



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	August 16, 2017
SUBJECT/REPORT NO:	Development Charges Demolition Credit, Request for Extension, 440 Victoria Avenue North, Hamilton, Hamilton Central Business Park (FCS17067) (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 City Development Charges (DC) demolition credits of 653,496.59 square feet, in total, for the Hamilton Central Business Park (440 Victoria Avenue North) be extended for a period of five years to the effect that 340,987.98 square feet will expire July 26, 2022 and 312,508.61 square feet will expire September 6, 2022;
- (b) That the subject matter respecting “Development Charges Demolition Credit, Request for Extension, 440 Victoria Avenue North, Hamilton, Hamilton Central Business Park” be identified as complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

EXECUTIVE SUMMARY

Council, at its meeting of May 24, 2017, received as Item 5.10 a request (Appendix “A” to Report FCS17067) from Sergio Manchia, Urbancore Developments Inc. requesting an extension of the Development Charges (DC) demolition credits for the Hamilton Central Business Park (440 Victoria Avenue North) and directed staff to report back to the Audit, Finance and Administration Committee on the matter.

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DC By-law 14-153 allows for DC demolition credits for a period of five years following demolition permit issuance. 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 for the Hamilton Central Business Park does not fall under either of the circumstances where Council has delegated the authority.

Staff is recommending extending the DC demolition credits due to the following factors:

- Complex, innovative program for brownfield redevelopment.
- The development team has worked in a timely manner.
- In consultation with Planning, staff confirmed that the original five year DC demolition credit time period has brought this project to the point where the site servicing has been completed. An additional five years is a reasonable time period for the completion of purchase agreements and building permit issuance for this complex brownfield site.

A decision to extend the DC demolition credits 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.

The Hamilton Central Business Park, at 440 Victoria Avenue North, Hamilton, redevelopment covers 26 acres of employment land and required demolishing a total of 653,496.59 square feet of industrial buildings in 2012. The site required extensive remediation and was approved for an Environmental Remediation and Site Enhancement (ERASE) Grant totalling \$1.9 M (Reports PED121254 and PED12154(a)). The property is also the first ERASE Grant applicant to use the new Peer Review Risk Assessment process that came into effect in 2014 (Report PED14031). The owners have completed remediation on the majority of lands and are ready to move forward with the registration of the site plan with anticipated registration in summer 2017.

The City holds over \$1.26 M in securities for the Hamilton Central Business Park, which will not be released until all works have been completed. Given the security held by the City and that the site required extensive remediation, staff recommend that the DC demolition credits be extended an additional five years to the effect that 340,987.98 square feet will expire July 26, 2022 and 312,508.61 square feet will expire September 6, 2022.

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

Alternatives for Consideration – See Page 7

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

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

The recommended five-year extension of the DC demolition credits would result in 340,987.98 square feet expiring on July 26, 2022 and 312,508.61 square feet expiring on September 6, 2022 (all industrial class).

The industrial rate, as approved through DC By-law 14-153, is discounted from the full calculated rate of \$19.94 to \$12.16 per square foot of gross floor area. The industrial DC is comprised of 100% of the wastewater (facilities and linear) and stormwater service categories as well as 65% of the services related to a highway (roads) service category.

Maximum Potential Foregone DC Collections

Current Industrial DC Rate	\$12.16
Gross Floor Area (square feet)	653,496.59
Potential Foregone DC Collections	\$7,946,518.53

Site Plan Expected Foregone DC Collections

Current Industrial DC Rate	\$12.16
Gross Floor Area (square feet)	500,000.00 +/-
Potential Foregone DC Collections	\$6,080,000.00 +/-

The difference between the maximum and the site expectation is \$1,866,518.53. However, the maximum potential forgone DC collections must be considered since the transfer policy for industrial DC credits (Report FCS13012) would enable the credits not used on site to be transferred to another site.

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Demolition credits that are used within the DC by-law five-year policy limit are not funded as DC exemptions. This treatment is consistent with other municipalities and through the notion that DCs apply to net new growth.

While the City has funded DC exemptions for some other demolition credits extended beyond the five-year period (e.g. Centre Mall redevelopment) staff is recommending that this extension not be funded as the original 5-year period was not sufficient for the completion of the complex issues of this brownfield redevelopment. Staff is also proposing that similar complex brownfield developments receive the same time considerations on a case-by-case basis (treating any credit used during the five-year extension in the same manner, i.e. not recognizing as an exemption).

