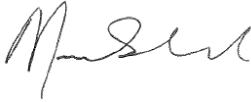




**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	January 18, 2023
<b>SUBJECT/REPORT NO:</b>	Grant Increase to an Existing Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Approval, 555 Sanatorium Road, Hamilton, ERG-18-05 (PED19101(a)) (Ward 14)
<b>WARD(S) AFFECTED:</b>	Ward 14
<b>PREPARED BY:</b>	Phil Caldwell (905) 546-2424 Ext. 2359
<b>SUBMITTED BY:</b>	Norm Schleeahn 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 (Starward Homes/Marz Homes), owner of the property at 555 Sanatorium Road, Hamilton, for an ERASE Redevelopment Grant not to exceed an additional \$315,363, for a total maximum grant of \$5,043,587, payable 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 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 Chedoke Redevelopment Corporation (Starward Homes/Marz Homes), owner of the property 555 Sanatorium Road, Hamilton in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Planning and Economic Development Department be authorized and directed to administer the Grant and Grant

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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.

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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 Program Application was submitted on May 9, 2018 by Chedoke Redevelopment Corporation (Starward Homes/Marz Homes) (the Applicant), owner of the Site 555 Sanatorium Road.

The ERASE Redevelopment Grant Program provides financial assistance to property owners in the form of tax-increment based grants to assist with costs required to remediate historical on-site soil contamination and/or abate/remove designated substances and hazardous materials (DSHM) in existing buildings. These works increase redevelopment costs and can impede the reuse/redevelopment of under-utilized or vacant properties in the urban area and leave historical environmental issues unaddressed in the community. Grants under the ERG program are self-funded directly from the uplift in municipal taxes generated as a result of the Site's remediation and redevelopment.

The subject site comprises approximately 7.3 ha (18.0 ac) of land previously forming part of the Hamilton Health Sciences Chedoke Hospital campus and further detailed in Appendix "A" to Report PED19101(a).

The ERASE Redevelopment Grant (ERG) Program Application was submitted respecting financial assistance towards costs which would be required to remediate contamination in the Site's soil/groundwater and to abate/remove designated substances and hazardous materials within the eight formerly existing hospital buildings. The Site remediation and abatement/removal works were required in order to facilitate the Site's redevelopment for 211 street townhouses as well as an additional 23 residential rental units within the existing Southam Building which was to be retained as part of the Site's redevelopment.

On May 22, 2019 via Report PED19101, City Council approved the ERG Program Application for the Site with a maximum Grant of \$4,728,224 based on work plans and cost estimates for Program eligible costs submitted by the Applicant at this time.

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In accordance with the ERG Program terms, the Applicant submitted paid invoices for completed site works in December 2021. These invoices and supporting documentation were subject to a staff led audit to ensure compliance with the Council approved ERG Program terms and to determine the final actual eligible Program costs incurred on the Site.

Staff's audit identified total ERG Program eligible costs of \$5,043,587. This represented an increase of \$315,363 beyond the originally estimated costs and maximum potential Grant approved by City Council in 2019.

This increase was most significantly attributed to higher costs to complete remediation of the contaminated soil/groundwater as well as associated increases in environmental consultant fees. Additional costs were also incurred to complete the abatement/removal of designated substances and hazardous materials in the existing buildings prior to their demolition.

Staff's audit confirmed that the increased costs are for works eligible for consideration under the ERG Program terms. As such, staff's recommendation is that the maximum potential Grant amount be increased by \$315,363 to reflect these increased costs borne by the Applicant. If approved, this increase would bring the total maximum Grant to \$5,043,587.

Project construction costs are estimated to be approximately \$84,500,000. It is estimated that the proposed development will increase the property assessment from the pre-development value of \$12,816,230 (CT – Commercial) to approximately \$98,460,000 (NT – New Multi-Residential, RT – Residential). This will increase total annual property taxes generated by this site from \$401,302 to \$1,226,072, an increase of approximately \$824,770. The municipal portion of this increase is \$806,220 of which 80%, representing the maximum potential annual Grant provided under the ERG Program, would be approximately \$644,976. It is estimated the total Grant would be paid over an estimated eight annual payments.

