



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

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	July 9, 2018
<b>SUBJECT/REPORT NO:</b>	Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application, 107 MacNab Street North, Hamilton - ERG18-02 (PED18131) (Ward 2)
<b>WARD(S) AFFECTED:</b>	Ward 2
<b>PREPARED BY:</b>	Meredith Plant (905) 546-2424 Ext. 1219
<b>SUBMITTED BY:</b>	Glen Norton Director, Economic Development Division Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application - ERG-18-02, submitted by City and Company Inc. (Bryan Dykstra), owner of the property at 107 MacNab Street North, Hamilton, for an Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant not to exceed \$784,074 for the actual cost of the remediation and eligible program costs 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 the ERASE Redevelopment Agreement, together with any ancillary documentation required, as outlined in Recommendation (a) of Report PED18131, 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 grant amending agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions of the ERASE Redevelopment Grant (ERG), as approved by City Council, are maintained.

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## **EXECUTIVE SUMMARY**

An ERG Application was submitted by City and Company Inc. (Bryan Dykstra), the owner of the property located at 107 MacNab Street North, Hamilton on April 11, 2018, Location Map attached as Appendix "A" to Report PED18131.

The property is located at the southwest corner of the intersection of MacNab Street North and Cannon Street West, and has an area of about 0.3 ha. Development on the property, at the time of the environmental study, consisted of a two-story commercial (warehouse) building, with no basement. Exterior areas include asphalt and gravel surface parking. The current use of the property is commercial. The land use for the site will not change and a Record of Site Condition under O. Reg. 153/04 is not required. A peer reviewed due diligence risk assessment will be completed on the site as a requirement of the ERG Program, as the site will not require a record of site condition, but there is an interest in understanding the extent of contamination, liabilities or potential risk from a current property or past or current activities on the site which will be satisfied by the risk assessment.

A Phase One Environmental Site Assessment was undertaken on March 8, 2017 to determine if there were potentially contaminating activities on the site or in the Study Area that could result in an area of potential environmental concern. The Phase One Study Area consisted of the area including the Phase One Property and any other properties that are located, wholly or partly, within 250 m of the property, to identify PCA's that could potentially cause adverse impact on the property.

Resulting from the Phase One Environmental Site Association (ESA) Study a few APEC's associated with the historical use of the property and activities on adjacent properties have been identified: including, former use of the northeast portion of the property; as a retail gas station; former automobile wrecking facility on the south portion of the property; the presence of fill of unknown quality that was imported to restore the areas of the former underground fuel storage tanks; the basement of the former residences to grade level; and, a registered generator of halogenated solvent waste to the immediate north of the property. As a result of the APEC's related to the property a requirement for further investigation was identified.

Subsequently, Phase Two ESAs have been completed on May 25, 2017 and January 10, 2018 and a supplemental Phase Two ESA was completed in May 2, 2018. These Reports were undertaken in order to support the redevelopment of the site and the preparation of a risk assessment. Supplemental Phase Two ESA work was completed in 2018 in order to further assess the potential sources of contamination to the site and where possible, delineate known impacts, through the collection and analysis of the soil and groundwater samples.

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**SUBJECT: Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application, 107 MacNab Street North, Hamilton - ERG18-02 (PED18131) (Ward 2) - Page 3 of 7**

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The grant application is for \$725,709 K in eligible environmental site remediation plus \$58,365 to complete a peer reviewed due diligence risk assessment for a total of \$784,074. The proposed redevelopment of this site will retain and expand the existing use on-site as manufacturing/craftsperson shop by adding a three-story addition and expanding gross floor area to 6,822 M<sup>2</sup>. Two loading spaces will be provided. Project construction costs are estimated at \$8 M. It is estimated that the proposed development will increase the Current Value Assessment (CVA) on the site from the pre-development value of \$742 K (CT-Commercial) to approximately \$8 M (JT-Industrial, New Construction). This will increase total annual property taxes generated by this property from \$24,183.04 to \$385,218.74, an increase of approximately \$361,035.70. The Municipal portion of this increase is \$281,976.11 of which 80% or approximately \$225,580.88 would be paid to the owner in the form of an annual grant over a maximum of ten years or up to an amount not to exceed total estimated eligible costs for an ERG of \$784,074.



*107 MacNab Street North, Existing Conditions*

***Alternatives for Consideration – See Page 7***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: As per the ERG, 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 \$784,074. Based on the annual grant in the amount of

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\$225,580.88, the ten-year grant will be \$2,255,808.80 which is above the maximum eligible grant of \$784,074. The City will realize the full tax increase after year four.

