



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
*Economic Development Division*

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	May 20, 2015
<b>SUBJECT/REPORT NO:</b>	Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG 14-03), Penady (Stoney Creek) Ltd., 1310 South Service Road, Stoney Creek, ON (PED15061) (Ward 11)
<b>WARD(S) AFFECTED:</b>	Ward 11
<b>PREPARED BY:</b>	Judy Lam (905) 546-2424 Ext. 4178
<b>SUBMITTED BY:</b>	Jason Thorne General Manager Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application ERG-14-06, submitted by Penady (Stoney Creek) Ltd. (c/o Mr. Calvin McCourt) on behalf of the owner of the property at 1310 South Service Road, Hamilton - 843803 Ontario Ltd. (Mr. Norman Kim) - for an ERASE Redevelopment Grant not to exceed \$910,300 the actual cost of the remediation, payable to 843803 Ontario Ltd. over a maximum of ten years, be authorized and approved in accordance with the terms and conditions of the ERASE Redevelopment Agreement;
- (b) That the Mayor and City Clerk be authorized and directed to execute loan agreements together with any ancillary documentation required, to effect recommendation (a) of Report PED15061, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized to approve and execute any loan amending agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions of the Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant, as approved by City Council, are maintained.

## **EXECUTIVE SUMMARY**

An application has been submitted under the ERASE Redevelopment Grant program along with a Remedial Action Plan to remediate the contaminated soils up to the total eligible costs of \$910,300 located at 1310 South Service Road, Stoney Creek. The Property to be remediated is located on the south side of South Service Road, at the southeast corner of the intersection of South Service Road and Service Road in Stoney Creek. The Property is rectangular in shape and has an area of 2.74 hectares. The work is required to support the filing of a Record of Site Condition for the Property. The Property is currently inactive / vacant and past development on the site consisted of a retail gas station, card lock facility and a motel/restaurant/variety store complex. All site operations were terminated in 2012.

The redevelopment project includes the construction of five single-storey commercial buildings at a cost of approximately \$8.2 M. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from the predevelopment value of \$975,000 to approximately \$15,000,000. This will increase total annual property taxes generated by this property. The municipal share of this property tax increase (municipal tax increment) will be approximately \$284,118.62 of which 80% or approximately \$227,294.90 would be paid to the owner in the form of an annual grant over a maximum of 10 years or up to an amount not to exceed total estimated eligible costs of \$910,300. This redevelopment project is part of the larger Winona shopping centre approximately 17.37 hectares but the remaining redevelopment is not part of this application.

The City will retain 20% of the municipal tax increment, approximately \$56,823.72 a year for up to a maximum of ten years up to an amount not to exceed 20% of the total estimated eligible costs. These monies will be deposited into the Brownfields Pilot Project account to be used by the City for its ERASE Municipal Acquisition and Partnership Program (MAPP). This Program, as approved in the ERASE Community Improvement Plan (CIP), involves the City acquiring key Brownfield sites, cleaning up and redeveloping property it already owns, or participating in public/private partnerships to redevelop Brownfield properties.

Under the ERASE Redevelopment Grant Program (RGP), there is no actual loss of tax revenues to the City. The annual grant paid by the City to the owner is actually paid out of increased taxes generated by the development taking advantage of the ERASE Program.

This application meets the grant criteria specified in the 2010 ERASE Community CIP. This redevelopment will result in the physical enhancement of this industrial site via environmental site remediation leading to the development of the proposed industrial subdivision and will result in a significant long-term increase in assessment and

property tax revenues to the City. The City, under the terms of the ERASE program will need to enter into a Redevelopment Agreement with the owner, as specified in the ERASE CIP.

## **ALTERNATIVES FOR CONSIDERATION – See Page 8**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** As per the ERASE RGP, the City will provide the Applicant with a grant equivalent to 80% of the increase in municipal taxes up to the total eligible cost figure of \$910,300.00. At that time, the City will begin to collect and retain the full municipal portion of the tax increment.

The City will retain 20% of the municipal tax increment, approximately \$56,824 a year for up to ten years, up to an amount not to exceed 20% of the total estimated clean-up costs. These monies will be deposited into the Brownfield Pilot Project Account – Project ID #3620155102 - to be used by the City for its Municipal Acquisition and Partnership Program (MAPP). This Program, as approved in the ERASE CIP, involves the City acquiring key Brownfield sites, cleaning up and redeveloping property it already owns, or participating in public/private partnerships to redevelop Brownfield properties.