The Site's former condition as well as renderings of the planned development are provided below.

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*Former Site Conditions – 555 Sanatorium Road, Hamilton, aerial view looking northeast. (Source: maps.google.ca)*



*Planned Townhouse Renderings – 555 Sanatorium Road, Hamilton (Source: chedokeheights.ca)*

**Alternatives for Consideration – See Page 10**

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**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 costs of \$5,043,587 or until 10 annual payments are provided, whichever comes first. Based on an estimated maximum potential annual Grant amount of \$644,976, the total eligible Grant is estimated to be achieved over eight annual payments in accordance with the ERG Program terms. After this period, the City will realize the full annual municipal tax increase for the remaining life of the development.

The City will retain the remaining 20% of the annual municipal tax increment over the Grant payment period to a maximum of 20% of the total Grant to be provided to the Applicant. Annually this is estimated to be \$161,244 and estimated to total \$1,008,717 over the Grant payment period. These funds will be directed to the Brownfield Pilot Project Account No. 3621755102 for use through the Municipal Acquisition and Partnership Program (MAPP). The MAPP is approved through the ERASE Community Improvement Plan (CIP) and 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**

The Site comprises approximately 7.3 ha (18.0 ac) of land previously forming part of the Hamilton Health Sciences Chedoke Hospital. The Site was first developed for hospital uses in 1906.

The Site is located in a predominately residential area of the Mountview neighbourhood of Hamilton Mountain bounded by remaining former hospital lands not subject to this Application to the north, Sanatorium Road to the east, Chedmac Drive to the South and Southridge Court/Chedoke Twin Pad Arena to the west.

At the time the Site was acquired by Chedoke Redevelopment Corporation from the Bay Area Health Trust, the Site contained eight vacant buildings associated with the former Chedoke Hospital including the Bruce Building, Building 74, Central Building, Empire Building, Holbrook Building, West Quarters and Service Building, Wilcox Building and Southam Building along with associated service tunnels.

Since 2013 various environmental assessments have been undertaken to determine the extent of soil/groundwater contamination on the Site as well as to investigate potential designated substance and hazardous materials within the formerly existing vacant buildings.

A Phase One Environmental Site Assessment (ESA) undertaken in 2013 identified various Areas of Potential Environmental Concern (APEC) on the Site including an underground storage tank, historic use of coal, an above ground storage tank, a historic spill incident and a former on-site incinerator smoke stack, all of which were associated with the Site's former use as a hospital.

Subsequent Phase Two ESAs undertaken in 2014 by EXP Services and in 2016 by MTE Consultants confirmed the presence of Contaminates of Concern in the soil and groundwater at levels above the applicable Ministry of Environment, Conservation and Parks (the Ministry) Table 3 Site Condition Standards (SCS) for residential/ parkland/institutional land uses deemed applicable to the Site in accordance with Ontario Regulation 153/04. Contaminates identified in the soil included metals (Zinc, Lead, Cadmium, Cobalt, Zinc) and polycyclic aromatic hydrocarbons (PAHs) while Chloride was identified in the groundwater.

Two Designated Substances and Hazardous Materials (DSHM) Surveys were undertaken on the formerly existing vacant buildings. The first was undertaken in 2017 to evaluate the Southam Building which was to be retained and renovated for residential uses as part of the Site's broader redevelopment. The second survey was completed in 2018 to evaluate the remaining seven vacant buildings slated for demolition. These

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surveys confirmed the presence of a variety of designated substances and hazardous materials including Asbestos, Lead, Mercury, Silica, Polychlorinated Biphenyls (PCBs), among others, which would need to be abated/removed prior to building demolition/renovation taking place. Abatement/removal of Asbestos is required to be undertaken in accordance with Ontario Regulation 278/05.

On May 9, 2018 an Application was submitted to the ERASE Redevelopment Grant (ERG) program by Chedoke Redevelopment Corporation (Starward Homes/Marz Homes) for the Site. This Application included work plans and cost estimates to abate/remove designated substances and hazardous materials in the existing vacant buildings as well as to remediate the Site's soil and groundwater for the purposes of meeting the applicable SCS, file a Record of Site Condition and ultimately facilitate redevelopment of the site for residential uses.

