SUBJECT: Extension of Municipal Development Charges Demolition Credits for 85 Robinson Street (former Thistle Club Site) (FCS09074) (Ward 2)

RECOMMENDATION:

That the Municipal Development Charge Demolition Credits for 85 Robinson Street (former Thistle Club Site) (5-year life, expire August 31, 2009) in the amount of $1,084,962 be extended to June 30, 2011 to coincide with the deadline date of the Parkland Dedication Rate reduction stimulus.

Roberto Rossini
General Manager
Finance and Corporate Services
EXECUTIVE SUMMARY:

Development Charge credits for buildings, which are demolished, are based on the fact that those buildings used municipal services and if a new similar sized building was erected on the same site, no additional municipal services would be required. However, 3 factors as listed below have contributed to the City’s DC demolition credit policies adopted since 2004:

1. Any buildings built before 1990 (date of Province of Ontario’s first DC Act) would have paid only a small fraction or nothing at all for the initial cost of growth infrastructure,
2. A few kinds of developments (e.g., schools, churches, hospitals) currently pay zero or significantly reduced DC rates., and
3. Municipalities would like to discourage developers from sitting on previously developed property now vacant for long periods of time for various reasons.

Due to the above-mentioned factors, the City’s DC demolition credit policies since 2004 are as follows:

A. The credit at the current rate for development charges on the property shall be calculated based on the portion of a building used for a residential purpose that has been demolished by multiplying the number and type of dwelling units demolished, or in the case of a building used for a non-residential purpose that has been demolished by multiplying the non-residential square feet demolished by the applicable development charges in effect on the date when the development charges are payable pursuant to the City DC By-law.

B. The credit has a 5-year shelf life. Section 27 of By-law 09-143 and Section 24 of By-law 09-144 state that “In the case of the demolition of all or part of a building: (a) in the case of a demolition permit issued after the effective date of this By-law, a credit shall be allowed against the development charges otherwise payable pursuant to this By-law, provided that a building permit has been issued for the redevelopment within five (5) years from the date the demolition permit has been issued;”

The proposed high density residential development at 85 Robinson Street (former Thistle Club site) was issued a demolition permit application August 31, 2004 (refer to Appendix A of report FCS09074) and therefore the 5-year DC demolition credit would expire on August 31, 2009.

In order to provide economic stimulus to high density residential development, staff are recommending that the Municipal Development Charge demolition credits for 85 Robinson Street in the amount of $1,188,387 be extended to June 30, 2011. This would coincide with the same deadline date as Parkland Dedication Rate reduction stimulus package for similar type developments which Council approved on May 13, 2009 in report PED09028(a).
BACKGROUND:

The building demolished at 85 Robinson Street was a commercial development known as the Thistle Club. It was 65,100 square feet in size. The current stepped rate for commercial development would have the DC credit calculated at $1,195,548 (refer to the following Table 1).

Table 1 DC Credit Calculation

<table>
<thead>
<tr>
<th>Square Foot</th>
<th>Municipal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>5000 $</td>
<td>9.69 $</td>
</tr>
<tr>
<td>2nd</td>
<td>5000 $</td>
<td>14.53 $</td>
</tr>
<tr>
<td>remaining</td>
<td>55100 $</td>
<td>19.37 $</td>
</tr>
<tr>
<td>Total</td>
<td>65100</td>
<td></td>
</tr>
</tbody>
</table>

The calculation of the development charges payable under the proposed 190 town homes would have municipal development charges at (refer to the following Table 2) $2,950,700, educational DC’s of $58,330 and GO transit DC’s of $34,770 for a total of $3,043,800. Allowing the demolition credit would put municipal DC’s payable at $1,762,313, educational DC’s at $58,330 and GO Transit DC’s at $34,770 for a total payable DC charge of $1,855,413.

Table 2 DC Charge Calculation

<table>
<thead>
<tr>
<th>Units</th>
<th>Total DC Payable</th>
<th>Town homes</th>
<th>Demolition Credit</th>
<th>Total DC Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>$15,530</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>$2,950,700</td>
<td>$ (1,188,387.00)</td>
<td>$1,762,313.00</td>
<td></td>
</tr>
<tr>
<td>Educational</td>
<td>$307</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>$58,330</td>
<td></td>
<td></td>
<td>$58,330.00</td>
</tr>
<tr>
<td>Go Transit</td>
<td>$183</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>$34,770</td>
<td></td>
<td></td>
<td>$34,770</td>
</tr>
<tr>
<td>Total</td>
<td>$3,043,800</td>
<td></td>
<td>$ (1,188,387)</td>
<td>$1,855,413</td>
</tr>
</tbody>
</table>

ANALYSIS/RATIONALE:

The 2009 DC study called for an increase in DC’s of 38% in 2009. The home builders made a request to council that rates be frozen for 2 years. The economic downturn, resulting in lower housing prices and lower volume of sales was cited as the major influencing factor. Council responded with freezing DC’s for one year to encourage development during the recession.
The Province’s Places to Grow legislation focuses on intensification for growth. In order for this intensification to happen, a shift from single family housing to apartments and townhouses must occur. This proposal supports the above objectives.

