CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Financial Planning & Policy Division

TO: Mayor and Members
   Committee of the Whole

WARD(S) AFFECTED: WARD 1

COMMITTEE DATE: August 10, 2010

SUBJECT/REPORT NO:
Extension of Demolition Credit for 175 Longwood Road South, Hamilton (FCS10051)
(Ward 1)

SUBMITTED BY:
Roberto Rossini
General Manager, Finance &
Corporate Services Department

PREPARED BY:
Wayne Thompson (905) 546-2424, x2790

SIGNATURE:

RECOMMENDATIONS:

That, in order to provide economic stimulus to a strategic, industrial/research
development corridor (McMaster Innovation Park), the term for the use of Municipal
Industrial Development Charge demolition credits for 175 Longwood Road South,
Hamilton, (former Camco Inc. plant) (5 year life, expires on July 31, 2010) in the amount
of 394,484 sq. ft. ($2,623,315.63) be extended for a further 5 years to July 31, 2015.

EXECUTIVE SUMMARY

A letter from McMaster Innovation Park dated April 5, 2010, was received by City staff
requesting an extension of the existing Development Charges demolition credit (refer to
Appendix A of report FCS10051).

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 of similar
use was erected on the same site, then no additional municipal services would be

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.
Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
required. However, the following three factors 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. Some types of developments (schools, churches, hospitals, etc.) currently pay zero or significantly reduced DC rates; and

3. Municipalities do not want previously developed property vacant for long periods of time.

Due to the above-mentioned factors, the City's DC demolition credit policies contained within the DC By-laws since 2004 are specific:

A. The credit = current rate  
B. The credit has a 5-year shelf life.

In 2005, an industrial DC demolition area credit for 600,150.87 sq. ft. ($3,991,003.29 based on current 2009/2010 industrial DC rates) was awarded to 175 Longwood Road South, Hamilton, (former Camco Inc. plant) upon a demolition permit being issued for McMaster Innovation Park. A portion of these credits have been utilized leaving an available demolition area credit as at March 31, 2010, of $2,623,315.63 or 394,484 sq ft. The demolition credit is due to expire on July 31, 2010. McMaster University and McMaster Innovation Park are currently working towards the development and the building of two new projects over the next three years that will start after the expiry date of the current credits available. By extending the credit on this project, the City is not foregoing any actual lost revenue for services that are required for growth.

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:**

Currently, a DC demolition credit of 394,484 sq. ft. or $2,623,315.63 remains (refer to Table 1 of report FCS10051). This is consistent with report FCS09074 “Extension of Municipal Development Charges Demolition Credits for 85 Robinson Street (former Thistle Club Site). The DC By-laws state that the demolition credit for non-residential use shall be calculated by multiplying the non-residential square feet demolished by the applicable development charges in effect on the date when the development charges are payable. The amount of any credit shall not exceed, in total, the amount of the development charges otherwise payable with respect to the development.
Table 1
Remaining Credit Calculation

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Sq. Ft.</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Demolition</td>
<td>600,150.87</td>
<td>3.35</td>
<td>$2,010,505.41</td>
</tr>
<tr>
<td>2009</td>
<td>Construction</td>
<td>5,000</td>
<td>$6.84</td>
<td>$34,200.00</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>5,000</td>
<td>$10.27</td>
<td>$51,350.00</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>2,465</td>
<td>$16.51</td>
<td>$40,697.15</td>
</tr>
<tr>
<td>2009</td>
<td>CanMet Development</td>
<td>167,982</td>
<td>3.35</td>
<td>$562,738.36</td>
</tr>
<tr>
<td>Total Charge</td>
<td></td>
<td>180,447</td>
<td></td>
<td>$688,985.51</td>
</tr>
<tr>
<td>2009</td>
<td>Credit Remaining</td>
<td>394,484</td>
<td>3.35</td>
<td>$1,321,519.90</td>
</tr>
<tr>
<td>At Today's Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>Credit Remaining</td>
<td>394,484</td>
<td>6.65</td>
<td>$2,623,315.63</td>
</tr>
</tbody>
</table>

By extending the demolition credit, the City would forego between $1,064,000 and $1,330,000 of development charge revenue over the next two years (refer to Table 2 of report FCS10051). This amount is based on today’s DC rates and the proposed development of industrial/research and possible commercial. Commercial development is charged a much higher rate than industrial and would therefore use up the available credit quicker. Demolition credit dollars are deducted from current charges and not the square footage. If there is remaining credit available after the permit has been issued and the DC’s paid, it is converted back to the square footage to be applied to future development at the current rate.

