

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Financial Planning & Policy Division

TO: Chair and Members Audit, Finance & Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: February 13, 2012	
SUBJECT/REPORT NO: Development Charge Exemption – Mission Services of Hamilton Inc. Conversion of 196 Wentworth St. N, Hamilton (from Educational Facility to Multi-Use) (FCS12008) (City Wide)	
SUBMITTED BY: Roberto Rossini General Manager, Finance & Corporate Services	PREPARED BY: Joseph Spiler 905-546-2424 Ext. 4519 Bartek Lasota 905-546-2424 Ext. 2790
SIGNATURE: 	

RECOMMENDATION

- (a) That the Municipal Development Charge (DC) Liability of \$596,245 resulting from the conversion of 196 Wentworth St. N, Hamilton (owned by Mission Services of Hamilton Inc.), from use as a Post Secondary School academic or teaching facility (Mohawk College) to a multi use facility, be exempted;
- (b) That Development Charge deferral agreement #140 between the City of Hamilton and Mission Services of Hamilton Inc. (Mission Services) be amended as per Recommendation (a).

EXECUTIVE SUMMARY

Mission Services is a Christian, not for profit ministry that was patented in 1956 to provide “good works to the hungry and hurting of Hamilton”. They provide programs and services which “help break the poverty cycle”, focusing on marginalized seniors and single mothers as a key priority. The organization recently purchased the property of 196 Wentworth St N., Hamilton, in the amount of \$450,0000, to develop a new “Community Opportunity Centre” where various services, including, emergency food assistance, healthy eating programs, cooking classes, Christmas care programs, employment and skills training, a chaplaincy service, and the Suntrac Wellness Centre, will be provided. In order to prepare the building for its intended use, conversion work includes interior alterations, upgrades to meet fire code and accessibility upgrades. No subsidies or grants have been identified as received for the conversion of the property, with Mission Services indicating they will fund the conversion, budgeted at \$2.5 million, with existing cash reserves.

In addition, Mohawk College has agreed to lease (20 years) a portion of the facility to provide self development and academic programs to complement Mission Services’ job training programs. The building was purchased from Mohawk College and therefore no conversion is necessary to the leased space. As a result, the facility will be of mixed use to accommodate the range of services.

The Municipal Development Charge liability is \$596,245 (refer to Table 1 of report FCS12008), representing the City’s total contribution to the conversion. Since the building’s previous use was academic, DC By-law #s 09-143, 09-228, 11-173, 11-174 and 11-175 currently exempt school boards from DC fees, therefore only the Transit DC credit (\$0.23/sq. ft.) is passed on to Mission Services. There are no exemption provisions within the by-laws exempting non-profit organizations; therefore full DC fees are due. Mission Services has paid an education DC liability of \$8,384.02. The City only collects education DCs as an agent on behalf of the Catholic School Board; only the Catholic School Board can exempt education DCs. Mission Services will be contacting the Catholic School Board directly to request an exemption and refund of the fees paid.

A letter from Barry Coe, Director of Community Relations and Resource Development, to the City Clerk dated November 11, 2011 (refer to Appendix “A” of report FCS12008) states that the conversion of the property has received no subsidies and will be funded entirely from the organization’s cash reserves. As such, Mission Services is requesting a 100% exemption of the municipal development charge liability “because of its charitable good works in the neighbourhood”.

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

Financial:

Development Charges

The applicable DC fees for this project total \$596,244.40. The DC fees are calculated based on the Gross Floor Area times the DC rate for the DC classification of the building as of the report date (refer to Table 1 of report FCS12008).

Table 1			
Development Charges for 196 Wentworth St. N, Hamilton			
Total Gross Floor Area			46,594.8
Less:			
Gross Floor Area designated as "place of worship"	1,055.9		
Gross Floor Area not converted	<u>1,876.1</u>		2,932.1
Total Gross Floor Area subject to Development Charges - Conversion			43,662.7
<u>Non-Industrial Development Charge Calculation</u>			
	Sq. ft.	Rate per sq. ft	Amount
	5,000.0	7.60	38,000.00
	5,000.0	11.39	56,950.00
	33,662.7	15.19	511,336.82
	43,662.7		\$ 606,286.82
<i>Less: Credits for Previous Use</i>			
	Transit Credit	(0.23)	\$ (10,042.43)
	City DCs payable		\$ 596,244.40

Taxation

The property in question was previously exempted from property tax under the *Assessment Act*, qualifying as a public educational institution. Although assessment of the converted property is yet to take place, other properties owned by Mission Services are currently exempt from property taxation, as a not for profit organization. Should the new property be deemed to hold similar use as Mission Services' other properties, it is expected that an exemption will be provided to 196 Wentworth St. N, Hamilton. Since the property is expected to be exempt from property tax, no property tax liability would be generated as a result of the leased space to Mohawk College, as per the *Assessment Act*, which exempts public educational institutions of "land leased and occupied by (the public education institution) if the land would be exempt from taxation if it was occupied by the owner".

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND (Chronology of events)

In October 2011, the Building Services Division (of Planning and Economic Development) received a request for a building permit with respect to the property of 196 Wentworth St N., Hamilton to change use from “post-secondary school” to “Mission Services”.

The Building Services Division responded to the request with a letter dated November 10, 2011, indicating that due to the change in use, both development and education charges applied and would need to be paid prior to issuance of a building permit.

