



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
*Financial Planning, Administration and Policy Division*

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 6, 2017
<b>SUBJECT/REPORT NO:</b>	Development Charges Demolition Credit Extension Mountain Plaza Mall Development Request (FCS17008) (City Wide) (Outstanding Business List Item)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Abe Chegou (905) 546-2424 Ext. 4047
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That the City Development Charges (DC) demolition credits for the Mountain Plaza Mall (651–677 Upper James Street) for 47,248.61 square feet be extended for a final period of three years until January 12, 2020;
- (b) That any foregone DC revenue related to the extension of DC demolition credits on the Mountain Plaza Mall redevelopment, currently estimated at \$916,000 total, be funded through the Waterworks Capital Reserve (108015), the Sanitary Sewer Reserve (108005), the Storm Sewer Reserve (108010) and the Tax Stabilization Reserve (110046), currently estimated at \$116 K, \$232 K, \$63 K, and \$505 K, respectively;
- (c) That the subject matter respecting “Development Charges Credits Extension Mountain Plaza Mall Development” be identified as complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

**EXECUTIVE SUMMARY**

The Audit, Finance and Administration Committee, at its meeting of December 12, 2016, received a presentation (Appendix “A” to Report FCS17008) from Christine Kieller on behalf of SmartReit requesting an extension on the DC demolition credits for the Mountain Plaza Mall Development and directed staff to report back to the Audit, Finance and Administration Committee on the matter.

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A decision to extend the Development Charges (DC) demolition credits has a city wide impact since the funds collected through DC's are used to fund the growth related portions of capital projects throughout the City.

The Mountain Plaza Mall was purchased by Calloway REIT (Hamilton) Inc. in 2007 and plans to redevelop the Mountain Plaza Mall into a seven building, open air commercial shopping centre were approved in 2008. The demolition of the former enclosed mall took place in two phases, one in 2009 and the other in 2010.

The owners have now redeveloped and made use of DC demolition credits for 209,709.18 square feet of the 256,957.79 square feet that had been demolished and have applied for a permit that would use an additional 640.02 square feet once issued. The City provided a two year extension of the DC demolition credits in 2015 (to seven years). A request has been received to extend the remaining DC demolition credits beyond the extended seven year expiration for another three years. DC demolition credits expire per By-law 14-153 after five years in order to both encourage timely redevelopment, as well as to recognize that capacity may be absorbed back into the system for the purpose of calculating DC's in the DC Background Study.

The City holds over \$221 K in securities for the Mountain Plaza Mall, which will not be released until the development has been completed. Given the security held by the City and that the site has been continually redeveloped, staff recommend that the remaining DC demolition credits be extended an additional three years until January 12, 2020 for 47,248.61 square feet.

To recognize the potential foregone DC revenues associated with an extension of the DC demolition credits, the Waterworks Capital Reserve (108015), the Sanitary Sewer Reserve (108005), the Storm Sewer Reserve (108010) and the Tax Stabilization Reserve (110046) are being recommended as funding sources to recover any future DC revenues related to the Mountain Plaza Mall redevelopment. The foregone revenues are estimated at \$116 K, \$232 K, \$63 K, and \$505 K, respectively, for a total of \$916 K.

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 6***

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**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** Any development on the Mountain Plaza Mall property that occurs during the period of the DC demolition credit extension would potentially result in foregone DC collections. However, consideration should be given to the intent of the by-law when contemplating the potential foregone revenues.

**Maximum Potential Foregone DC Collections**

Current Full Non-Residential DC Rate	\$19.38
Gross Floor Area (sq.ft.)	47,248.61
Potential Foregone DC Collections	\$915,678.06

**Breakdown by Service Area / Recommended Funding Source**

Rates Capital – Water	\$115,759.09	Waterworks Capital Reserve (108015)
Rates Capital – Wastewater	231,990.68	Sanitary Sewer Reserve (108005)
Rates Capital – Stormwater	62,840.75	Storm Sewer Reserve (108010)
Tax Capital	<u>505,087.64</u>	Tax Stabilization Reserve (110046)
TOTAL	\$915,678.06	

The recommended three year extension of the DC demolition credits would result in 47,248.61 square feet expiring on January 12, 2020 (all non-industrial class).

The potential foregone DC collections represent an exemption from the DC Background study and DC By-law 14-153. Other exemptions (e.g. stepped commercial rates, industrial rate and Downtown Community Improvement Project Area exemption) are funded through requests in the annual tax and rate capital budgets. The annual DC exemption funding is not sufficient to cover all of the exemptions extended through DC By-law 14-153. For this reason, specific funding sources, the Waterworks Capital Reserve (108015), the Sanitary Sewer Reserve (108005), the Storm Sewer Reserve (108010) and the Tax Stabilization Reserve (110046) are being recommended to recover any future foregone DC related to the Mountain Plaza Mall redevelopment.

