



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	April 10, 2017
SUBJECT/REPORT NO:	Development Charge (DC) Exemption Request, 547 King Street East (FCS17039) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Lindsay Gillies (905) 546-2424 Ext. 2790
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the request to exempt Development Charges (DCs) at 547 King Street East be denied;
- (b) That the subject matter respecting “Development Charge (DC) Exemption Request, 547 King Street East” be identified as complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

EXECUTIVE SUMMARY

Council, at its meeting of December 14, 2016, received as item 5.8, correspondence from R.N. Donnell & Company Limited requesting an exemption of DCs for 547 King Street East and directed staff to report back to the Audit, Finance and Administration Committee on the matter.

A decision to exempt DCs has a city wide impact since the funds collected through DCs are used to fund the growth related portions of capital projects throughout the City.

Previous correspondence with the developer revealed that there was a demolition which took place in 1972. DC By-law 14-153 places a five year limitation on DC demolition credits to both discourage vacant, undeveloped lots where buildings used to be and to recognize that excess capacity is absorbed back into the system for DC background

SUBJECT: Development Charge (DC) Exemption Request, 547 King Street East (FCS17039) (City Wide) (Outstanding Business List Item) – Page 2 of 6

study calculations. The demolition credit has long since expired and is not eligible to be used in future development on the property.

DC By-law 14-153 provides for and outlines numerous reductions to the maximum DC collectible under the DC Background Study from 2014. The property at 547 King Street East is located within the borders of the Downtown Hamilton Community Improvement Project Area (CIPA) which currently receives an 80% exemption from the DCs that would otherwise be payable. In addition, any commercial space will receive the reduced stepped rates and the CIPA exemption. These facts have already been communicated to the developer and the request for exemption is in addition to what is provided for in DC By-law 14-153.

Staff is recommending denying the request for any further exemption.

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 – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Any future development at 547 King Street East will be subject to the charges laid out in the DC By-law in effect at time of permit issuance.

547 King Street East is within the Downtown CIPA borders and is eligible for the Downtown CIPA exemption provided in DC By-law 14-153. The Downtown CIPA exemption is currently 80% and will be reduced to 75% on July 6, 2017 and 70% on July 6, 2018.

The most recent DC estimate, using rates currently in effect, has been calculated for a six dwelling unit building with just over 2,000 square feet of commercial space. In any other area of the City, this would yield a City DC payable of just over \$153 K. The City DC payable is reduced to a charge of just over \$30 K once the 80% Downtown CIPA exemption is factored into the calculation.

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SUBJECT: Development Charge (DC) Exemption Request, 547 King Street East (FCS17039) (City Wide) (Outstanding Business List Item) – Page 3 of 6

This development will also benefit from the Parkland Dedication By-Law changes made permanent through Report PED17032 (Council, March 8, 2017). The estimated impact based on the 2015 calculation is a reduction of \$33 K from \$49 K to just under \$16 K.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

547 King Street East – Development/Demolition Chronology

- | | |
|--------------------|--|
| November 1972 | Demolition permits issued for four attached dwelling units (Permits 51454, 51455, 51456, 51457). |
| June 24, 2015 | Request for relief from development fees received by Council from R.N. Donnell and referred to staff for report back to Audit, Finance and Administration Committee. |
| July 2015 | Clarification on request received. Relief is being sought on Parkland Dedication amount only. |
| September 23, 2015 | The outstanding request is referred to the Planning Committee and removed from Audit, Finance and Administration's Outstanding Business List. |
| December 1, 2015 | Information Report PED15178 is received by Planning Committee and subsequently received by Council. The Report identified that in the time between the original Parkland Dedication estimate and the time of writing, Council had approved temporary methodology changes to Parkland Dedication By-law 09-124 (through Motion, Planning Committee Report 15-013) which affected the estimate for this property. The temporary methodology changes (expiration on March 1, 2017) reduced the Parkland Dedication estimate from \$49 K to just under \$16 K. Parkland Dedication calculations are time sensitive and will be updated prior to permit issuance. |
| November 2016 | Developer requests that staff extend the demolition credit similar to McMaster Innovation Park (old Westinghouse). Staff indicate that such a request is not within their authority. |

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**SUBJECT: Development Charge (DC) Exemption Request, 547 King Street East
(FCS17039) (City Wide) (Outstanding Business List Item) – Page 4 of 6**

December 16, 2016 Request to exempt DCs received by Council and referred to staff for report back to Audit, Finance and Administration.