Parkland Dedication, in report PED09028 on March 16, 2009 recommended and was passed by Council in By-law 09-124, be capped at 5% of land value in high density housing to reduce the charge’s impact on development which was preventing projects from going forward. The savings on this project would be about $1.4 million (refer to the following Table 3). This is a significant reduction that improves the financial viability of the project. By not allowing the demolition credit to be extended the favourable parkland dedication change would almost be eliminated by the loss of $1.2 million in demolition credits, negatively influencing the financial viability of this project.

### Table 3 Parkland Dedication Calculation

<table>
<thead>
<tr>
<th>Type</th>
<th>Acres</th>
<th>Value</th>
<th>2009 Tax Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Rate</td>
<td>0.939</td>
<td>$1,700,000</td>
<td>$1,596,300</td>
<td></td>
</tr>
<tr>
<td>New Cap</td>
<td></td>
<td>$3,349,000</td>
<td>5%</td>
<td>$167,450</td>
</tr>
<tr>
<td>Difference</td>
<td></td>
<td></td>
<td></td>
<td>$1,428,850</td>
</tr>
</tbody>
</table>

In addition to meeting the objective of intensification, this project will generate direct economic benefits to the community.

**ALTERNATIVES FOR CONSIDERATION:**

1. No extension granted - This may result in the project being delayed or cancelled. Delaying of the project would probably be long term until real estate values rise enough to cover the $1.2 million cost increase. With current trends of real estate values dropping or holding the line, this could be a considerable length of time.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

The property tax that would be generated from this proposal based on an average value of $200,000 per unit would be $600,000 per year (refer to the following Table 4). This development would also create jobs in the area along with its economic spin off.

### Table 4 Property Tax Calculation

<table>
<thead>
<tr>
<th>Qty</th>
<th>Type</th>
<th>Value</th>
<th>2009 Tax Rate</th>
<th>Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>190</td>
<td>townhome</td>
<td>$200,000</td>
<td>1.587%</td>
<td>$603,060</td>
</tr>
</tbody>
</table>

If no extension was granted, the DC’s collected would be approximately $1.2 million. This would only be if the project went forward. The probability is the project would
terminate and $0 in DC’s would be realized and the lot would remain vacant for some
time making the increase in property taxes calculated in Table 4 not being realized
either.

**POLICIES AFFECTING PROPOSAL:**

DC Bylaw 09-143
DC Bylaw 09-144

**RELEVANT CONSULTATION:**

Paul Mallard, Director of Planning, Planning & Economic Development Department.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make
choices that create value across all three bottom lines, moving us closer to our vision for a sustainable
community, and Provincial interests.

Community Well-Being is enhanced. ☐ Yes ☐ No

Environmental Well-Being is enhanced. ☐ Yes ☐ No

Economic Well-Being is enhanced. ☐ Yes ☐ No

Does the option you are recommending create value across all three bottom lines?

☐ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance
public servants?

☐ Yes ☐ No
PERMIT NO. 04 227768 00 DP
85 ROBINSON ST, HAMILTON
Plan (Hamilton Proper - Durand).
Demolition Permits - Non Residential
Roll Number: 020131709100000 Ward 02

This Permit is issued to:

(APPLICANT) V & R INVESTMENTS INC (Mr VINCE MOLINARO)
155 MARKET ST
HAMILTON ON L8R 3H5
Primav: (905) 529-1124

(OWNER) V & R INVESTMENTS INC (Mr VINCE MOLINARO)
155 MARKET ST
HAMILTON ON L8R 3H5
Primav: (905) 529-1124

(CONTRACTOR) TRIPLE M DEMOLITION SERVICES
550 JUNCTION RR#2
CANTFIELD ON NOA 1C0
Primary: (905) 774-8784

(TENANT)

Description of Work:
Demolition Permit application to demolish the historical 1853 Hamilton Thistle Club (Curling & Tennis Club)(Hamilton Proper - Durand). Conditions and recommendations from the Municipal Community Planning and Design Section shall be complied to for the retention, salvage and re-use of components of architectural/historical value and significance.

Conditions:
All construction shall conform to the Ontario Building Code.
Field Review by a Professional Demolition Engineer is required pursuant to Sect 2.3 OBC.
All work is subject to field inspection.
Provincial Ministry of the Environment and Labour requirements shall be complied with.
Submit Owner's Commitment Undertaking Form.
In conformance with the Heritage Impact Assessment Report, it is recommended that the owner agrees to salvage the exterior heritage elements on the site of the future redevelopment.

Zoning Data: Front Yard m Rear Yard m Side Yard m Zoning RT-30 'H'

REVIEWED BY: ________________________________________
Zoning

ISSUED BY: ________________________________________
FOR CHIEF BUILDING OFFICIAL

Ned Mijatovic

BUILDING

DATE ISSUED: August 31, 2004

CONSTRUCTION VALUE: $60,000.00