



**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 15, 2019
<b>SUBJECT/REPORT NO:</b>	Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application, 555 Sanatorium Road, ERG-18-05 (PED19101) (Ward 14)
<b>WARD(S) AFFECTED:</b>	Ward 14
<b>PREPARED BY:</b>	Karol Murillo (905) 546-2424 Ext. 7859
<b>SUBMITTED BY:</b>	Glen Norton Director, Economic Development Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application - ERG-18-05, submitted by Chedoke Redevelopment Corporation, owner of the property at 555 Sanatorium Road, for an ERASE Redevelopment Grant not to exceed \$4,728,224, the actual cost of the remediation 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 Environmental Remediation and Site Enhancement (ERASE) Redevelopment Agreement together with any ancillary documentation required, to effect Recommendation (a) of Report PED19101, 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 Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant, as approved by City Council, are maintained.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

## **EXECUTIVE SUMMARY**

An Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application was submitted by Chedoke Redevelopment Corporation, the owner of the property located at 555 Sanatorium Road, Hamilton. A Phase One Environmental Site Assessment (ESA), was undertaken in 2013 to determine if there were Potentially Contaminating Activities on the site that could result in an Area of Potential Environmental Concern (APEC).

The site was defined as approximately 7.3 ha (18.0 ac) and is located on the east side of Sanatorium Road, Chedmac Drive to the south and a large paved parking lot on the southwest corner of the site. It currently includes eight vacant buildings formerly known as the Chedoke Hospital Lands. The Phase One ESA revealed that the historical on-site operations were considered a potential contaminating activity that may have resulted in an APEC. The site was historically occupied by an underground storage tank, historic use of coal, aboveground storage tank, historic spill incident; and historic smoke stack emissions from the incinerator.

Subsequently, a Phase Two ESA was completed in 2017. The Phase Two ESA included the collection of groundwater samples from existing monitoring wells and soil samples. The result confirmed evidence confirming several APECs related to select metals, petroleum hydrocarbons (PHCs) and polycyclic aromatic hydrocarbon (PAHs).

The grant application is for \$4,728,224 in eligible environmental site remediation, additional study costs and designated substances and hazardous materials (DS&HM) removal and abatement. A significant portion of the grant value is budgeted for the asbestos removal and abatement eligible under the new criteria for the ERASE Redevelopment Grant (ERG) recently amended in 2018. The proposed redevelopment of this site will include 220 street townhouses and the rehabilitation of one of the eight buildings - the Southam Building.

Project construction costs are estimated at \$84,500,000. It is estimated that the proposed development will increase the property assessment from the pre-development value of \$13,217,805 (CT - Commercial) to approximately \$94 M (RT – Residential). This will increase total annual property taxes generated by this property from \$430,790.82 to \$1,186,242.21 an increase of approximately \$755,451.39. The municipal portion of this increase is \$740,662.61 of which 80% or approximately \$592,530.09 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 ERASE Redevelopment Grant of \$4,728,224.

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*Existing Conditions – 555 Sanatorium Road – 8 Buildings*

**Alternatives for Consideration – See Page 7**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: As per the ERASE Redevelopment Grant Program (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 \$4,728,224. Based on an annual grant amount of \$592,530.09 the ten-year grant will be reached by year nine when it reaches the maximum grant amount of \$4,728,224. The City will realize the full tax increase after year eight.

The City will retain 20% of the municipal tax increment estimated at \$148,132.52 a year for eight years. 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.

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Staffing: Applications and loan/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 the ERASE RGP 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 site is located at the Chedoke Hospital Lands in a residential/commercial area. The site is approximately 7.3 ha (18.0 ac) and is bounded by Sanatorium Road to the east, Chedmac Drive to the south, Southridge Court to the west with a private road running along the northern boundary of the site. A large parking lot covers a significant section of southwest portion of the site. The site is currently occupied by eight vacant buildings with the following titles: Bruce Building, Building 74, Central Building, Empire Building, Holbrook Building, West Quarters and Service Building, Wilcox Building and associated service tunnels that collectively make-up the area to be redeveloped. The site was historically occupied by an underground storage tank, historic use of coal, aboveground storage tank, historic spill incident; and historic smoke stack emissions from the incinerator. The Chedoke Hospital Lands was first developed as a Sanatorium in 1906.

A Phase One ESA, was undertaken in 2013 to determine if there were Potential Contaminating Activities on the site that could result in an APEC. The Phase One ESA revealed that the historical on-site operations were considered a potential contaminating activity that may have resulted in an APEC. It was recommended that a Phase Two ESA was required to further assess APECs on the site and before a Record of Site Condition could be filed.

