



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	August 9, 2021
SUBJECT/REPORT NO:	Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application, 260 and 276 Dunsmure Road, Hamilton ERG-18-04 (PED21148) (Ward 3)
WARD(S) AFFECTED:	Ward 3
PREPARED BY:	Phil Caldwell (905) 546-2424 Ext. 2359
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application ERG-18-04, submitted by Dunsmure Developments Ltd.(Sarit Chandaria), owner of the properties at 260 and 276 Dunsmure Road, Hamilton, for an ERASE Redevelopment Grant not to exceed \$1,875,628, the actual cost of the remediation over a maximum of ten (10) years, be authorized and approved in accordance with the terms and conditions of the ERASE Redevelopment Agreement;
- (b) That the General Manager of Planning and Economic Development Department be authorized and directed to execute the Environmental Remediation and Site Enhancement (ERASE) Redevelopment Agreement together with any ancillary documentation required, to give effect to the ERASE Redevelopment Grant for Dunsmure Development Ltd. (Sarit Chandaria), owner of the properties at 260 and 276 Dunsmure Road, Hamilton, in a form satisfactory to the City Solicitor; and,
- (c) That the General Manager of the Planning and Economic Development Department be authorized and directed to administer the Grant and Grant Agreement including but not limited to: deciding on actions to take in respect of

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events of default and executing 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.

EXECUTIVE SUMMARY

An Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application was submitted for 260 and 276 Dunsmure Road, Hamilton (the “site”) on May 4, 2018, by Dunsmure Developments Ltd. (Sarit Chandaria), the owner of the site.

The site is approximately 0.79 ha (1.95 ac) in size and located in a primarily low density residential and commercial area of the Crown Point West neighbourhood of East Hamilton. The site is located at the southeast corner of Dunsmure Road and Gage Avenue South. The site primarily fronts on Dunsmure Road and is bounded by a rail line to the east and south and low density residential to the west and north. The closest signalized intersection is approximately 70 m southwest of the site at Gage Avenue South and Main Street East. The site contains five vacant industrial/commercial and administrative buildings associated with its historical use as a lumber yard for Lawson Lumber Company Ltd.

A Phase Two Environmental Site Assessment undertaken in 2013 and supplemented with subsequent site investigations in 2020 and 2021 to investigate the site’s soil and groundwater conditions identified the presence of contaminants at levels above the applicable standards required to accommodate the planned development in accordance with Ontario Regulation 153/04. Identified Contaminates of Concern (COC) included various metals, polycyclic aromatic hydrocarbons (PAHs), petroleum hydrocarbons (PHCs) and volatile organic compounds (VOCs).

The Grant application is for \$1,875,628 in estimated eligible costs associated with the remediation of the site and activities associated with a required filing of a Record of Site Condition.

The planned development, for which conditional Site Plan approval has been granted, consists of 60 rental dwelling units within three blocks of stacked townhouses. An additional four rental units are planned on the portion of the property known as 260 Dunsmure Road, Hamilton for a total of 64 rental dwelling units.

Project construction costs are estimated at approximately \$27,000,000. It is estimated that the proposed development will increase the property assessment from the pre-development value of \$1,147,500 (CT-Commercial) to approximately \$9,990,000 (NT-New Multi Residential). This will increase total annual property taxes generated by this

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site from \$37,399 to \$118,742, an increase of approximately \$81,343. The municipal portion of this increase is \$78,648 of which 80%, representing the maximum potential annual Grant, would be approximately \$62,918. Based on the estimated eligible costs provided by the Applicant, the maximum Grant will not exceed \$629,184 over a period of 10 annual payments.

The existing condition of the site as well as renderings of the planned redevelopment are provided below:



Existing Conditions – 260 and 276 Dunsmure Road, Hamilton looking southwest on Dunsmure Road (Source: maps.google.ca)



Planned Development – 260 and 276 Dunsmure Road, Hamilton (Source: Dunsmure Developments Ltd.)

Alternatives for Consideration – See Page 8

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As per the ERASE Redevelopment Grant (ERG) Program, 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 \$1,875,628. Based on an estimated maximum potential annual Grant amount of \$62,918, the annual grant payments will conclude in year 10 with an estimated total Grant of \$629,184. The City will realize the full tax increment after year 10.

The City will retain the remaining 20% of the annual municipal tax increment estimated at \$15,730, and estimated to total \$157,300 over 10 years, will be deposited into the Brownfield Pilot Project Account 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, remediating and redeveloping property it already owns, or participating in public/private partnerships to redevelop brownfield properties.

Staffing: Applications and Grant payments under the ERG program are processed by existing staff from the Commercial Districts and Small Business Section, Economic Development Division and Taxation Section of the Finance and Administration Division.

There are no additional staffing requirements.

Legal: The ERG Program is authorized by the ERASE CIP which was adopted and approved in 2001 and subsequently comprehensively updated 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.

Through a corporate title and litigation due diligence search conducted by staff on the subject site, two construction liens were identified as currently being in place. As per the ERG legal agreement that approved applicants are required to enter with City, the Applicant will be required to have these liens resolved and lifted from the site prior to any Grant being provided.

HISTORICAL BACKGROUND

The site is approximately 0.79 ha (1.95 ac) in size and located in a primarily low density residential and commercial area of the Crown Point West neighbourhood in East Hamilton. The site is located at the southeast corner of Dunsmure Road and Gage Avenue South. The site primarily fronts on Dunsmure Road and is bounded by a rail line to the east and south and low density residential to the west and north. The closest signalized intersection is approximately 70 m southwest of the site at Gage Avenue South and Main Street East. The site contains five vacant industrial/commercial and administrative buildings associated with its historical use as a lumber yard for Lawson Lumber Company Ltd.

