



Report to: General Committee

Date Report Authored: February 4, 2015

SUBJECT: Development Charges Reimbursement – Rice Commercial Group

PREPARED BY: Kevin Ross, Manager Development Finance, ext. 2126

RECOMMENDATION:

- 1) That the report entitled “Development Charges Reimbursement – Rice Commercial Group” be received;
- 2) That Council authorize a City Wide Hard Development Charge reimbursement not exceeding \$734,595, to the Rice Commercial Group for the construction and property costs for a 4th Lane on Honda Boulevard and the construction of an oversized watermain along the Woodbine By-pass;
- 3) That Council authorize a future City Wide Hard Development Charge reimbursement not exceeding \$82,805 to the Rice Commercial Group for the construction of an oversized watermain along Honda Boulevard, provided that the said watermain oversizing is included in the next update of the Development Charges Background Study due by 2018;
- 4) That the Mayor and Clerk be authorized to execute a Development Charge Reimbursement Agreement, if required, in accordance with the City’s Development Charge Credit and Reimbursement Policy, with the Rice Commercial Group, or their successors in title to the satisfaction of the Treasurer and City Solicitor;
- 5) And that staff be directed to do all things necessary to give effect to this report.

EXECUTIVE SUMMARY:

Not applicable.

PURPOSE:

The purpose of this report is to obtain Council’s authorization to grant City Wide Hard (CWH) development charge reimbursements, in accordance with the City’s Development Charge Credit and Reimbursement Policy, to the Rice Commercial Group (“Rice Group”) for an amount not exceeding \$817,400 (\$734,595 + \$82,805). The requested reimbursement relates to the following works:

- a) Design, construction, contract administration and property acquisition costs for the construction of 757.5 metres of the 4th lane along Honda Boulevard between

the Woodbine By-pass and Transcanada Pipeline (approximately 450m south of 19th Avenue).

- b) The construction cost for the oversizing of a watermain from 300mm to 400mm along the Woodbine By-pass for 550 metres between Lord Melbourne Street and Woodbine Avenue.
- c) The construction cost for the oversizing of a watermain from 300mm to 400mm along Honda Boulevard for 785 metres between the Woodbine By-pass and Transcanada Pipeline (approximately 450m south of 19th Avenue).

Items (a) and (b) are included in the current 2013 Development Charges Background Study, however item (c) is not included. The recommendation is to provide the development charge reimbursement for item (c) provided that it is included in the next Development Charges Background Study update and development charge by-law due no later than May, 2018.

BACKGROUND:

In May 2008, the Rice Group received a building permit to construct offices for Honda Canada ("Honda"). The lands at the time were not serviced with the requisite infrastructure and the Rice Group was faced with a short timeline to have the building ready for occupation by Honda.

In order to meet the deadline for Honda to occupy the premises, the Rice Group up-fronted the cost of the required infrastructure, with the understanding that the municipal share of these costs would be refunded by way of development charge (DC) credits and/or reimbursements. The Rice Group was unable to receive DC credits concurrent with the construction of the works, as information relating to the cost of the infrastructure was not available at the time.

The Rice Group obtained authorization from the City (and the Region where appropriate) to construct the infrastructure required to service the Honda building and this included works such as the construction of Honda Boulevard, stormwater and sanitary sewers as well as watermains along the Woodbine By-pass and Honda Boulevard. These works had to be completed expediently in order to deliver the building to Honda.

The City has authority to enter into credit/reimbursement agreements pursuant to Section 38(1) of the *Development Charges Act, 1997* which provides as follows:

"If a municipality agrees to allow a person to perform work that relates to a service to which a development charge by-law relates, the municipality shall give the person a credit towards the development charge in accordance with the agreement."

Development charge credits and reimbursements have been used in a number of development applications to facilitate the construction of infrastructure in advance of the City's capital program.

OPTIONS/DISCUSSION:

The Rice Group is now in the process of constructing another facility for Mobis (Hyundai Canada) and has requested DC credits for the infrastructure previously constructed on behalf of the City. They anticipated that the requested credits would be provided prior to the payment of DCs for the construction of the Mobis building.

City staff requested details related to the cost of the infrastructure, which requires time for review and verification by Engineering staff prior to any credits being provided. During this review process, the Rice Group, in order to meet their deadline for the Mobis building, paid City Wide Hard DCs of \$1.77M in December 2014 and are about to proceed with construction on the understanding that a DC reimbursement would be provided as soon as the requisite approval is received.

