




CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	August 4, 2022
SUBJECT/REPORT NO:	Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application, 488 & 500 Upper Wellington Street, Hamilton ERG-22-02 (PED22169) (Ward 8)
WARD(S) AFFECTED:	Ward 8
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-22-02, submitted by 488-500 Upper Wellington Nominee Inc. (488-500 Upper Wellington LP/Fengate Asset Management) owner of the properties at 488 and 500 Upper Wellington Street, Hamilton for an ERASE Redevelopment Grant not to exceed \$5,354,800, for estimated eligible remediation costs provided 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 the 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 488-500 Upper Wellington Nominee Inc. (488-500 Upper Wellington LP/Fengate Asset Management), owner of the properties 488 and 500 Upper Wellington Street, Hamilton in a form satisfactory to the City Solicitor;

OUR Vision: To be the best place to raise a child and age successfully.

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.

- (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 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 and that any applicable Grant Amending Agreements are undertaken in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

An Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant (ERG) Application was submitted for 488 and 500 Upper Wellington Street, Hamilton (the site) on June 1, 2022 by 488-500 Upper Wellington Nominee Inc. (488-500 Upper Wellington LP/Fengate Asset Management), the owner of the site.

The site is approximately 0.89 ha (2.20 ac) in size and located at the southwest corner of the intersection at Upper Wellington Street and Inverness Avenue East in the Centremount neighbourhood of Hamilton mountain. 488 Upper Wellington Street, which was owned by the City of Hamilton until 2019, contained a vacant single storey institutional building (since demolished) and large asphalt parking lot used by the Hamilton Police Services as the former Inverness Mountain Station. To the immediate south, the adjacent 500 Upper Wellington Street contained a vacant single storey commercial building (since demolished) most recently used as a retail store.

Phase Two Environmental Site Assessments (ESA) completed in 2019 and 2020 to investigate the site's soil and groundwater conditions have identified the presence of contaminants at levels above the applicable Ministry of Environment, Conservation and Parks (the Ministry) Site Condition Standards (SCS) based on the site's planned change of use and redevelopment for residential. Contaminates identified in the site's soil include Metals (Cadmium, Copper, Lead, Mercury and Zinc), Polycyclic Aromatic Hydrocarbons (PAH) and Petroleum Hydrocarbons (PHC).

Based on the site's condition and planned redevelopment for a residential use, site remediation to meet the applicable SCS and the filing of a Record of Site Condition (RSC) with the Ministry will be required in accordance with Ontario Regulation 153/04 (O. Reg. 153/04).

The planned redevelopment of the site, for which conditional Site Plan approval has been granted, consists of a six-storey mixed-use residential building containing 261

**SUBJECT: Environmental Remediation and Site Enhancement (ERASE)
Redevelopment Grant Application, 488 & 500 Upper Wellington
Street, Hamilton ERG-22-02 (PED22169) (Ward 8) - Page 3 of 9**

rental dwelling units and two at-grade commercial units. Construction costs are estimated at approximately \$80,000,000.

Estimated remediation costs eligible for consideration under the ERG program are \$5,354,800.

It is estimated that the planned redevelopment will increase the sites assessment from the pre-development value of \$3,332,000 (CT-Commercial) to approximately \$58,113,265 (NT-New Multi Residential, XT-New Commercial). This will increase total annual property taxes generated by this site from \$98,961 to \$731,367, an increase of approximately \$632,406. The municipal portion of this increase is \$560,833 of which 80%, representing the maximum potential annual Grant permitted under the ERG Program, would be approximately \$448,666. The maximum total Grant is estimated to be capped at \$4,486,664 over the maximum 10 annual payments permitted under the ERG Program.

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



Existing Conditions (April 2022) – 488 and 500 Upper Wellington Street, Hamilton viewed looking southwest from Upper Wellington Street (Source: maps.google.ca)



Planned Development – 488 and 500 Upper Wellington Street, Hamilton west elevation facing Upper Wellington Street (Source: Fengate Asset Management)

Alternatives for Consideration – See Page 9

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As per the 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 \$5,354,800 or until 10 annual payments are provided, whichever comes first. Based on an estimated maximum potential annual Grant amount of \$448,666, the annual Grant payments will conclude in year 10 with an estimated maximum attainable Grant of \$4,486,664 in accordance with the ERG Program terms, after which the City will realize the full annual municipal tax increment over the life of the development.

