



Report to: General Committee

Date Report Authored: May 5, 2014

SUBJECT: Development Charge Deferral – Cornerstone Christian
Community Church
PREPARED BY: Kevin Ross, Manager, Development Finance (Ext. 2126)

RECOMMENDATION:

- 1) That the report titled “Development Charge Deferral – Cornerstone Christian Community Church” be received;
- 2) That Council authorize the Mayor and Clerk to execute an agreement with the Cornerstone Community Church for a deferral of the payment of the City Wide Hard Development Charges for up to three years, relating to the construction of a the Cornerstone Centre at 9642 9th Line, to the satisfaction of the City Solicitor;
- 3) That the agreement provide that the City Wide Hard Development Charges to be deferred be fully secured;
- 4) That City Wide Hard Development Charges in the amount of \$486,908.53 paid at building permit issuance be refunded subsequent to the execution of the deferral agreement;
- 5) That the agreement provide that the deferred payment of the City Wide Hard Development Charges be indexed at the higher of (1) Bank of Canada Prime Business Rate or (2) Toronto Non-residential Building Construction Price index;
- 6) That Council authorize City staff to execute a service level agreement with the Cornerstone Community Church in a form satisfactory to the City Solicitor and CAO;
- 7) That the Treasurer and Commissioner of Community and Fire Services be authorized to approve Development Charge Deferrals that comply with the guidelines as outlined in the “Community Use Facilities – Criteria and Conditions for Deferral of Development Charges”, up to a value of \$500,000;
- 8) And that staff be directed to do all things necessary give effect to these recommendations.

PURPOSE:

The purpose of this report is to seek Council approval regarding a request for a deferral of the City Wide Hard Development Charges by Cornerstone Community Church on the construction of the Cornerstone Centre at 9642 9th Line and to approve a delegation of authority.

BACKGROUND:

The Cornerstone Christian Community Church (“Cornerstone”) is proposing the construction of the Cornerstone Centre, a 29,600 square foot facility, to be located at 9642 9th Line. The Centre’s primary purpose will be that of a place of worship, however, Cornerstone’s intent is also to provide community services to the residents, and the centre’s design is geared towards this type of service delivery. Cornerstone has indicated that it is committed to providing services such as cooking and nutrition classes, food bank, Senior programs (e.g. tai chi, yoga), English as a second language (ESL) classes, nutrition and sports program for kids, and hosting multicultural events.

Cornerstone approached the City with a proposal to partner with the City to provide community services to the residents of Markham. By utilizing the church’s facility, Cornerstone envisages that the City will be able to expand its delivery channels for services to the residents.

In return, Cornerstone requested relief from development charges (City portion is \$486,908.53) on the basis that the church is a community-use facility. Staff reviewed the proposal to make an assessment and recommendation based on the alignment of the proposal with the Development Charge By-laws (i.e. section 10[7] on Deferral of Development Charges for Community Use Facilities) and the City’s Community-Use Guidelines.

Analysis

During the update of the 2013 Development Charge (“DC”) by-laws, the City included a provision whereby a non-profit corporation providing a community-use facility may qualify for an indefinite deferral of development charges, as long as the facility continues to offer community-use. The provision included in the DC by-laws was further refined by Community Services and Finance staff, which resulted in detailed qualification criteria and conditions being composed, to provide guidance in evaluating facilities to determine whether they fit the community-use criteria (see Appendix A, “Community Use Facilities – Criteria and Conditions for Deferral of Development Charges”). Approval is also being sought to delegate authority for approval of DC deferrals that meet these criteria to the Treasurer and the Commissioner of Community and Fire Services, up to a value of \$500,000.

In order to qualify as a community-use facility and for an indefinite DC deferral, Cornerstone must provide services that are not a duplication of programs offered at the nearby Cornell Community Centre and Library (“Cornell CC&L”) and agree to fulfill all the conditions for receiving a DC deferral as outlined in Appendix A, Community Use Facilities – Criteria and Conditions for Deferral of Development Charges.

The determination of whether Cornerstone qualifies under the community-use provision required an assessment of the service needs in the north-eastern section of the City, to

determine if the facility can assist in the provision of services to area residents. This process involved examining the services required in the area, versus those offered through the Cornell CC&L.

Based on an assessment by Recreation and Culture staff, the Cornerstone facility could be utilized to augment services such as Senior drop-in, kitchen programs and cultural camps. If the City utilizes the Cornerstone facility for the programs mentioned above, the building would operate as a non-municipal community centre and could therefore be considered for a partial deferral of development charges.

For the City to offer an indefinite deferral of DCs there should be a value proposition where the benefit to Markham exceeds the amount of DCs to be deferred. In this instance, the City can earn revenue if it utilizes the space available in the Cornerstone facility to run the programs mentioned above. The City would provide the personnel to run the programs but would not be required to pay for usage of the facility. In order to offset \$483,908.53 of foregone DCs, the City would require access for up to 1,000 hours per year for each program, for at least fifteen years.

The City and Cornerstone discussed the possibility of this partnership. Cornerstone, however, due to a commitment to provide its own services, had difficulty with providing access for at least fifteen years for all three (Senior drop-in, kitchen programs and cultural camps) City programs. Whereas Cornerstone met most of the criteria as documented in the City's community-use guidelines, the value proposition for the both parties was not satisfied due to the difficulty in providing access for the required programs, for at least fifteen years, which would provide the City with equivalent value and justify the provision of the DC deferral. The indefinite DC deferral as requested under the community-use provisions is therefore not appropriate due to the absence of a value proposition beneficial to the City.

