



Report to: General Committee

Meeting Date: September 16, 2019

SUBJECT:	Development Charges Redevelopment Credit – 8330 Woodbine Avenue
PREPARED BY:	Kevin Ross, Manager Development Finance & Payroll, ext. 2126
REVIEWED BY:	Francesco Santaguida, Assistant City Solicitor, ext. 3580

RECOMMENDATION:

1. That the report entitled, “Development Charges Redevelopment Credit – 8330 Woodbine Avenue” be received; and,
2. That Council authorize staff to provide a redevelopment credit estimated at \$519,371.56 to Hanisha Incorporated and Lodson Investment Corp. at 8330 Woodbine Avenue in advance of the full demolition of the existing site; and,
3. That Council authorize the Mayor and City Clerk to execute an agreement pursuant to section 27 of the *Development Charges Act, 1997*, as amended, to secure the advance of the redevelopment credit based on the provision of a letter of credit in the amount of the redevelopment credit and the further principles set out in this report, all to the satisfaction of the Treasurer and the City Solicitor, or their delegates; and further,
4. That staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Not Applicable

PURPOSE:

The purpose of this report is to obtain Council’s authorization to provide Hanisha Incorporated and Lodson Investment Corp. (the “Owners”) with a redevelopment credit, in advance, for their Phase 2 demolition of the existing Comfort Inn hotel located at 8330 Woodbine Avenue.

The demolition is necessary for the Owners to redevelop the property and conform with parking requirements, as they construct a new hotel as a replacement for the existing Comfort Inn.

BACKGROUND:

The Owners approached City staff regarding their plans to redevelop the site at 8330 Woodbine Avenue (which is currently occupied by the 5,917.30 m²/63,693.29 sq. ft. Comfort Inn hotel), to build a new seven storey hotel with an approximate area of 11,874.50 m² (127,816.07 sq. ft.). The Owners have indicated that they intend to build an office building on this site in the future.

In order to maintain continuity of its operations while the construction takes place, the Owners propose a two-phase demolition of the existing Comfort Inn hotel (see Appendix A). Phase 1 will see the demolition of that area of the building facing Cochrane Drive (Building A), which will then be replaced by the new seven storey hotel. The area of the building facing Lanark Road (Building B) will remain open during the construction of the new hotel and will be demolished when construction is complete.

In accordance with the Development Charge (“DC”) By-laws, landowners who demolish a building can benefit from a DC redevelopment credit, equivalent to the charge that would be payable on the building, if a replacement building is erected on the same lot within 48 months from the date of demolition approval. Below is the excerpt from the by-laws:

“Despite any other provision of this by-law, where an existing Non-Residential Building, or part thereof, is demolished, a credit against Development Charges otherwise payable pursuant to this by-law for Redevelopment of the lands for Non-Residential purposes shall be applicable, in an amount equal to the Development Charge payable pursuant to this by-law for the same amount of demolished Gross Floor Area and such credit or partial credit shall be applicable only where the Redevelopment has occurred:

- (a) within 48 months from the date that the necessary demolition approval was obtained with documented proof thereof; and*
- (b) on the same lot or block on which the demolished Building was originally located”.*

Landowners undertaking redevelopment of their properties have in the past availed themselves of this credit and the Owners would also like to do the same. The credit is provided after demolition of an existing building and redeemed upon the issuance of a building permit for the replacement building and reduces the DCs payable on the new building.

The Owners have requested to redeem the DC credit at the issuance of the building permit for the seven storey hotel, prior to the Phase 2 demolition

The Owners are demolishing the existing Comfort Inn hotel in two phases, the first phase is estimated to be demolished in September 2019 and the second phase in 18 to 24 months thereafter. DC redevelopment credits are provided after the demolition of a structure so the Owners will be eligible for credits for phase one in September 2019 and for phase two when the structure is removed in the next 18 to 24 months, based on their time estimate.

The Owners have requested to staff that the DC redevelopment credits be provided for both phases when the building permit is issued for the new seven storey hotel and, prior to the Phase 2 demolition. Under the DC by-laws, a redevelopment credit for Phase 1 can be

provided; however, the credit for Phase 2 will be available upon demolition of that section of the building estimated to be in 2021.

OPTIONS/ DISCUSSION:

Based on the contents of the DC By-laws, staff are required to provide the DC redevelopment credits following the demolition of a building and not before.

The Owners have advised that the Phase 2 demolition has to take place in order for the development to meet the parking requirements, and in their opinion, the risk of the remaining building not being demolished as planned is negligible.

Staff can support the request, upon the execution of an agreement with the City and the provision of a letter of credit for the value of the Phase 2 demolition credit

The Owners have advised that if the City agrees to the advance, they would be agreeable to securing the DC redevelopment credit with a letter of credit in the amount of the DCs credited for Phase 2, plus interest. The letter of credit will be held until the new hotel is constructed and the Phase 2 demolition is complete. If the Phase 2 building is not demolished as required, within 30 months from the issuance of the building permit for the seven-storey hotel, then the City will draw on the letter of credit to replenish the DC reserves. However, if the demolition takes place the City will return the letter of credit.

In principle, Staff are amenable to this request. In order to secure this arrangement, staff require Council authority to authorize the advanced provision of the redevelopment credit and the execution of an agreement to that effect. The quantum of the redevelopment credit for Phase 2 is estimated at \$519,372.56 as seen in the chart below. The actual redevelopment credit may vary if, (a) the gross floor area of the Phase 2 demolition, when approved through the Building Department, is different from the 3,401.70m² used in the calculation and (2) there is a change in the DC rate. Staff will include verbiage to account for and protect the City from these possible changes in the agreement with the Owners.

Phase Two Demolition

DC Category	Gross Floor Area (m ²)	DC Rate	Eligible Credit
City Wide Hard	3,401.70	\$ 136.59	\$ 464,638.20
City Wide Soft	3,401.70	\$ 16.09	\$ 54,733.35
			\$ 519,371.56

York Region and the School Boards are conducting their own assessments and will make their own independent decisions based on their by-laws.

FINANCIAL CONSIDERATIONS:

There is minimal financial risk to the City as the redevelopment credit will be secured with a letter of credit, thereby eliminating any risk that the City could face if the demolition does not occur as anticipated.

HUMAN RESOURCES CONSIDERATIONS:

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

This is consistent with the City's goal of efficient service delivery and supports the City's efforts to enable a strong economy and manage growth, which are the key elements of an Engaged, Diverse and Thriving City.

BUSINESS UNITS CONSULTED AND AFFECTED:

Comments from the Legal Department are included in this report.

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner Corporate Services

ATTACHMENTS:

Appendix A – Comfort Inn Demolition Phases