



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) Demolition Credit Extension Request from Penta Properties, 330 Nash Road (FCS17034) (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 extend the Development Charge (DC) demolition credit for 330 Nash Road be denied;
- (b) That the subject matter respecting “Penta Properties request to extend the DC demolition credit for 330 Nash Road” be identified as complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

EXECUTIVE SUMMARY

Council, at its meeting of February 8, 2017, received as item 5.2, correspondence from Penta Properties requesting an extension on the Development Charge (DC) demolition credit for 330 Nash Road and directed staff to report back to the Audit, Finance and Administration Committee on the matter.

A decision to extend the DC demolition credit 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.

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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 study calculations.

There are some extenuating circumstances in which the five year limit has been extended, specifically, when development proposals were finalized and ready for development at the time of demolition. The property at 330 Nash Road North, Hamilton does not fall into any of these categories. To provide an extension for 330 Nash Road would render the five year limit in DC By-law 14-153 redundant.

For these reasons, staff is recommending upholding the five year limit in DC By-law 14-153 and denying the request for extension.

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: Any future development at 330 Nash Road will be subject to the charges laid out in the DC By-law in effect at time of permit issuance.

Currently, there are no known development plans. At the current industrial DC rates of \$11.82 per square foot, an equivalent 70,030 square feet industrial building would equate to City DC's owing of \$827,754.60.

DC By-law 14-153 provides a significant reduction in the applicable DC rate for industrial properties. The current full rate is \$19.38 per square foot and large industrial developments (over 10,000 square feet) only pay \$11.82 per square foot. This reduced rate means that included in the above estimate is an exemption of \$529,426.80.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

330 Nash Road – Development/Demolition Chronology

June 3, 2011	Demolition permit issued for 70,030 square feet industrial building (Permit 11-107631).
June 3, 2016	DC demolition credit related to the demolished building expires (five year limit).
February 8, 2017	Request to extend DC demolition credits received and referred to staff.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

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

RELEVANT CONSULTATION

None.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

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

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. 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.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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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 from Penta Properties does not fall under either of the circumstances where Council has delegated authority.

The other case where Council has authorized an extension of the five year limit relates to large scale mall redevelopments where redevelopment commenced immediately following demolition and progress has been continuously made. Examples include Reports FCS16084 and FCS17008 which extended the DC demolition credits for the Centre on Barton redevelopment and the Mountain Mall redevelopment, respectively. The request from Penta Properties does not fall under this circumstance.

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.

Staff recommend that the five year limit on DC demolition credits in the DC by-law be upheld.

ALTERNATIVES FOR CONSIDERATION

Alternatively, Council could approve the requested five year extension.

Financial: If extended, the demolition credit would be based on the number of square feet demolished at the current industrial rate in effect when redevelopment occurs. At current rates, this would equate to a demolition credit of \$827,754.60 (\$11.82/square foot for 70,030 square feet).

There are currently no known development plans. The amount of the credit would vary as the DC rates are indexed and as new DC By-laws come into effect.

The amount of the extended exemption would need to be recovered from other sources. Ultimately, the burden will fall on existing tax and rate payers whether recovered through the tax and rate capital budgets or through drawing down existing reserves.

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Staff: N/A

Legal: N/A

Policy: Extending the five year DC demolition credit renders the five year limit in the DC By-law redundant.

Pros: Extending the five year DC demolition credit could encourage earlier development of land.

Cons: Extending the five year DC demolition credit sets precedence for others to request similar treatment, renders the five year limit set out in DC By-law 14-153 redundant and places added pressure on the existing tax and rate payers.

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” – Letter Requesting Extension of Development Charge Demolition Credit for 330 Nash Road

LG/dt