City staff and Cornerstone then explored an alternative which would see Cornerstone being provided with a deferral of DCs for up to three years, with the City being provided the required access to run Culture (youth) camps, free of charge, for a three-year period. Cornerstone under this deferral will be required to pay the development charges. Under this scenario, the City will receive 3 years of free space to run youth camps and still collect the full Development Charges within 3 years (to be indexed at the greater of the Toronto Non-residential Building Construction Price Index or the Bank of Canada Prime Business Rate). City staff have determined this is an acceptable value proposition and Cornerstone are amenable to this approach.

Youth camps are run from Monday to Friday, for one week during March break and eight weeks during the summer holidays, with two days of preparation required for each camp. The City will require the usage of the gymnasium, a storage space and multipurpose room to run camps in the summer and over March break for 55 hours/week for a total of 9 weeks, plus an additional 32 hours for preparation (four days of 8 hours) - the total time required equates to 527 hours. The City will be able to utilize the gymnasium, inclusive of the stage which is ideal for these types of camps, and take the opportunity to expand this service

within the municipality. Staff have agreed to the usage of the Cornerstone facility subject (but not limited) to the following conditions:

- The City's risk management practices in conformance with its liability insurance will be adhered to,
- The City will have exclusive use of its space when running programs,
- The City will have preference in the assignment of program space,
- Cornerstone will be able to run its own programs from space not being utilized by the City.

Pursuant to Section 27(1) of the *Development Charges Act*, 1997, "a municipality may enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable".

Staff recommend the three-year deferral of DCs for the Cornerstone facility, on the basis that the City will receive financial and strategic value in using the facility free of cost.

The City will require the execution of a service level agreement, which will mitigate any perceived risks, protect the time required to run municipal programs and build in flexibility to provide opportunities for leveraging the partnership further, if required.

OPTIONS/ DISCUSSION:

Applicable Charges

Cornerstone is required to pay City-wide Hard and Regional DCs on the proposed development. The City's portion of the charges amounts to \$486,908.53 as detailed in the table below.

	\$/ha	Hectares	Applicable DCs
City Wide Hard	\$ 221,111	2.2021	\$ 486,908.53
City Wide Soft	Exempt		
Area Specific	Not Applicable		
City of Markham DCs			\$ 486,908.53

Cornerstone's site is not located on lands subject to Area Specific DCs and therefore these charges are not applicable. Cornerstone, being a place of worship is exempt from City Wide Soft DCs and the School Board DC's; it is also eligible to receive a partial exemption from some Regional charges. The Region's exemption applies to the worship area of the church which is estimated at 686.56m² (7,390 sq. ft.), however the church will still be required to pay approximately \$431,000 in Regional DC's.

Cornerstone has indicated an intention to request a similar deferral of DCs from the Region pursuant to the Regional DC by-laws which provides criteria under which a deferral may be considered if the area municipality does the same.

Security

In alignment with the DC Deferral Policy, an applicant is required to secure the deferred DCs by way of a letter of credit, in an amount that is based on the estimated DCs due over the term of the deferral. Cornerstone will be required to pay the DCs plus indexing at the higher of the Toronto Non-residential Building Construction Price Index or the Canada Prime Business Rate.

To secure the deferred DCs, Cornerstone will be required to submit a letter of credit in the amount of \$550,000, which represents the deferred DCs plus estimated indexing to be held until such time as the development charges are paid to the satisfaction of the City. Cornerstone will also be required to execute a Deferral Agreement which will be registered on title.

It is anticipated that the building permit for the below ground works will be issued prior to the approval of the deferral, therefore Cornerstone will be required to pay the City's DCs of \$486,908.53. Subsequent to the approval of the DC deferral and execution of a Deferral Agreement, Cornerstone will be refunded the DCs previously paid, to be replaced with the aforementioned letter of credit.

FINANCIAL CONSIDERATIONS:

The deferral of development charges is essentially a cashflow issue which results in a delay in the receipt of funds by the City. If Council agrees to a deferral of development charges, approximately \$550,000 will be collected after three years, rather than \$486,908.53 at building permit issuance.

The City will benefit by establishing, in the interim, a strategic alliance with Cornerstone where the usage of the facility will be free of charge for three years. On conclusion of the three year term, the City will have the option to continue usage of the facility at a rate suitable to both parties.

Consistent with the DC Deferral Policy, Cornerstone will be required to pay an administration fee for the Legal and Finance Department's costs incurred relating to the review, preparation and administration of the development charge deferral agreement. The fee is structured in the following manner:

- An application fee of \$1,000 plus HST to review the development charge deferral request;
- A fee equivalent to 1.0% of the value of the deferral request amounting to \$4,869.09 plus HST payable upon execution of the deferral agreement.

The recommendation for the Treasurer and Commissioner of Community and Fire Services to be authorized to approve DC deferrals for community-use up to a value of \$500,000 is consistent with the approval authority granted under the DC Credit and Reimbursement Policy.

ALIGNMENT WITH STRATEGIC PRIORITIES:

A partnership with Cornerstone will provide the opportunity for an alignment of the City's strategic direction to collaborate with partners in the provision of services, as stated in the Integrated Leisure Master Plan

BUSINESS UNITS CONSULTED AND AFFECTED:

This report has been reviewed by the Legal, Recreation and Culture Departments.

RECOMMENDED

BY:

23/05/2014

X 

Joel Lustig
Treasurer

23/05/2014

X 

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Appendix A – Community Use Facilities – Criteria and Conditions for Deferral of Development Charges