Table 2
Proposed Future Development
Industrial/Research

<table>
<thead>
<tr>
<th>Building</th>
<th>2010-11</th>
<th>2012</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min Size Sq Ft</td>
<td>80,000</td>
<td>80,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Max Size Sq Ft</td>
<td>100,000</td>
<td>100,000</td>
<td>200,000</td>
</tr>
<tr>
<td>DC Rate per Sq ft</td>
<td>$6.65</td>
<td>$6.65</td>
<td>$6.65</td>
</tr>
<tr>
<td>Amount Min</td>
<td>$532,000</td>
<td>$532,000</td>
<td>$1,064,000</td>
</tr>
<tr>
<td>Amount Max</td>
<td>$665,000</td>
<td>$665,000</td>
<td>$1,330,000</td>
</tr>
</tbody>
</table>

Proposed Credit Remaining
2009 Amt $2,623,315.63
Amount Min $1,559,316
Amount Max $1,293,316

Staffing: N/A
Legal: N/A
HISTORICAL BACKGROUND (Chronology of events)

Development Charges are levied to pay for services that are required due to growth. Demolition credits are given to ensure that only growth does pay for increased services related to growth. Demolition credits are calculated on Development Charges when an existing building is demolished to make way for a new building. The amount of the demolition credit is the rate that is in effect at the time of permit issuance to build the new building. The credit given is on the usage of the building at that time. This credit will be off-set against the development charge for the proposed new building. Under Development Charge By-laws 09-143 and 09-144 this credit is available for five years from the date of the demolition permit. At that time, the credit would expire and would not be able to be applied to any building permits going forward. Previous to this By-law, buildings with demolitions occurring from June 19, 1990, and going forward were allowed to use their demolition credits.

In 2005, a demolition area credit for 600,150.87 sq. ft. was awarded to 175 Longwood Road South, Hamilton, upon a demolition permit being issued for McMaster Innovation Park. Over the last five years, various development projects have been ongoing to the effect that the available demolition area credit as at March 31, 2010, stands at 394,484 sq. ft. and $2,623,315.63 at today’s industrial rate. The demolition credit is due to expire in July 2010. McMaster University and McMaster Innovation Park are currently working towards the development and the building of three new projects, one being the Primary Care Centre at the corner of Longwood Road South and Aberdeen Avenue. This building is due to commence in late Fall of 2010 and into 2011 and is planned for between 80,000 and 100,000 sq. ft. Later in 2012, a Life Sciences building is planned which will include research in robotic surgeries, bio-science research and nanotechnology applications. This building is also planned for between 80,000 and 100,000 sq. ft.

A letter from McMaster Innovation Park dated April 5, 2010, was received by City staff requesting an extension of the existing Development Charges demolition credit (refer to Appendix A of report FCS10051).

POLICY IMPLICATIONS

Development Charges are levied to pay for services that are required due to growth. Demolition credits are given to ensure that only growth pays for increased services by removing existing development from any DC charge calculations. Development Charge credits are given to recognize the infrastructure capacity which the previous development used to occupy. The five year limit is imposed to discourage vacant, unproductive development lots where buildings used to stand. This development does not present an increased demand on services. By extending the credit on this project, the City is not foregoing any actual lost revenue for services that are required for
growth. Further, McMaster is acting in good faith and is proceeding, as quickly as possible, on its development plans.

**RELEVANT CONSULTATION**


**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(Include Performance Measurement/Benchmarking Data, if applicable)

Staff's recommendation to extend the time period for the existing credit to be used is:

1) To promote the development of this site;
2) Adhere to the spirit of development charges to cover only growth-related services;
3) To adhere to the spirit of DC By-laws 19-143 and 09-144 and promote timely re-development of land after demolition.

