effort to sell the properties so that they can be redeveloped, yet has been unsuccessful to do so. Over that period, the owner has incurred property maintenance costs, and kept the property taxes up to date.

Upon learning from his current realtors that the DC Demolition Credits had expired, the owner requested the realtors act as an agent on his behalf in order to seek an extension on the Demolition Credits. Without the extension, the property could continue to sit vacant for an extended period of time.

**POLICY IMPLICATIONS**

Development Charge Demolition Credits are given to recognize the infrastructure capacity which the previous development used to occupy. Rebuilding houses on these lots would not increase the infrastructure capacity required from what was required by the previous development.

The five (5) year limit on Demolition Credits is imposed to discourage vacant, undeveloped lots where buildings used to stand. As a neighbour to the vacant properties, the owner has an interest in seeing these properties be redeveloped and has been trying to sell the properties to someone so that they can be redeveloped.

Council has previously granted extensions of Demolition Credits on a case-by-case basis. Examples of such include the former Hamilton Thistle Club and McMaster Innovation Park.

**RELEVANT CONSULTATION**

Economic Development – Advised that the subject properties could fall into a potential expanded Downtown CIP Area. If an expanded Downtown CIP Area is approved and these properties fell within the expanded area, both City and GO Transit DC's would be exempted.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

The staff recommendation serves two purposes – it promotes a timely redevelopment of the property, and adheres to the spirit of the DC Bylaws that DC's be collected to cover additional infrastructure service costs related to the development of the properties.

The request for extension of the demolition credit will result in approximately \$53,854 in foregone DC revenue, which represents 33% of the current MLS listed valuation.

Valuation of Properties (Per MLS Listings)	\$ 165,400.00
Foregone Demolition Credit	\$ 53,854.00
Demolition Credit as a % of Valuation	33%

**ALTERNATIVES FOR CONSIDERATION**

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

N/A

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

**Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community**

***Skilled, Innovative & Respectful Organization***

- ◆ A culture of excellence
- ◆ A skilled, adaptive and diverse workforce, i.e. more flexible staff
- ◆ More innovation, greater teamwork, better client focus

***Financial Sustainability***

- ◆ Financially Sustainable City by 2020
- ◆ Effective and sustainable Growth Management
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- ◆ Full life-cycle costing for capital
- ◆ Generate assessment growth/non-tax revenues

***Social Development***

- ◆ Everyone has a home they can afford that is well maintained and safe

***Healthy Community***

- ◆ Plan and manage the built environment

**APPENDICES / SCHEDULES**

Appendix "A" – Letter from Agents of Property Owner dated May 30, 2011

2011 May 30

City of Hamilton  
71 Main Street West  
City Hall  
Hamilton, Ontario  
L8P 4Y5

Attention: Ms. Rose Caterini, City Clerk

Dear Madam:

Re: Vacant Lots - 119 Young Street and 121 Young Street, Hamilton

On behalf of Mr. James Nagy, owner of the above properties, we are requesting an extension on the development charge demolition credit for the properties located at the above address.

Mr. Nagy originally purchased the properties to get rid of an eye sore next to his principal residence located at 117 Young Street. He was originally going to repair the houses, however they were so far gone that he had to demolish them with plans to rebuild. He obtained a permit and the property was demolished in the summer of 2004. Soon after Mr. Nagy became ill and decided to sell the property rather than develop it. Health issues and market conditions have hampered his efforts to dispose of the land prior to the demolition credit expiring. Mr. Nagy was never aware of the potential for the credit expiring. It was brought to his attention recently as a result of our due diligence. It is important to note that throughout Mr. Nagy's ordeal his intention was merely to clean up his neighbourhood and he was not concerned about turning a profit.

To this day, this property has cost Mr. Nagy a considerable amount to maintain. If development fees are applicable he stands to lose a considerable amount more in order to sell these properties. It is our understanding that McMaster University was recently granted an extension. Our hopes are that you would support Mr. Nagy's situation for an extension at City Council. Mr. Nagy is an elderly gentleman whose health is in decline and speaks limited English. We have been hired by him with regards to this property and can be reached on his behalf if you have any questions regarding this situation.

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I am enclosing a record of the real estate activity from the time he purchased it to the time he tried to sell. There has been some interest, however this property sits just outside the downtown redevelopment area void of any exemption or reduction of development fees. Although in a desirable neighbourhood at the present value without the development charge demolition credit this property is not feasible for a builder to purchase. Mr. Nagy has his savings tied up in the properties and just wants to be able to get them sold and minimize his losses.

We thank you in advance for your consideration in this matter and look forward to your response at your earliest convenience.

Yours truly,

Elizabeth Bilobrk  
Maurice Cecca  
Sales Representatives  
Coldwell Banker Real Estate  
775 Upper Wentworth Street  
Hamilton, Ontario  
L9A 4V7  
(905)388-1110

On behalf of

James Nagy

Encl.

Cc: Councillor Jason Farr, Ward 2  
Mr. Rob Rossini, General Manager of Finance & Corporate Services  
Mr. Joe Spiler, Manager of Capital Budget