The City will retain 20% of the Municipal tax increment estimated at \$56,395.23 a year for the duration of the grant. These monies will be deposited into the Brownfield Pilot Project Account, Project No. 3620155102, to be used by the City for its Municipal Acquisition and Partnership Program. 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.

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

**Legal:** The provision of the ERG is authorized in the ERASE CIP which was adopted and approved in 2001 and the expansion of the original plan in 2005, 2010 and 2018 under Section 28 of the *Planning Act*. The ERASE 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, located on the west side of MacNab Street North and the south side of Cannon Street West, was developed with an irregularly shaped, brick clad building, with associated parking areas and loading bay. The building was being used as a warehouse/distribution centre for men's clothing. Previously the property was in use as a gasoline service station with associated underground fuel storage tanks, and the south portion of the property was in use as an automobile wrecking yard and automobile supply.

Areas of Potential Environmental Concern associated with the historical use of the property include:

- The former use of the northeast portion of the property as a retail gas station;
- A former automobile wrecking facility on the south portion of the property;
- The presence of fill of unknown quality that was imported to restore the areas of the former underground fuel storage tanks and the basement of the former residences to grade level; and,

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- A registered generator of halogenated solvent water to the immediate north of the property

The approximate impacted area requiring soil remediation is 125-375 M<sup>2</sup> which amounts to approximately 500–1,500 M<sup>3</sup> (1,000 to 3,000 metric tonnes) of PHC impacted soil. Petroleum hydrocarbon impacts, including F1 and F2 PHCs, ethylbenzene and xylene, were identified in soil at monitoring well MW106 at a depth of approximately 4 m bgs within the northeast portion of the site. A groundwater sample collected from this monitoring well, with a well screen located between 4.5-7.5 bgs and a water level at 4.9 m bgs also identified PHC F1 impacts.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### **Urban Hamilton Official Plan**

The area designated Downtown Mixed-use is the historic downtown of Hamilton. Its boundaries coincide with the Downtown Hamilton Secondary Plan. It is intended to have a full range of retail, service commercial, institutional, cultural, entertainment, and office uses as well as a range of residential uses.

### **Downtown Secondary Plan (Updated)**

The updated Secondary Plan for Downtown Hamilton was approved by City Council May 9, 2018 and is currently within the appeal period. The lands are designated Downtown Mixed-use. It is considered that within this designation, Downtown Hamilton shall continue to maintain its key role as the governmental, institutional, educational, cultural, and residential centre of the City. The Downtown Mixed-use policies of the Secondary Plan are intended to support intensive, urban-scale mixed-use development.

### **Hamilton Zoning By-law No. 05-200**

Concurrent with the update to the Secondary plan, Zoning By-law 05-200 was updated. The subject lands were provided the following site specific permissions:

688. Notwithstanding Section 6.1.1 of this By-law within the lands zoned Downtown Central Business District (D1) Zone, identified on Map 910 of Schedule "A"—Zoning Maps and described as 107 MacNab Street North, clothing manufacturing shall also be permitted.

Currently the lands have a legal recognized use as clothing manufacturing.

### **Site Plan Control Application**

The property is subject to site plan control and as such, any site works may be required to be reviewed through submission of a Site Plan Application.

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## **RELEVANT CONSULTATION**

Staff from the Taxation Division, Corporate Services Department, Legal Services Division and the City Manager's Office was consulted and the advice received is incorporated into Report PED18131.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The 2018 assessed value is \$742 K and the property is classed as Commercial (CT).

The ERG will be calculated as follows:

Grant Level:		80%	
Total Eligible Costs (Maximum):		\$784,074	
Pre-project CVA: (CT - Commercial)	\$	742,000	Year: 2018
Municipal Levy:	\$	16,042.63	
Education Levy:	\$	<u>8,140.41</u>	
Pre-project Property Taxes	\$	24,183.04	
<b>*Estimated</b> Post-project: (JT – Industrial, New Construction)	\$	8,000,000	Year: TBD
<b>**Estimated</b> Municipal Levy:	\$	298,018.74	
<b>**Estimated</b> Education Levy:	\$	<u>87,200.00</u>	
<b>**Estimated</b> Post-project Property Taxes:	\$	385,218.74	

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

\*\*2018 tax rates used for calculation of estimated post-development property taxes.

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

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

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## **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 2016 – 2025 STRATEGIC PLAN**

### **Economic Prosperity and Growth**

*Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.*

### **Healthy and Safe Communities**

*Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.*

### **Our People and Performance**

*Hamiltonians have a high level of trust and confidence in their City government.*

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A”-Location Map

MP:dt