**Staffing:** Applications and grant payments under the ERASE RGP are processed by the Economic Development Division and Taxation Division. There are no additional staffing requirements.

**Legal:** The provision of ERASE RGP is authorized in the ERASE CIP which was adopted and approved in 2001 and the expansion to the original plan in 2005 and 2010 under Section 28 of the *Planning Act*. The Redevelopment Agreement will specify the obligations of the City and the Applicant and will be prepared in a form satisfactory to the City Solicitor.

### **HISTORICAL BACKGROUND**

The Property to be remediated is located on the south side of South Service Road, at the southeast corner of the intersection of South Service Road and Service Road. The Property is rectangular in shape and has an area of 2.37 hectares. The Property has frontage along the South Service Road of about 165 metres, and extends south along the east side of Service Road for 150 metres. Once the property is remediated, five single-storey commercial retail buildings comprising a total gross floor area of approximately 68,000 sq. ft. will be constructed. However, this Property is part of a larger redevelopment project known as the Winona Crossing Shopping.

Historical development on the property in the late 1950s / early 1960s consisted of a retail gas station and card lock facility and a motel / restaurant / variety store complex, the former Stop 50 Gas Bar, Motel and Restaurant. All site operations were closed in 2012. The remaining areas of the Property consist of asphalt or gravel covered parking areas.

The Property is located in an area that has been developed primarily for residential use to the north and south. Development to the west, along the South Service Road, is industrial. Properties to the east are undeveloped and include one vacant residence.

A Phase One Environmental Site Assessment (ESA) was conducted in October 2013 by Terraprobe Inc. which identified potentially contaminating activities including underground fuel storage tanks and related fuel distribution system and pump islands and related possible soil and ground water impact. As a result, a Phase Two ESA was recommended to provide further information related to the environmental quality of the soil and ground water below the Property. This Phase Two Study was completed in May 2014.

The field investigation included the advancement of nine boreholes and installation of ground water quality monitoring wells in seven of the boreholes and sampling and analysis of soil and ground water.

The results have been compared to the Table 3 Standards for medium / fine textured soil as defined in the Ministry of the Environment's O.Reg.153/04 Soil, Ground Water and Sediment Standards for use under Section XV.1 of the Environmental Protection Act. Based on the results of the Phase Two ESA, soil quality on the property does not meet the applicable O.Reg. 153/04 Table 3 SCS standards. There were no reported exceedences for any of the ground water samples submitted for analysis. As a result, a Record of Site Condition would necessitate a remediation of the soils that have been adversely impacted by the historical site activities and the completion of a risk assessment.

An application has been submitted under the ERASE RGP along with a Remedial Action Plan to remediate the contaminated soils for an estimated ERASE grant for total estimated eligible costs of \$910,300. The set of standards selected is based on the intended use of the Property to remain commercial.

The Remedial Action Plan will support a filing of a Record of Site Condition for the Property when completed. The main elements of the Remedial Action Plan are the decommissioning of remediation activities related to the former retail gas station, and the characterization and removal of the berms located around the perimeter of the property.

**SUBJECT: Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG 14-03), Penady (Stoney Creek) Ltd., 1310 South Service Road, Stoney Creek, ON (PED15061) (Ward 11) – Page 5 of 8**

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Existing infrastructure related to this operation include:

- Four (4) 22,700 litres / 5000 gallon capacity underground fuel storage tanks;
- One (1) 45,400 litres / 10,000 gallon capacity underground fuel storage tank, abandoned in place and backfilled with concrete through a TSSA variance;
- Four vent line and pipes;
- Two monitoring wells directly related to the underground tank nest;
- Product distribution lines; and,
- Pump island with three fuel pumps.

The decommissioning of the former retail gas station operations will involve the stripping / removal of the hard caps (asphalt and concrete) overlying the facilities, and extraction and disposal of the underground tanks, product distribution lines, vent lines / pipes, monitoring wells, and fuel pumps. The estimated costs of this phase of work are estimated at \$910,300.

