



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 19, 2016
SUBJECT/REPORT NO:	Request to Extend Development Charges (DC) Demolition Credit 46-52 James Street North (FCS16039) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Josh Van Kampen (905) 546-2424 Ext. 1434
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the request to extend the Development Charges (DC) Demolition Credit for 46-52 James Street North to September 2016 be approved.
- (b) That the matter respecting “Request to Extend Development Charges Demolition Credit 46-52 James Street North” be considered complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

EXECUTIVE SUMMARY

A letter, dated February 26, 2016, from Tony De Pasquale (attached as Appendix “A” to Report FCS16039), requesting an extension to the expiration of the Demolition Credit for 46-52 James Street North was received by Council at the March 9, 2016 meeting as Item 5.2. Council directed staff to report back to Audit, Finance and Administration Committee.

Mr. De Pasquale applied for Phase 1 of the demolition in April of 2009 to remove a two-storey block addition (non-heritage) at the rear of the property. In October of 2010, Mr. De Pasquale applied for Phase 2 of the demolition permit of the stone façade for 46-52 James Street North.

From the date of demolition, the City’s DC By-laws have imposed a five-year limit on DC Demolition Credits. Council included this provision in the DC By-law since 2004. The intent with this provision was to discourage long-term vacant land blight in the built up urban areas (downtowns). Also, the five-year limit on DC Demolition Credits recognizes

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that when preparing the DC Background Study, the City must assess the available capacity within the system (in particular, water, wastewater and storm water) and make existing capacity available to new development. If the redevelopment of a demolished property does not occur within five years, its capacity will have been absorbed back into the system for the purposes of calculations in the DC Background Study.

For this property (46-52 James Street North) the Demolition Permit was revised and issued on October 26, 2010 and, therefore, the DC Demolition Credit expired on October 26, 2015.

The City has, in the past, extended DC Demolition Credits in built up urban areas for larger strategic developments which significantly increase assessment and are development catalysts for the area. Examples of such previous developments which had their DC Demolition credits extended are 85 Robinson Street, The Centre on Barton (formerly Centre Mall) and Mountain Plaza Mall.

Staff has reviewed the request, along with the City's Development Charge By-law and past precedent, and are recommending that the request to extend the DC Demolition Credit related to 46-52 James Street North, be approved. The property is currently located in the Community Improvement Project Area (CIPA) and being taxed as vacant commercial land.

The City is responsible for collecting Education DC's on behalf of the School Boards, but does not have the authority to extend credits for Education DC's. As a result, there are no recommendations, nor is there further mention of Education DC's contained within this report.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

The value of a DC Demolition Credit is dependent on the current DC rates. Effective Jan 6, 2016 the value of a DC Demolition Credit for 46-52 James St. North is \$717,960. This amount will be adjusted for the annual construction cost inflation of 1.8% effective July 6, 2016 (refer Table 1).

The proposed new development at this site is for 159 units and 2,949 square feet of commercial space. The DC Liability for these units would be \$3,514,234 (include 2016 inflation of 1.8%). After DC Demolition credit application, the net DC Liability is \$2,296,327 (refer Table 1). The amount of \$2,796,327 would then be eligible for the Downtown CIPA 80% exemption amount. Therefore the net DC liability for this development will be approximately \$559,265 plus education DC's and GO Transit.

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Table 1

Proposed Development Charges 46-52 James St. N – Municipal ONLY Rates of July 6, 2016	
Project Development Charge Cost	
Municipal DC	\$3,514,234
Extended Credits (per report FCS16039 recommendation)	
Municipal DC Demo Credits	\$ 717,960
Less: Project DC Cost - Extended Credits	
Municipal DC less Demo Credit	\$2,763,327
Downtown CIPA DC Exemption (80%)	
CIPA Municipal DC Exemption	\$2,237,061
Total	
Net Municipal DC	\$ 559,265

The proposed development once complete, will add approximately \$363,000 of new municipal (net of education property taxes) property taxes annually.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND (Chronology of events)

- April 30, 2009 Phase 1 of demolition of the building according to the scope approved by the Heritage Permit HP2009-009 as follows:
1. The removal of a two-storey concrete block addition (non-heritage) at the rear of the property.
 2. The removal of a two-storey brick addition (non-heritage) at the rear of the William Thomas Building; and,
 3. The removal of the metal siding, signage, and other finishes from the James Street North facade of the William Thomas Building.
- October 5, 2010 Phase 2 of deconstruction of the stone façade for 46 James Street North only, on west elevation. Work has been approved by Heritage Permit HP2009-009.

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October 26, 2010 Permit Revision to include the deconstruction of the remainder of the building, the DC demo credits expired on October 26, 2015.

October 26, 2015 Demo Credit expired for 46-52 James Street North.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The General Manager, Finance and Corporate Services has been delegated authority to provide extensions to DC demolition credits in cases where the demolition was in a rural area, and cases where in the opinion of the General Manager, Planning and Economic Development, there were delays in the redevelopment that were beyond the control of the developer (OMB appeals for example).

The request related to 46-52 James Street North does not fall under either of the circumstances where Council has delegated authority.

Precedent for Council extending DC Demolition Credits are 85 Robinson Street Street, The Centre on Barton (formerly Centre Mall) and Mountain Plaza Mall.

RELEVANT CONSULTATION

Building Division staff provided information related to the demolition of 46-52 James Street North

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The owner / developer requested an extension of six months to the DC Demolition Credit for 46-52 James Street North. The current DC Demolition Credits expired October 26, 2015. The total amount of Demolition Credits are for 3,842 square metres or 41,355 square feet, which has a value of \$717,960 of credits using rates effective as of January 6 to July 5 2016.

Precedent exists for extending DC Demolition Credits for a large scale mall redevelopment through the approval of Report FCS14054 and FCS15041 which extended the DC Demolition Credits for The Centre on Barton (formerly Centre Mall) redevelopment and Mountain Plaza Mall redevelopment respectively.

In 2013, through Report FCS13012, the General Manager (GM) of Finance and Corporate Services was provided authority to make the decision to extend a DC Demolition Credit where there has been extenuating circumstances beyond the control of the developer, such as OMB appeals, preventing the redevelopment of the property.

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After reviewing the request, previous precedents, and the DC By-law, staff is recommending that the request to extend the DC Demolition Credit for 46-52 James Street North be approved until September 30, 2016.

ALTERNATIVES FOR CONSIDERATION

Alternatively, Council could deny the request to extend the DC Demolition Credit for 46-52 James Street North.

Pro: Providing the extension would provide financial relief to the owner/developer for property which has been vacant.

Con: Providing the extension would result in a loss of DC revenue.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous and Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS16039 – February 26, 2016 Letter Requesting Extension of DC Demolition Credit