The City will retain the remaining 20% of the annual municipal tax increment estimated at \$112,167, estimated to total \$1,121,666 over 10 years. These funds will be deposited into the Brownfield Pilot Project Account No. 3621755102 to be used by the City for its Municipal Acquisition and Partnership Program. This Program, as approved in the ERASE Community Improvement Plan (CIP), enables the City to acquire strategic brownfield sites, remediate and redevelop property it already owns, or participate in public/private partnerships to redevelop brownfield properties.

Staffing: Applications and Grant payments under the ERG Program are administered by 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 arising from this Report's recommendations

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 Applicant will be required to enter into an ERASE Redevelopment Agreement which will specify the obligations of the City and the Applicant and will be prepared in a form satisfactory to the City Solicitor.

HISTORICAL BACKGROUND

On June 1, 2022 an Application to the ERASE Redevelopment Grant Program was submitted by 488-500 Upper Wellington Nominee Inc. (488-500 Upper Wellington LP/Fengate Asset Management), the registered owner of the site.

The site is approximately 0.89 ha (2.20 ac) in size and located at the southwest corner of the intersection at Upper Wellington Street and Inverness Avenue East in the Centremount neighbourhood of Hamilton mountain. The immediate area is primarily characterized by low-rise development with commercial uses located north, east and south of the site along Upper Wellington Street and residential uses primarily in the form of Single Detached Dwellings to the west.

Most recently, 488 Upper Wellington Street, which was previously owned by the City of Hamilton, contained a vacant single storey institutional building (since demolished) and large asphalt parking lot used by the Hamilton Police Services as the former Inverness Mountain Station since being constructed 1962. The property was deemed surplus and sold in 2019 (Report PED19210) with the opening of the new Police Investigative Services Headquarters. To the immediate south, the adjacent 500 Upper Wellington Street contained a vacant single storey commercial building (since demolished) which has been occupied by several uses since being built in 1957 including the YMCA, a St. John's Ambulance Training Centre and most recently as a retail store. Prior to these developments, the site was first developed in the 1930s with residential uses and contained a former public street known as Ninth Street East. In the 1950s the residential buildings were removed, and the former Ninth Street East closed to make way for the developments noted above.

As part of the investigation of the environmental condition of the site, a Phase One ESA was completed in December 2019 by MTE to investigate historical land use activities and the potential for Contaminates of Concern (COC) on the site. The results of the study identified four on-site and three off-site Areas of Potential Environmental Concern (APEC). The on-site APECs included the importation of fill/soil of an unknown quality

and the presence of underground storage tanks and a fuel site related to the historical use of gasoline and associated products. The off-site APECs were regarding historical activities in the area including automobile repair, dry cleaning operations and the presence of underground storage tanks related to gasoline storage.

A subsequent interim Phase Two ESA and supplementary Phase Two ESA were also completed by MTE in December 2019 and August 2020 respectively to further investigate the site's current soil and groundwater conditions and to further delineate the extent of soil and groundwater contamination in response to the findings of the Phase One ESA. These studies were overseen by a Qualified Person (QP) and informed by testing from a total of 44 boreholes and nine groundwater monitoring wells on the site. The results confirmed the presence of contamination in the fill across the entirety of site including Metals (Cadmium, Copper, Lead, Mercury and Zinc), PAH and PHC. These contaminants were found at concentrations that exceed the Table 7 Site Condition Standards (SCS) for Shallow Soil in a Non-Potable Groundwater Condition applicable to a planned residential/parkland/institutional land use in accordance with the Ministry's O. Reg. 153/04.

Based on the site's condition and the planned redevelopment for a residential use, site remediation to meet the applicable SCS and file an RSC with the Ministry will be required in accordance with O. Reg. 153/04.