**ALTERNATIVES FOR CONSIDERATION:**

(Include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

If Council were to take no action, the demolition credit would expire, eliminating the 394,484 sq. ft. of demolition credits available to the developers of the 175 Longwood Road South, Hamilton site. At the current Development Charge rates, this would result in an increase in costs to the developers of between $1,064,000 and $1,330,000 based on today’s DC rates and the developers proposed plans (refer to Table 1 of report FCS10051). This increased cost may influence the project in a negative way and possibly prevent it being started. This amount would increase the DC reserve amount and would be a DC revenue windfall since no new services would be required for this development.

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
Skilled, Innovative & Respectful Organization

- A culture of excellence
- A skilled, adaptive and diverse workforce, i.e. more flexible staff
- More innovation, greater teamwork, better client focus
- An enabling work environment - respectful culture, well-being and safety, effective communication
- Opportunity for employee input in management decision making
- Council and SMT are recognized for their leadership and integrity

Financial Sustainability

- Financially Sustainable City by 2020
- Effective and sustainable Growth Management
- Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- Full life-cycle costing for capital
- Generate assessment growth/non-tax revenues

Growing Our Economy

- Newly created or revitalized employment sites
- Competitive business environment
- A skilled and creative labour pool that supports new employers
- An improved customer service
- A visitor and convention destination

Social Development

- Everyone has a home they can afford that is well maintained and safe
- Hamilton residents are optimally employed earning a living wage

Healthy Community

- Plan and manage the built environment
- An engaged Citizenry

APPENDICES / SCHEDULES

April 5, 2010

City of Hamilton
Clerk’s Department
77 James Street North – Suite 400
Hamilton, Ontario
L8R 2K3

Re: First Longwood Innovation Trust o/a McMaster Innovation Park [MIP] Development [Demolition] Credits available to Trust re 175 Longwood Road South, Hamilton, Ontario

Dear Sir/Madame:

Please accept this letter as our request of you to present to the City’s Finance Department, for their report to City Council, the following:

Current Situation:

- In 2005 a demolition area credit for 600,150.87 sq ft was awarded to the above property upon a demolition permit being issued for McMaster Innovation Park.
- Over the last 4 to 5 years various development projects have been ongoing to the affect that the available demolition area credit as at March 31, 2010 stands at 419,704 sq ft.
- The demolition credit is due to expire in July 2010
- McMaster University and McMaster Innovation Park are currently working towards the development and the building of 3 new projects, one being the Primary Care Centre at the corner of Longwood Road South and Aberdeen Avenue. This building is due to commence late fall of 2010 and into 2011 and is planned for between 80,000 and 100,000 sq feet.
- The other project is the refitting of a 30,000 square foot portion of the warehouse at 270 Longwood Road south for new Labs required by McMaster University for an Automotive Research Centre. Again this project has a late 2010 to 2011 commencement date.
- Later in 2012 a Life Sciences building is planned which will include research in robotic surgeries, bio science research and nanotechnology applications. This building is also planned for between 80,000 and 100,000 sq feet.
- The above projects will not utilize the 419,704 sq ft of demolition credit available nor will any of them be in a position to use the demolition credits prior to the July 2010 expiration of same.
Preferred Solution:

- Given that McMaster Innovation Park's master plan calls for ongoing new projects over the next decade whereby the park will become a major long term building project and one that both MIP and McMaster University are committed to and further, one which will lead to long term economic benefits to the City of Hamilton.
- MIP is requesting that the term for the use of the demolition credits be extended for a further 5 years to July 2015 and ask the Council for the City of Hamilton to consider this request.

If we can provide any further information, or if you have any questions, please do not hesitate to contact myself at 905-667-5502 or Ruth Liebersbach at 905-667-5543.

Yours truly,

McMaster Innovation Park

Zach Douglas  
President & CEO

cc:  - Carolynn Biggs, Legislative Assistant - City of Hamilton, Clerk's Department  
- Joseph Spiler, Manager of Capital and Development - City of Hamilton, Finance and Corporate Services  
- Robert Lalli, P. Eng., Building Engineer – City of Hamilton, Planning & Economic Development Department, Building Services Division