March 8, 2017 Council approved Report PED17032 which made the temporary methodology changes related to the Parkland Dedication amount permanent (as they relate to this proposal).

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None. The staff recommendation is consistent with DC By-law 14-153.

RELEVANT CONSULTATION

Building staff provided copies of the demolition permits.

Parkland Dedication staff confirmed that the Parkland Dedication temporary methodology changes that impact this property were part of the changes made permanent through Report PED17032.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

DCs are collected to recover the growth related costs associated with the capital infrastructure needed to service new development or redevelopment. For example, increasing watermain sizes to accommodate growth in already developed areas.

The request included as Appendix “A” to Report FCS17039 does not state any specific rationale. Based on previous correspondence, the developer has pleaded a reduction based on the 1972 demolition.

DC Demolition Credit

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 building 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. Another benefit of the five year limit is that it discourages vacant, undeveloped lots where buildings used to stand. The five year limit on DC demolition credits has been contained in the DC By-laws since 2004.

SUBJECT: Development Charge (DC) Exemption Request, 547 King Street East (FCS17039) (City Wide) (Outstanding Business List Item) – Page 5 of 6

The General Manager, Finance and Corporate Services has delegated authority under DC By-law 14-153 to provide extensions of DC demolition credits in cases where the demolition was in a rural area and cases where, in the opinion of the General Manager, Planning & Economic Development, there were delays in the redevelopment that were beyond the control of the developer (OMB appeals for example). The request related to 547 King Street East does not fall under either of the circumstances where Council has delegated authority.

The developer has appealed to staff to receive an extension of the demolition credit similar to the McMaster Innovation Park property. The extension of the demolition credit of McMaster Innovation park was approved through Report FCS10051(a) and extended to July 31, 2017 through Council's July 10, 2015 approval of the July 8, 2015 Audit, Finance and Administration Committee Minutes. This extension is similar to the extensions provided for the large scale mall redevelopments of the Centre on Barton and Mountain Plaza Mall (Reports FCS16084 and FCS17008, respectively). In these cases, the demolition occurred and redevelopment commenced immediately. The demolition at 547 King Street East occurred 45 years ago and, therefore, is not considered by staff to be a similar situation.

Providing an extension of the redevelopment credit for circumstances outside those identified above would make the five year limitation for DC demolition credits in the City's DC By-law redundant.

DC Exemption

The request included as Appendix "A" to Report FCS17039 does not state any specific rationale. To provide an exemption to the DC By-law for no clear or authorized reason would render the DC By-law redundant.

DC By-law 14-153 provides for and outlines numerous reductions to the maximum DC collectible under the DC Background Study from 2014. The property at 547 King Street East is located within the borders of the Downtown Hamilton CIPA which currently receives an 80% exemption from the DCs that would otherwise be payable. In addition, any commercial space will receive the reduced stepped rates and the CIPA exemption. These facts have already been communicated to the developer and the request for exemption is in addition to what is provided for in DC By-law 14-153.

The property at 547 King Street East is already eligible for significant reductions in the DCs payable through the provisions in DC By-law 14-153 as outlined above. Staff is recommending denying the request for any further exemption.

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ALTERNATIVES FOR CONSIDERATION

No alternatives are being presented since granting an exemption to the DC By-law for no clear or authorized reason would render the DC By-law redundant.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Built Environment and Infrastructure

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

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS17039 – 2016 Letter Requesting Exemption of Development Charges for 547 King Street East.

Appendix “B” – 2015 Letter Requesting Relief from Development Fees for 547 King Street East

LG/dt