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

1987	DCR Holdings Inc. (DCR) purchases property.
1987-2012	DCR manages the industrial park and leases out the buildings until the buildings are in need of significant repair and the decision is made to redevelop the industrial park.
July 26, 2012	Demolition permit 12-114315 issued for Phase 1, 340,987.98 square feet.
August 16, 2012	Council approves Part 1 of the ERASE Redevelopment Grant Application for eligible demolition costs (\$650,000 – Report PED12154).
September 6, 2012	Demolition permit 12-117642 issued for Phases 2 & 3, 312,508.61 square feet.
Spring 2014	Draft site plan approval obtained.
September 7, 2014	Council approves Part 2 of the ERASE Redevelopment Grant Application for eligible remediation and related costs (\$1,283,375 – Report PED12154(a)).
May 24, 2017	Request to extend DC demolition credits is received by Council and referred to staff.

Summer 2017 Expected completion of remediation and registration of site plan.

July / September 2017 DC demolition credits are set to expire.

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 for the Hamilton Central Business Park does not fall under either of the circumstances where Council has delegated the authority.

Precedent exists for extending DC demolition credits to a maximum of 10 years for a large scale mall redevelopment through the approval of Reports FCS16084 and FCS17008 which extended the DC demolition credits for the Centre on Barton and Mountain Plaza Mall redevelopments.

Staff recommends that the five-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 are supportive of the five-year extension and have advised that the development team has operated in a timely manner and maintained 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 in the DC By-laws 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 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. The five-year limit on DC demolition credits has been contained in the DC by-laws since 2004.

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Another benefit of the five-year limit is that it discourages vacant, undeveloped lots where buildings used to stand. The development team for the Hamilton Central Business Park has actively remediated the site since the 2012 demolitions and is positioned to move forward with registration of the site plan this summer (2017).

Complexity of Redevelopment

The redevelopment project involved the demolition of 653,496.59 square feet of industrial buildings and extensive site remediation before new buildings can be constructed. To date, the majority of the remediation has taken place and draft plan approval has been obtained with registration expected this summer.

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 Hamilton Central Business Park does not fall under either of the circumstances where Council has delegated the authority.

Precedent exists for extending DC demolition credits to a maximum of 10 years for a large scale mall redevelopment through the approval of Reports FCS16084 and FCS17008 which extended the DC demolition credits for the Centre on Barton and Mountain Plaza Mall redevelopments.

Securities Held by City

The City holds over \$1.26 M in securities for the Hamilton Central Business Park which will not be released until all works have been completed. Given the security held by the City and that the site required extensive remediation, staff recommend that the DC demolition credits be extended an additional five years to the effect that 340,987.98 square feet will expire July 26, 2022 and 312,508.61 square feet will expire September 6, 2022.

ALTERNATIVES FOR CONSIDERATION

Alternative 1 – No Extension be Provided

This alternative would see that no extension be provided to the DC demolition credits. Any future developments would be subject to paying DCs at the full rate.

Financial Implications: Potential DCs paid for the Hamilton Central Business Park would be \$7,946,518.53 for the next 653,496.59 square feet (assuming the DC rate in effect at Report date).

Staffing Implications: None.

Legal Implications: None.

Policy Implications: None.

Pros: Potential increased DC collections.

Cons: This alternative ignores the complexity of the redevelopment and related site remediation and may impact affordability / feasibility of the industrial / employment land redevelopment.

Alternative 2 – Provide Five-year Extension and Revoke Industrial DC Credit Transfer Policy

This alternative would see that the five-year extension be provided to the DC demolition credits and that any unused DC credits would not be eligible to be transferred.

Financial Implications: The foregone DC revenues would be limited to the site specific development. At today's DC rates this is forecasted to be \$6,080,000.00 versus \$7,946,518.53 for an expected reduction of \$1,866,518.53.

Staffing Implications: None.

Legal Implications: None.

Policy Implications: The revocation of the industrial credit transfer policy would be for one site and would not invalidate the policy.

Pros: Potential increased DC collections.

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Cons: This alternative would be revoking the use of a policy that was put into place for developments such as this. In fact, the approved industrial transfer credit policy (Report FCS13012) referenced this site as an example.

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.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

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 Credit, Request for Extension, 440 Victoria Avenue North, Hamilton, Hamilton Central Business Park

LG:dt