A Remedial Action Plan (RAP) was prepared in August 2021 and subsequently updated in May 2022 by Soil-Mat Engineers and Consultants Ltd. to identify the preferred remediation method for the site which will consist of excavation of the impacted fill and disposal at a licensed landfill facility.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Urban Hamilton Official Plan

The site is identified as Neighbourhoods" on Schedule "E" – Urban Structure and designated as Mixed Use – Medium Density on Schedule "E-1" – Urban Land Use Designations of the Urban Hamilton Official Plan. This designation is intended to accommodate a full range of retail, service commercial, entertainment, and residential uses at a moderate scale.

The planned development conforms to the designation.

City of Hamilton Zoning By-law 05-200

The site is zoned C5a - Mixed Use Medium Density – Pedestrian Focus Zone under City of Hamilton Zoning By-law 05-200 with the portion the site municipally known as 488 Upper Wellington Street having an additional Special Exception (316). The C5a zone is intended to permit a range of commercial and residential uses along pedestrian-oriented streets with commercial uses at-grade. The property-specific Special Exception 316 additionally permits Townhouse Dwellings or Multiple Dwellings as additional permitted uses on the property as well as establishing alternative regulations respecting lot area and location of parking, among others.

The planned development is permitted.

Site Plan Control

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

RELEVANT CONSULTATION

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

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Estimated remediation costs, as per the RAP and associated contractor estimates which may be eligible for consideration under the ERG Program based on the site's location within Area 1 – Urban Area of the ERASE Community Improvement Project Area (CIPA), total \$5,354,800 and consist of the following:

- \$3,806,300 in costs for the excavation and disposal of approximately 46,200 metric tonnes of contaminated soil (inclusive of the QP recommended 18% contingency) at a licensed facility;
- \$948,900 in costs for import, grading and compaction of clean backfill;
- \$452,600 in environmental consulting and contractor management fees; and,
- \$147,000 in ancillary costs associated with remediation activities including underground locates, surveys, hydrovac excavation and sewer line shoring etc.

**SUBJECT: Environmental Remediation and Site Enhancement (ERASE)
Redevelopment Grant Application, 488 & 500 Upper Wellington
Street, Hamilton ERG-22-02 (PED22169) (Ward 8) - Page 8 of 9**

Invoices and supporting documentation for the above noted estimated costs shall be required to be submitted to staff and will be the subject of an audit to ensure compliance with the Council approved Program parameters including, but not limited to, ensuring that invoiced costs accepted are limited to only those related to remediation and that any costs that would have been required for the development regardless of the presence of contamination are identified and excluded from reimbursement.

Auditing of invoices and supporting documentation will be undertaken by staff and may be subject to a third-party review at staff's discretion. Where such third-party review is required, the cost will be at the approved Applicant's expense but subject to eligibility under the ERG program for the purposes of the Grant.

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

Grant Level:		80%
Total Estimated Eligible Costs (Maximum):	\$	5,354,800
Total Estimated Grant (Maximum):	\$	4,486,664
Pre-project CVA (CT-Commercial):	\$	3,332,000 Year: 2021
Municipal Levy:	\$	69,640
Education Levy:	\$	<u>29,322</u>
Pre-project Property Taxes	\$	98,962
Estimated Post-project CVA (NT-New Multi Residential; XT-New Commercial):	\$	58,113,265 Year: TBD
Estimated Municipal Levy:	\$	630,473
Estimated Education Levy:	\$	<u>100,895</u>
Estimated Post-project Property Taxes:	\$	731,368

Provisions for Calculations:

- 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) upon completion of the development;
- 2) As per Program requirement, the increase in realty taxes is based on the most recently available tax year information at the time the tax estimate was requested;
- 3) 2021 tax rates have been used for calculation of the estimated pre and post-development property taxes;

- 4) Annual Taxes exclude any Local Charges;
- 5) Post development assessment estimate provided by MPAC;
- 6) MPAC to determine if both roll numbers to be consolidated since both abutting parcels under one ownership. Roll number to be determined; and,
- 7) All dollar figures rounded to the nearest dollar.

ALTERNATIVES FOR CONSIDERATION

The Application meets the eligibility criteria and requirements of the ERG 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” to Report PED22169 – Site Location Map