As per the City's Development Charges Credit and Reimbursement Policy ("Policy"), credits and/or reimbursements over \$500,000 require the approval of Council. The Policy also provides that credits and/or reimbursements are limited to the lesser of the amount included in the DC Background Study and the actual cost of the infrastructure.

Based on documentation submitted by the Rice Group, the actual construction and property acquisition costs associated with the road (Honda Boulevard) and the watermain along the Woodbine By-pass and Honda Boulevard total \$3.029M. The portion of these works that are recoverable through development charges are the 4th lane along Honda Boulevard and the oversizing of the watermain from 300mm to 400mm (Appendix A). The developer's cost for these works totalled \$879,880. The remaining costs are for works that are considered local costs and are the responsibility of the developer, not the City.

Staff assessed the claim by each segment of the works in compliance with the Policy, to determine the quantum of the reimbursement which is to be the lesser of the actual cost and the amount included in the 2013 DC Background Study. During the assessment, it was discovered that the oversizing of the watermain along Honda Boulevard was not included in the 2013 DC Background Study, and therefore no reimbursement can be provided at this time. Staff are recommending the inclusion of this cost in the next study update due by June 2018, and if approved and implemented by a development charge by-law, the Rice Group will be reimbursed for this infrastructure, subject to compliance with the reimbursement Policy.

The table below shows the developers actual cost by segment and the corresponding CWH reimbursement being recommended. The amount being recommended for reimbursement now is \$734,595 with the future amount of \$82,805 to be provided after the update to the DC Background Study.

Infrastructure	Details	Cost in 2013 DC Background Study	Developers Actual Cost	Recommended CWH DC Reimbursement
Watermain Oversizing	Woodbine By-pass (300mm to 400mm) from Lord Melbourne to Woodbine Ave	\$ 57,510	\$ 71,047	\$ 57,510
Roads	Honda Boulevard 4 th Lane - from Woodbine By-pass to approximately 450m south of 19th Avenue	\$ 255,927	\$ 304,870	\$ 255,927
Property	Honda Blvd 4 th Lane - from Woodbine By-pass to approximately 450m south of 19th Avenue	\$ 561,308	\$ 421,159	\$ 421,159
Constructed Infrastructure not included in DC Study		\$ 874,744	\$ 797,075	\$ 734,595
Watermain Oversizing	Honda Boulevard (300mm to 400mm) - from Woodbine By-pass to approximately 450m south of 19th Avenue	\$ -	\$ 82,805	\$ 82,805
Total Constructed Infrastructure		\$ 874,744	\$ 879,880	\$ 817,400

This recommended reimbursement will fully compensate the Rice Group for the above works and no further payment will be due for the infrastructure in the table above.

The Rice Group has been consulted regarding the amount and timing of the reimbursement and are in agreement with the recommendations in this report.

Financial Security

The City is holding securities for this infrastructure to cover the warranty period in compliance with all the City's standards for design and construction under the Honda Boulevard Construction Agreement dated May 5, 2008 and the Woodbine Avenue By-pass Sanitary Sewer and Watermain Construction Agreement dated June 25, 2010.

FINANCIAL CONSIDERATIONS:

There is no net financial impact to the City. Development charge credits/reimbursements are provided to the developer in exchange for the construction of works included in the City's Development Charges Background Study, in compliance with the Policy.

The Engineering Department has reviewed the scope and actual cost of the works provided by the Rice Group and these are in alignment with the City's expectations.

Consistent with the City's Policy, the Rice Group will be required to pay an administration fee for the Engineering, Legal and Finance Department's costs incurred relating to the review, preparation and administration of the development charge reimbursement. The fee is structured in the following manner:

- An application fee of \$1,000 plus HST to review the development charge reimbursement request; plus
- A fee equivalent to 1.0% of the value of the reimbursement request amounting to \$8,174.00 plus HST payable upon reimbursement of the approved amounts.

HUMAN RESOURCES CONSIDERATIONS:

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

This is consistent with the City's goal of efficient service delivery.

BUSINESS UNITS CONSULTED AND AFFECTED:

The Legal Services Department has reviewed this report.

RECOMMENDED BY:

20/02/2015

X 

Joel Lustig
Treasurer

20/02/2015

X 

Alan Brown
Director, Engineering

20/02/2015

X 

Trinela Cane
Commissioner, Corporate Services

20/02/2015

X 

Jim Baird
Commissioner, Development Services

ATTACHMENT:

[Appendix A – Infrastructure Built by Rice Group](#)