**Staffing:** N/A

**Legal:** N/A

## **HISTORICAL BACKGROUND**

2007	Mountain Plaza Mall property acquired by Calloway REIT (Hamilton) Inc.
2008	Site plan approval obtained for redevelopment of enclosed mall into seven buildings.
2009-2010	Demolition of former enclosed mall occurred for a combined total of 256,957.79 square feet demolished.
2009-2012	Building Permits issued for six of the seven planned buildings utilizing 209,709.18 square feet of the DC demolition credits from the available 256,957.79 square feet.
January 12, 2015	The unused DC demolition credits of 47,248.61 square feet expired.
April 22, 2015	A 5 year extension is requested on the expired DC demolition credits in anticipation of constructing the final seventh building.
June 8, 2015	Council approves a two year extension of the demolition credits (to January 12, 2017) through Report FCS15041.
August 20, 2016	Applied for building Permit for "Penguin Pickup" which will utilize 640.02 square feet of the DC demolition credits from the available 47,248.61 square feet.
December 12, 2016	A request to extend the remaining 46,608.59 sq. ft. (non-industrial class) demolition credits by an additional three years is received.
January 12, 2017	The unused DC demolition credits of 47,248.61 (46,608.59 + 640.02 from unissued permit) square feet expired.

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## **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 from SmartReit does not fall under either of the circumstances where Council has delegated authority.

Precedent exists for extending DC demolition credits to a maximum of 10 years for a large scale mall redevelopment through the approval of Report FCS16084 which extended the DC demolition credits for the Centre on Barton redevelopment.

Staff recommend that the additional three year extension be extended as a final extension to both recognize the complexity of the redevelopment and set a limit for this recognition.

## **RELEVANT CONSULTATION**

Staff from the Planning and Economic Development Department advised that nothing has come to their attention which would indicate that the owners have not maintained good faith and good planning practices related to this redevelopment.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

### Five Year Limit on Demolition Credits

The five year limit on DC demolition credits serves a couple of purposes. First, it recognizes that when preparing the DC Background Study, the City must assess the available capacity within the system (in particular, water, wastewater and stormwater) and make existing capacity available to new development. If the redevelopment of a demolished property doesn't occur within five years, its capacity will have been absorbed back into the system for the purposes of calculations in the DC Background Study. The five year limit on DC demolition credits has been contained in the DC By-laws since 2004.

Another benefit of the five year limit is that it discourages vacant, undeveloped lots where buildings used to stand. The Mountain Plaza Mall redevelopment did not leave a vacant undeveloped lot. Demolitions began in 2009, redevelopment started in 2009 and the last demolitions occurred in 2010.

Complexity of Redevelopment

The redevelopment project involved the demolition of a 256,957.79 square foot enclosed mall and construction of seven new buildings. To date, six of the new buildings have been erected. The request included as Appendix "A" to Report FCS17008 states that the redevelopment of this Plaza Mall represents one of the busiest and more pedestrian focused centres and that an additional three years would be sufficient to continue to redevelop this large site.

Precedent for Providing Demolition Credit Extensions

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 the Mountain Plaza Mall does not fall under either of the circumstances where Council has delegated authority.

Precedent for Council extending DC demolition credits to a maximum of 10 years for a large mall redevelopment exists through the three year extension granted for the Centre on Barton redevelopment through the approval of Report FCS16084.

Securities Held by City

The City holds more than \$221 K in securities which may not be withdrawn until all remaining buildings and site works are completed. Therefore, it is in the interest of the owners that construction of the remaining buildings occurs in a timely manner.

**ALTERNATIVES FOR CONSIDERATION**

Alternative – No Extension be Provided

This alternative would see that no further extension be provided to the DC demolition credits. Any future developments would be subject to paying DC's at the full non-industrial rate.

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Financial Implications: Potential DC's paid for the Mountain Plaza Mall would be \$915,678.06 for the next 47,248.61 square feet (assuming the DC rate in effect at Report date).

Staffing Implications: None.

Legal Implications: None.

Policy Implications: None.

Pros: Potential increased Development Charges collections.

Cons: May stall remaining portions of development.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Built Environment and Infrastructure**

*Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.*

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" – Development Charges Demolition Credit Extension Mountain Plaza Mall Development Request Presentation.

AC/dt