As part of the investigation of the environmental condition of the site, a Phase One Environmental Site Assessment (ESA) was undertaken by MTE in 2018 to investigate historical land use activities and the potential presence of contaminants. The results of the Phase One ESA identified five on-site and two off-site Areas of Potential Environmental Concern (APEC). These potential environmental concerns included:

- The current and historical presence of various Underground Storage Tanks (UST) throughout the site used for the storage of gasoline and oil;
- The presence of an on-site underground boiler room;
- The potential presence of fill and debris associated with former buildings on the site;
- A former on-site oil storage area;
- The presence of a rail line adjacent to the site;
- The current and historical presence of multiple vehicle repair businesses and gas stations in the vicinity of the site; and,
- Historical on-site activities associated with the treatment and storage of preserved wood products.

A Phase Two ESA which was previously undertaken by G2S Environmental Consulting in 2013 to investigate the site's current soil and groundwater conditions was supplemented by MTE with subsequent site investigations in 2020 and 2021 to further delineate the extent of soil and groundwater contamination in response to the updated Phase One ESA undertaken in 2018. This supplementary investigation was informed by the drilling of an additional approximately 20 boreholes on the site and the installation of 10 additional groundwater monitoring wells. The results confirmed the

presence of various metals, polycyclic aromatic hydrocarbons (PAHs), petroleum hydrocarbons (PHCs) and volatile organic compounds (VOCs) in the soil throughout the site at concentrations exceeding the Ministry of Environment, Conservation and Parks (the Ministry) Table 7 Generic Site Condition Standards (SCS) for Shallow Soil in a Non-Potable Groundwater Condition for residential/parkland/institutional land uses in accordance with Ontario Regulation 153/04.

The sites planned use as residential combined with the presence of contamination above the applicable SCS will result in the Applicant being required to undertake remediation of the site's soil and groundwater in order to file a RSC with the Ministry to facilitate the planned redevelopment of the site.

A Remedial Action Plan (RAP) was prepared in June 2021 by Occupational Hygiene & Environment (OHE) Consultants to outline the planned remediation of the site which will primarily consist of the following:

- The removal of known and suspected USTs;
- Excavation and disposal of contaminated soil and groundwater; and
- Backfilling of soil that meets the applicable SCS standards to facilitate the planned redevelopment.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The site is designated as "Neighbourhoods" on Schedule "E" – Urban Structure and on Schedule "E-1" – Urban Land Use Designations of the Urban Hamilton Official Plan. This designation is intended to accommodate a full range of residential dwelling types and densities to which the planned development complies.

Former City of Hamilton Zoning By-law No. 6593

The site is primarily zoned "DE" Low Density Multiple Dwellings Zone with a small portion of the site located at the intersection of Dunsmure Road and Gage Avenue South and municipally known as 260 Dunsmure Road zoned "D" Urban Protected Residential – One- and Two-Family Dwellings Etc. Zone.

The planned use of the site is permitted.

Site Plan Control

The site is subject to Site Plan Control. At the time of writing of this Report, the proposed development had received conditional Site Plan approval.

RELEVANT CONSULTATION

Staff from the Taxation Section of the Finance and Administration Division and the Legal Services Division of the Corporate Services Department were consulted, and the advice received incorporated in this Report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Potential estimated costs, as submitted by the Applicant, which may be eligible under the ERG Program based on the site's location within Area 3 – Urban Area of the ERASE Community Improvement Project Area (CIPA) include the following:

- \$122,028 in potentially eligible environmental consulting and Phase Two ESA study costs incurred since the ERG application was submitted to the City in 2018;
- \$55,000 for the removal of on-site USTs and decommissioning of monitoring wells;
- \$1,203,600 in costs and contingencies for the excavation of approximately 6,570 m³ of contaminated soil and 100,000 Litres of groundwater to be disposed of at a licensed facility;
- \$100,000 in costs for possible shoring/protective technologies; and
- \$395,000 in future environmental consulting costs including the preparation of a Modified Generic Risk Assessment and Soil Management Plan and RSC submission.

In total, estimated eligible costs are \$1,875,628. Invoicing and associated documentation for said costs will be the subject of an audit by staff upon the completion of the site's remediation to ensure eligibility and compliance with the Council approved parameters of the ERG program.

The following is an overview of pre and post development property assessments and associated taxes which have informed the estimated potential Grant and Grant payment period contained in this report:

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Grant Level:		80%
Total Estimated Eligible Costs (Maximum):	\$	1,875,628
Total Estimated Grant (Maximum):	\$	629,184
Pre-project CVA (CT - Commercial):	\$	1,147,500 Year: 2018
Municipal Levy:	\$	24,810
Education Levy:	\$	<u>12,589</u>
Pre-project Property Taxes	\$	37,399
Estimated Post-project CVA (NT – New Multi Residential):	\$	9,990,000 Year: TBD
Estimated Municipal Levy:	\$	103,458
Estimated Education Levy:	\$	<u>15,285</u>
Estimated Post-project Property Taxes:	\$	118,743

Notes:

- 1) The actual roll number(s) assessed value(s), tax classification(s) and value partitioning (where applicable) are to be determined by the Municipal Property Assessment Corporation (MPAC).
- 2) 2020 tax rates have been used for calculation of the estimated post-development property taxes.
- 3) Annual Taxes exclude any Local Charges.
- 4) Pre-development estimate is subject to the adjustment due to the proposed severance.
- 5) All dollar figures rounded to the nearest dollar.

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.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Our People and Performance

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

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED21148 – Location Map

PC/jrb