



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Planning Division

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	March 19, 2019
SUBJECT/REPORT NO:	Update to the Letter of Credit Policy for Site Plan Control Applications (PED19043) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Joe Gravina (905) 546-2424 Ext. 1284
SUBMITTED BY:	Steve Robichaud Director of Planning and Chief Planner Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That approval be given to the updated Letter of Credit Policy attached as Appendix “C” to Report PED19043, to take effect April 1, 2019; and,
- (b) That approval be given to increase the base amounts in the lump sum payment method of the Letter of Credit Policy each year in accordance with the Consumer Price Index (CPI) for Toronto.

EXECUTIVE SUMMARY

The current Letter of Credit Policy, which is attached as Appendix “A” to Report PED19043 has not been updated since the creation of the Site Plan Guidelines Manual in 2003. This has created instances where insufficient funds are held against on-site works to be completed under site plan control applications. This is particularly problematic in areas of the City, such as the downtown as the securities collected are not sufficient to cover the cost of required on-site works. As a result, an increase to the lump sum formula base amounts is necessary to ensure adequate securities are being posted for the completion of on-site works required under site plan control.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: N/A

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Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On October 15, 2003, Report PD03247 was forwarded to the Hearings Sub-Committee, which included a recommendation for Council to accept the City of Hamilton Site Plan Guidelines for information and that staff be directed to use the Guidelines for evaluating development applications. The Planning and Development Department was also authorized to update the Site Plan Guidelines Manual on an on-going basis as new technical initiatives and standards are adopted and when new design criteria is encouraged. Council subsequently adopted and received Report PD03247 at its meeting of October 15, 2003. Attached as Appendix "A" is the current Letter of Credit Policy, which was approved along with Submission Requirement Section of the Site Plan Guidelines Manual. At the time of the approval of the Letter of Credit Policy in 2003, no provision was made to adjust the security requirements for inflation. As such, the minimum required security amounts in 2003 are still in force and effect in the City of Hamilton.

Current Letter of Credit Policy:

Applicants are required to provide site plan securities in the form of a letter of credit to be held against the completion of all on-site works (i.e. landscaping and engineering works). Applicants are provided with two options to determine the amount of securities to be held under a letter of credit as follows:

Option 1- Detailed Cost Estimates

An itemized cost estimate of all on-site works is submitted by the applicant for review by Planning staff (landscaping) and Growth Management staff (engineering works). The applicants are advised if the estimates are acceptable and that 75% of the estimate will be held as security.

Option 2 – Lump Sum Payment

The lump sum payment is derived from a calculation based on the site area and street frontage of the property. For most developments, this option is often considerably less than the amount derived from 75% of the detailed cost estimate in Option 1. As a result, applicants typically opt for the lump sum method since the amount is lower and no additional costs associated with providing estimates is required. The minimum security amount for new developments is currently \$50,000.00 and \$25,000.00 for additions, alterations or additional buildings.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable.

RELEVANT CONSULTATION

The proposed changes to the current Letter of Credit Policy was presented to the Development Industry Liaison Group (DILG) at their meeting of January 21, 2019. No issues or concerns were identified by DILG.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

1. The proposed increase to the lump sum payment method formula base amounts of the current letter of credit policy can be supported for the following reason:
 - (i) The current increase from 2003 values to 2019 values, which is based on historic yearly CPI (Toronto) will ensure securities posted for new developments are in line with historic rises in construction costs.
 - (ii) Annual increases based on the CPI (Toronto) ensures securities posted for future developments will cover costs for the satisfactory completion of on-site works.
2. **Update to Option 2 (Lump Sum Payment) of the Letter of Credit Policy:**

The “per hectare” and “per metre of street frontage” amounts and the minimum security amounts have not been increased since they were implemented in 2003 and do not to reflect annual rises in construction costs. This has created instances where insufficient funds are held against on-site works to be completed. In areas of the City, particularly in the downtown, this is particularly problematic as the securities collected are not sufficient to cover the cost of required on-site works.

In order to avoid these situations, an increase will be applied to the base amounts of the current lump sum formulas, which represents a cumulative increase of approximately 2.5% per year from 2003 to 2019. The minimum security amounts will also be increased in the same manner. The final values that are derived from the calculations have been rounded up to the nearest hundred dollars for the per metre of frontage amounts and to the nearest thousand dollars for the per hectare and minimum security amounts.

This increase is in line with annual increases applied to planning application fees, which is obtained by the Consumer Price Index (CPI) for Toronto. Accordingly, the values in the Lump Sum Payment method will now be increased each year in

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accordance with the Toronto (CPI) and the new security requirements will take effect April 1, 2019. The revised security requirements will not apply to those applications where applicants have already provided securities to the City of Hamilton. The above mentioned detailed cost estimate in Option 1 is still available to applicants should the lump sum payment calculation produce a higher security amount. This can occur in instances where a property has several street frontages.

The tables that outline the proposed increase to the Lump Sum Formula for New Developments (Figure 1) and for Additions / Alterations (Figure 2) are attached as Appendix "B" to Report PED19043 and an updated Letter of Credit Policy to reflect the proposed increases to the Lump Sum Formula and Minimum Security Amounts is attached as Appendix "C" to Report PED19043.

ALTERNATIVES FOR CONSIDERATION

Should the recommendation be denied, the lump sum payment formula of the Letter of Credit Policy will remain the same and will not be increased annually in accordance with the CPI (Toronto). This is not recommended as the securities collected will not be sufficient to cover the cost of required on-site works.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

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" – Currently Letter of Credit Policy

Appendix "B" – Lump Sum Payment Formula Update for the Letter of Credit Policy

Appendix "C" – Updated Letter of Credit Policy

JG:mo