

CITY OF HAMILTON

PLANNING & ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: WARD 11
COMMITTEE DATE: November 14, 2011	
SUBJECT/REPORT NO: Amended Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG-11-02) - Union Gas Limited, 420 Glover Road and 918 South Service Road, Stoney Creek (PED11099(a)) (Ward 11)	
SUBMITTED BY: Tim McCabe General Manager Planning & Economic Development Department	PREPARED BY: Brian Morris 905 546-2424, Ex. 5602
SIGNATURE:	

RECOMMENDATION

- (a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG-11-02), as amended, submitted by Union Gas Limited, owner of the property at 420 Glover Road and 918 South Service Road, Stoney Creek for an ERASE Redevelopment Grant not to exceed \$1,280,129.11, payable to Union Gas Limited 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 Mayor and City Clerk be authorized and directed to execute, on behalf of the City, the associated amended ERASE Redevelopment Grant Agreement with Union Gas Limited, referred to in subsection (a) with respect to the redevelopment of 420 Glover Road and 918 South Service Road, Stoney Creek and all necessary associated documents, all in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

An Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application was submitted by Union Gas Limited for redevelopment of the property at 420 Glover Road and 918 South Service Road, Stoney Creek, ON (see Appendix "A" to Report PED11099(a)) on May 2nd, 2011, and approved by Council on June 15th, 2011 (PED11099). The application qualified for an ERASE Redevelopment Grant as a result of required environmental site remediation in order to permit construction of a two storey, 49,000 sq.ft. office, training and warehousing facility that will act as the Union Gas Limited regional facility. The applicant also wishes to attain Leadership in Energy and Environmental Design (LEED) certification on the facility at the Gold Level. A revised remediation estimate and subsequent revised application was then submitted on October 14th, 2011, as a result of unanticipated additional contamination that was found during building demolition, and as a result of a decision to file for a "Generic" Record of Site Condition (RSC), rather than filing an RSC supported by a Risk Assessment.

The revised Grant Application is in the amount of \$1,280,129.11, in eligible environmental site remediation and LEED eligible costs, an increase of \$650,377.11 from the original approved amount of \$629,751.94. Estimated project construction costs are \$21,144,524. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current \$1,814,500 to approximately \$10,000,000. This will increase total annual property taxes generated by this property. The municipal share of this property tax increase (municipal tax increment) is estimated to be approximately \$203,706.46 of which 80% or approximately \$162,965.17 would be paid to the owner in the form of an annual grant for approximately eight (8) years up to an amount not to exceed total estimated clean-up and LEED costs eligible for ERASE of \$1,280,129.11.

The City will retain 20% of the municipal tax increment; approximately \$40,741.29 a year for eight (8) years up to an amount not to exceed 20% of the total estimated clean-up and LEED eligible costs. These monies will be deposited into the Brownfields Pilot Project account to be used by the City for its ERASE Municipal Acquisition and Partnership Program (MAPP). 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.

Under the ERASE Redevelopment Grant Program, there is no actual loss of tax revenues to the City. The annual grant paid by the City to the owner is actually paid out of increased taxes generated by the development taking advantage of the ERASE Program.

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This application meets the grant criteria specified in the 2010 ERASE Community CIP. This redevelopment will result in the physical enhancement of this commercial site via environmental site remediation leading to the development of the proposed office, training and warehousing facility and will result in a significant long-term increase in assessment and property tax revenues to the City. The City, under the terms of the ERASE program will need to enter into a Redevelopment Agreement with the owner, as specified in the ERASE CIP.

Alternatives for Consideration – See Page 7.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: As per the ERASE Redevelopment Grant 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 \$1,280,129.11. At that time, the City will begin to collect and retain the full municipal portion of the tax increment.

The City will retain 20% of the municipal tax increment, approximately \$40,741.29 a year for eight (8) years, up to an amount not to exceed 20% of the total eligible costs. These monies will be deposited into the Brownfield's Pilot Project Account to be used by the City for its Municipal Acquisition and Partnership Program (MAPP). This program, as approved in the ERASE 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: Administration of this application under the terms of the program can be accommodated by staff of the Economic Development Division, Real Estate Section and the Corporate Services Department.

Legal: The provision of ERASE Redevelopment Grant is authorized in the ERASE CIP which was adopted and approved in 2001 and the expansion to the original plan in 2005 and 2010 under Section 28 of the Planning Act. The 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 (Chronology of events)

Union Gas Limited purchased the properties at 420 Glover Road and 918 South Service Road on December 29, 2010, with plans to redevelop the site into an office, training and warehouse facility. The site is approximately 8.4 acres in total. The 420 Glover Road portion of the site was comprised of an old farm house and a tool and die shop, formerly

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operated by Industrial Tooling and Manufacturing. The 918 South Service Road portion was comprised of a former garage/gas station/restaurant. These buildings have been demolished since the time of the original ERASE Redevelopment Grant application.