After receipt of the letter, Mission Services requested a meeting with finance staff to discuss the Development Charges calculation and process for requesting that fees be waived. Staff advised that paying Education DCs and signing a Deferral Agreement would allow Mission Services to proceed with acquiring its permits before they filed their formal request for the Municipal Development Charge Liability to be waived.

On November 11, 2011, officials from Mission Services sent the City of Hamilton a letter (refer to Appendix “A” of report FCS12008) requesting that development fees for the change in use of 196 Wentworth St. N, Hamilton be waived.

For Development Charge purposes, this project falls under DC By-law 09-143 passed on June 24, 2009. This, as well as our current DC By-laws, exempt places of worship. A portion of the property is intended to be designated as a place of worship and is exempted from DC fee calculation (refer to Table 1 of FCS12008). In addition, Mission Services has secured a long term lease with the former owner for a portion of the property, which will continue to maintain its previous use (“post-secondary school”). Therefore, no DC fees will apply to this space. Finally, prior use (Post Secondary School) of the property results in a credit to be applied to DCs for the transit component (\$0.23/sq. ft.).

POLICY IMPLICATIONS

None – Precedent for waiving fees on similar non-profit developments already exists (Habitat for Humanity, Ronald McDonald House, Good Shepherd)

RELEVANT CONSULTATION

Building Services Division (of Planning and Economic Development)

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The following criteria were used to form the basis of the recommendation:

1. Charitable Organization which is already committing significant financial resources to have the facility meet its servicing requirements. Additional Municipal Fees would increase its costs significantly.
2. Municipal Exemption Precedent. The City had exempted other “non-profit” organizations, as evidenced by exemptions extended to Habitat for Humanity and the Ronald McDonald House.

ALTERNATIVES FOR CONSIDERATION

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

Alternative: 100% DC Exemption for “non-profit” organizations. This would be a change to the existing by-law and would require at least one public meeting according to the Development Charges Act, 1997, S.O. 1997, c. 27. Twenty (20) days public notice would be required for this meeting and all documents would have to be made public at least two weeks prior to the meeting. A forty (40) day appeal period would also exist.

Pros: Would promote development of non-profit organizations, aiding Hamilton citizens in need.

Cons: There would be a significant loss of DC revenue where the provision subsidizes all costs including soft costs such as DC liabilities.

Staffing Implications: None

Legal Implications: None

Policy Implications: Any changes to current DC policies will require amendments to be made to the DC By-law. The amendment process is outlined above.

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

- ◆ More innovation, greater teamwork, better client focus
- ◆ Council and SMT are recognized for their leadership and integrity

Financial Sustainability

- ◆ Financially Sustainable City by 2020
- ◆ Effective and sustainable Growth Management
- ◆ 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
- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

APPENDICES / SCHEDULES

Appendix “A” – Letter from Mission Services requesting DC exemption



Opportunity Centre

Administration - 293 Wellington St. N. P.O. Box 368, Hamilton, ON L8L 7W2
Phone 905-528-4211 Fax 905-521-0251
www.mission-services.com - admin@mission-services.com - 1-877-5-i-care-2 (877-542-2732)

COPY

November 11/11

Ms. Rose Caterini, City Clerk,
City of Hamilton

Re: Development Charge (DC) 196 Wentworth Street North, Mission Services of Hamilton

Dear Ms. Caterini,

I writing to you in regards to the City Development Charges associated with our purchase of the 196 Wentworth Street property. In an email letter sent November 10th to Pastor Edward Raddatz, Executive Director of Mission Services, from Mr. Joseph Siler, it was requested we provide you with an overview of our usage for our new "Community Opportunity Centre."

The property was purchased after research, commissioned through the SPRC of Hamilton, indicated a great need for our Caring, Healing and Learning Centre as part of a Community Building exercise.

Mission Services is a Christian, not for profit ministry that was patented in 1956 to provide good works to the hungry and hurting of Hamilton. Our Mission is to act justly, show mercy and offer hope as an illustration of God's unqualified love. We provide services to over 30,000 people annually.

It is important to note that the new Community Opportunity Centre **is not a shelter** and **will not provide any shelter services** from this location.

Working in a collaborative manner with the neighbourhood Wever HUB, Mission Services will provide programs to help break the poverty cycle. A focus upon marginalized seniors and single mothers will be a key priority. Healing the mind, body and soul is a distinctive characteristic of all Mission Services programs.

Emergency food assistance and healthy eating programs will be supplemented with cooking classes and cooking on a budget programs. Christmas Care and Trusteeship programs will also originate from the Community Opportunity Centre.

Our Employment & Skills Training programs will provide food service and janitorial training.

A chaplaincy service will also be available.



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Mohawk College has leased property (20 years) to provide self development and academic programs to complement Mission Services' job training programs. Evening continuing education classes will be offered to engage seniors and single mothers and disengaged youth.

Our healthy living programs will include our successful Suntrac Wellness Centre, a recovery program designed to intervene in unhealthy substance adherence.

Mission Services has not received any subsidies for the conversion of the property where Mission Services will invest 2 ½ million of its cash reserves to repair the iconic structure.

As such, Mission Services respectfully requests a 100% deferral of Development Charges because of its charitable good works in the neighbourhood.

Thank you in advance for your time and consideration. Please note that a cheque will be hand delivered, Monday, October 14th, in the amount of \$750 to the Clerk's office at Hamilton City Hall.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry Coe".

Barry Coe, per Pastor Edward Raddatz, Executive Director

Contact Barry Coe,
Director Community Relations & Resource Development cell: 905-516-4890

cc. J.Spiller, B.Morelli, R.Rossini