In accordance with the ERG Program terms, costs associated with the remediation of the Site's soil/groundwater were eligible for consideration based on the Site's location within Area 1 - Urban Area of the ERASE Community Project Improvement Area (CIPA). In addition, costs associated with abatement/removal of designated substances and hazardous materials were eligible for consideration under the ERG Program based on the Site's former institutional use. In total, the estimated eligible program costs submitted were \$4,728,224.

On May 22, 2019 City Council approved the ERG Program Application and a maximum Grant of \$4,728,224 via Report PED19101.

Subsequent to this approval, remediation of the Site's soil/groundwater, abatement/removal of DSHM and building demolition commenced in order to accommodate the planned redevelopment of the Site. This redevelopment consists of 211 street townhouses and 23 residential rental units within the existing former Southam Building.

Staff note that since the time of the original ERG approval, the Site has been the subject of a Plan of Subdivision resulting in the creation of multiple new streets/municipal addresses including Bensley Lane, Cadwell Lane, Capstone Lane, Sentinel Lane, Southam Lane and Welch Lane. For the purposes of this Report and staff's recommendations, the original site area subject to the ERG program approval in 2019 via PED19101 continues to apply and encompasses these newly created municipal streets/addresses. The exact site area subject to this Report is further detailed in Appendix "A" to Report PED19101(a).



## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### **Urban Hamilton Official Plan**

The Site is 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-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 planned use of the property conforms to the above designation.

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

Under the City of Hamilton Zoning By-Law No. 05-200, the Site is zoned Major Institutional (I3) Zone which 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 planned use of the property is permitted.

### **Site Plan Control**

The Site is subject to Site Plan Control. At the time of writing this Report, the portion of the Site planned for street townhouses has received Site Plan approval while the portion of the Site containing the existing Southam Building which will be repurposed for residential uses 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)**

In accordance with the ERG Program terms, the Applicant submitted paid invoices for completed site works in December 2021. These invoices and supporting documentation were subject to a staff led audit to ensure compliance with the Council



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approved ERG Program terms including, but not limited to, ensuring invoices are limited to only those works eligible for consideration under the ERG Program.

Staff's audit identified total ERG Program eligible costs of \$5,043,587. This represented an increase of \$315,363 beyond the originally estimated costs and maximum potential Grant approved by City Council in 2019.

This increase was attributed to higher costs to complete remediation of the contaminated soil/groundwater as well as associated increases in environmental consultant fees. Additional costs were also incurred to complete the abatement/removal of DSHM in the existing buildings prior to their demolition.

Staff's audit confirmed that the increased costs are for works eligible for consideration under the ERG Program terms. As such, staff's recommendation is that the maximum potential Grant amount be increased by \$315,363 to reflect these increased costs borne by the Applicant. If approved, this increase would bring the total maximum Grant to \$5,043,587.

The following is an overview of pre and post development property assessments and associated taxes which have informed the estimated potential Grant and the Grant payment period contained in this Report. The following calculations have been updated from the original estimates contained in Report PED19101 in order to reflect the most recent municipal tax rates and minor updates to the Site's redevelopment plan.

Grant Level as a percentage of municipal tax uplift:		80%
Total Actual Eligible Costs	:	\$ 5,043,587
Total Estimated Grant (Maximum):		\$ 5,043,587
Pre-project CVA (CT-Commercial):	\$	12,816,230 Year: 2019
Municipal Levy:	\$	269,208
Education Levy:	\$	<u>132,094</u>
Pre-project Property Taxes	\$	401,302
Estimated Post-project CVA (NT-New Multi Residential; RT-Residential):	\$	98,460,000 Year: 2022
Estimated Municipal Levy:	\$	1,075,428
Estimated Education Levy:	\$	<u>150,644</u>
Estimated Post-project Property Taxes:	\$	1,226,072

**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) 2022 tax rates have been used for calculation of the estimated post-development property taxes;
- 4) Annual Taxes exclude any Local Charges; and,
- 5) Pre-development Assessed value and 2019 Phase-in Value from Minutes of Settlement.
- 6) 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 increased costs are 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.

**Clean and Green**

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

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PED19101(a) – Site Location Map