The recommended Phase Two ESA was completed in 2018. The results of the Phase Two ESA identified APECs in the soil and groundwater on the site. The results of the sampling and analysis identified contamination at concentrations above the applicable Ontario Ministry of the Environment Table 3 Site Condition Standards and found in the following soil and groundwater samples: zinc, lead, cadmium, cobalt, PHC, PAH, electrical conductivity and sodium adsorption ratio.

In addition to the Phase Two ESA work completed by the owner, a DS&HM Survey was undertaken to confirm the presence of asbestos in the vacant buildings. The proposed project requires seven of the eight buildings to be demolished. In order to comply with the Ministry of Labour Codes, including the *Ontario Occupational Health and Safety Act*,

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workers need to be informed of DS&HM prior to the commencement of any demolition work. The survey confirmed the presence of asbestos containing the following materials throughout all the buildings: asbestos-containing materials, lead, mercury, silica, polychlorinated biphenyls, urea formaldehyde foam insulation and other designated substances. All asbestos removal containing materials will take place in accordance with O.Reg 278/05.

The Southam Building will be retained and rehabilitated to permit its use for commercial and/or mixed used purposes.

### **2018 ERASE CIP**

In 2018, the ERASE CIP went through a comprehensive review and approved a significant number of revisions. One of the key revisions included additional eligible costs to the ERG Program to include the study, removal and abatement of designated substances and hazardous materials from the older industrial area, institutional buildings and designated heritage buildings. As the site is a closed institutional use and within the Community Improvement Plan Area, it is eligible for a ERG. This is the first application where eligible costs will cover DS&HM, their removal and abatement.

The 2018 ERASE CIP, now an award-winning policy framework will continue to build on 16 years of program success, allowing the City of Hamilton to streamline the program and help to provide the financial tools needed to allow the City to continue to promote the remediation and redevelopment of additional brownfield sites.

To accomplish the removal of the DS&HM, an abatement and demolition plan will include: asbestos removal work plan, dust control plan, Site Specific Health and Safety Plan, Job Hazard Analysis, waste reduction work plan and a pre-demolition designated substances survey. To address the groundwater and soil contamination, the preferred remedial action plan will involve a soil and groundwater management plan and include transport and disposal of contaminated soil and backfilling of remedial excavations.

### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

#### **Urban Hamilton Official Plan**

The subject lands are municipally known as 555 Sanatorium Road and located within “Neighbourhoods” on Schedule “E” – Urban Structure and “Institutional” on Schedule “E-1” – Urban Land Use Designation. This designation permits a variety of institutional uses including educational, religious, cultural, health care, long-term care and day care uses as well as associated ancillary uses. In addition, the designation permits various non-

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institutional uses, such as low density residential uses, on sites where the institutional use has ceased, and the proposed development is compatible with the surrounding area. The proposed use of the property conforms to the above designation subject to any associated policies of the Hamilton Urban Official Plan.

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

Under the City of Hamilton Zoning By-Law No. 05-200, the subject property is zoned Major Institutional (I3) Zone and permits a variety of uses including, but not limited to: hospitals; long-term care facilities; multiple dwellings; places of worship and street townhouse dwellings.

The proposed use of the property is permitted subject to any associated regulations of the Hamilton Zoning By-Law No. 05-200.

**RELEVANT CONSULTATION**

- Corporate Services, Financial Services Division, Tax Administration/Banking Section; and,
- Corporate Services, Legal Services Division, Legal Services Section.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

The 2019 assessed value is \$13,217,805 and the property is classed as Commercial (CT). The ERASE RGP will be calculated as follows:

Grant Level:		80%
Total Eligible Costs (Maximum):	\$	4,728,224
Pre-project CVA: (CT - Commercial)	\$	13,217,805 Year: 2019
<b>**Estimated Municipal Levy:</b>	\$	285,779.60
<b>**Estimated Education Levy:</b>	\$	<u>145,011.22</u>
<b>**Estimated Pre-project Property Taxes</b>	\$	430,790.82
<b>*Estimated Post-project CVA: (RT – Residential)</b>	\$	94,000,000
Total Estimated Ten-Year Grant (Maximum):	\$	4,728,224
<b>**Estimated Municipal Levy:</b>	\$	1,026,442.21
<b>**Estimated Education Levy:</b>	\$	<u>159,800.00</u>
<b>**Estimated Post-Project Property Taxes:</b>	\$	1,186,242.21

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\*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 pre and 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 times 80%.

### **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 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

KM:dt