The site plan (see attached Appendix “A” to Report PED15061) indicates a 17.86 hectare (44.14 acres) property with a total gross floor area of 41,041 square meters (441,759 square feet) known as Winona Crossing Shopping Centre. The total site will consist of seven sites in total as described in the statistics table below. However, the Remediation Action Plan is only a portion of the site as indicated in the map below identified as the Phase Two (ESA) property.



## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Report PED15061 relates to the processing of an application under the ERASE RGP which is contained within the City's approved ERASE CIP Plan (2010).

The subject lands are municipally known as 1310 South Service Road, in the former City of Stoney Creek. The Urban Hamilton Official Plan designates the property as "District Commercial" in Schedule E-1 – Urban Land Use Destinations and as "Neighbourhoods" in Schedule E – Urban Structure.

The "District Commercial" designation is intended to provide retail and service commercial uses to the immediate neighbourhood and shall contain a range of retail shops and services that cater primarily to the weekly and daily shopping needs of residents in the surrounding neighbourhoods.

The "Neighbourhoods" destination provides the context for daily life for citizens. Neighbourhoods are living areas where residents live, learn, play and socialize on a daily basis. The Neighbourhoods element is an all-encompassing element representing the concept of complete community at the structural level. Based on the proposed development concept and site plan, the proposal conforms to the Urban Hamilton Official Plan.

### Stoney Creek Zoning By-law:

The subject lands are zoned as Community Shopping Centre "SC2-4(H)" Zone in the Stoney Creek Zoning By-law No. 3692-92. This site specific Zone permits the parent uses as well as a public transit terminal. The site specific Zone also addressed deficiencies related to minimum lot frontage, gross leasable floor area, minimum front yard and parking requirements. The Holding (H) provision on the subject lands can only be removed once the following has been completed: an urban design study, a transit hub feasibility study, a stormwater management study, a traffic impact study, a record of site condition, a sustainability design / elements guidelines and an archaeological assessment. The proposed development will be permitted once the Holding (H) Zone provisions are removed by Council.

## **RELEVANT CONSULTATION**

Staff from the Taxation Division, Corporate Services Department and the Legal Services Division, City Manager's Office, were consulted and concur with the recommendations included in Report PED15061.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The 2014 assessed value is \$975,000 and the property is classed as Commercial (CT). Property taxes are currently paid in full. Taxes for 2014 on this property were annualized and totalled \$32,434.56, broken down as follows:

Municipal Levy = \$19,751.57  
 Education Levy = \$12,682.99  
 Total = \$32,434.56

Grant Level:		100%	
Total Eligible Costs (Maximum):	\$	910,300	
Pre-project CVA: (CT)	\$	975,000	Year: 2014
Municipal Levy:	\$	19,751.57	
Education Levy:	\$	12,682.99	
Pre-project Property Taxes	\$	32,434.56	
<b>*Estimated</b> Post-project CVA: (XT)	\$	15,000,000	Year: TBD
<b>**Estimated</b> Municipal Levy:	\$	303,870.20	
<b>Estimated</b> Education Levy:	\$	183,000.00	
<b>Estimated</b> Post-project Property Taxes:	\$	486,870.20	

\*The actual assessed value, tax classification(s) and value partitioning (where applicable) to be determined by the Municipal Property Assessment Corporation (MPAC)

\*\*2014 tax rates used for calculation of estimated property taxes

Municipal Tax Increment = Post-project Municipal Taxes (actual) - Pre-project Municipal Taxes

“Grant Payment in Year One” (first full calendar year after re-valuation of the completed and occupied project by MPAC) or the “Initial Grant Payment” = Municipal Tax Increment x 80%

**Calculation of Estimated Grant Payment**

Pre-project Municipal Taxes = Municipal Levy = \$19,751.57  
 Municipal Tax Increment = \$303,870.20 - \$19,751.57= \$284,118.62  
 Annual Grant Payment = \$284,118.62 x .80 = \$227,294.90

## **ALTERNATIVES FOR CONSIDERATION**

The grant application meets the eligibility criteria and requirements of the program. In the event the project is not considered for the program, the application should be referred back to staff for further information on possible financial or legal implications.

## **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

#### **Strategic Objective**

- 1.1 Continue to grow the non-residential tax base.
- 1.5 Support the development and implementation of neighbourhood and City-wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

#### **Strategic Objective**

- 2.3 Enhance customer service satisfaction.

### **Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in*

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PED15061 - Site Plan  
Appendix “B” to Report PED15061 - Location Map

JL/em