As a result of the Phase I Environmental Site Assessment (ESA) and a Phase II ESA that was conducted on the property in December of 2010 by Dillon Consulting Limited that identified concentrations of contaminants (petroleum hydrocarbons (PHC's) and some metals – Beryllium and Boron) in the subsurface soils, estimated to be in the range of 780 m³, Union Gas Limited retained Dillon Consulting Limited to prepare a Remedial Action plan which included partial removal of the impacted soils and some risk assessment measures. Union Gas Limited subsequently filed an application for an ERASE Redevelopment Grant on May 2, 2011, that was approved by City Council on June 15, 2011 in the amount of \$629,751. This amount also included eligible LEED component costs, as per the LEED Grant Program, and this represented the first approved ERASE Redevelopment Grant with such costs included. The applicant wishes to attain LEED certification at the Gold level for this facility.

While the LEED eligible component costs for the revised ERASE Redevelopment Grant application have not changed, there has been a significant increase in the scope of the work and eligible costs for remediating the property due to several factors. Originally, an RSC was to be filed supported by a Risk Assessment, whereas the applicant now wishes to file for an RSC using the generic site condition standards. Furthermore, areas of the property were not available for sampling during the initial Phase II ESA process, such as the area beneath the floor of the gas station. These areas became accessible during building demolition and resulted in the identification of petroleum hydrocarbon contamination in areas where former fuel lines terminated and under an abandoned hydraulic hoist. Lastly, additional levels of metal impacted soil in and around the former machine shop had also been determined and need to be excavated in order to file the generic RSC. In total, the approximate additional volume of soil requiring remediation is approximately 5,000 m³. This revised amount adds an additional \$650,377.17 in eligible costs to the original application.

As a result of the identification of further impacts to the site, Union Gas Limited resubmitted an application and various supporting documents to the ERASE Redevelopment Grant Program on October 14, 2011.

The Applications

The original application for an ERASE Redevelopment Grant, submitted by the Walter Fedy Partnership, agent for Union Gas Limited, for the property at 420 Glover Road and 918 South Service Road, qualified for an ERASE Redevelopment Grant as a result of required environmental site remediation and LEED component costs. This application

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was approved by Council on June 15, 2011, for a figure of \$629,751.94 in eligible costs. The revised application involves further remediation work in order to do a “generic” clean-up of the property to remove contaminated soils containing elevated levels of hydrocarbons and metals in soils that are a residual result of past commercial/industrial use on the properties. The revised clean-up will be done in order to permit the construction of a two storey, 49,000 sq.ft. office, training and warehouse facility. Estimated project construction costs are \$21,144,524. The costs eligible for an ERASE Redevelopment Grant are estimated as follows:

Eligible Works	Cost
Soil Removal/Disposal	\$619,172.17
Environmental Consulting Fees	\$97,255
LEED eligible component costs:	
i) incremental construction cost	\$528,613.10
ii) consultation fees	\$30,000
iii) energy modelling	included in ii)
iv) certification fees	\$5,088.84
TOTAL	\$1,280,129.11

*HST not included in the above

Staff review of the proposed works against the eligibility criteria contained in the ERASE CIP show that all costs that have been applied for under the grant are eligible. Therefore, staff recommends approval of this ERASE Redevelopment Grant Application.

POLICY IMPLICATIONS

Report PED11099(a) relates to the processing of an application under the ERASE Redevelopment Grant Program (ERG) which is contained within the City’s approved ERASE Community Improvement Plan (2010).

RELEVANT CONSULTATION

The grant application was circulated to the Corporate Services Department (Taxation Division and Legal Services Division) and the Planning and Economic Development Department (Planning Division) for comment. The pertinent departmental comments are provided below. As per the ERASE CIP, the grant application was reviewed by the Planning and Economic Development Department (Economic Development Division, Real Estate Section) in consultation with the Planning Division and Budgets and

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Finance Division. None of the comments received from staff suggest that the application not be approved.

Departmental Comments

Taxation Division

The 2010 assessed value (combined) is \$1,814,500 (as 2011 figures are not yet available) and the properties are classed as Industrial, Commercial Excess Land, Residential and Farm (IT, CU, RT, and FT). Taxes for 2010 on these properties (combined) total \$27,169.30, broken down as follows:

Municipal Levy	=	\$17,206.44
Education Levy	=	<u>\$9,962.86</u>
Total (approximately)		\$27,169.30

Property taxes are current (paid in full).

Legal Services Division

The Owner and the City shall enter into the appropriate ERASE Redevelopment Agreement as a condition of this grant in accordance with the provisions of the ERASE CIP.

Planning Division

The owner submitted a Site Plan Control Application (DA-11-120) in August 2011, to redevelop the subject lands for a Union Gas Service Centre. The application was circulated for comments to both internal and external departments and agencies and the application was taken before the Development Review Committee on September 14, 2011. The applicant was advised that the proposed use is permitted in Zoning By-law No. 05-200. However, issues pertaining to providing an additional Ministry of Transportation setback and addressing additional information needs of the Hamilton Conservation Authority with regard to the regulated flood plain must still be addressed. The applicant has advised staff of the Planning Division that the necessary changes can be accommodated on-site and the information needs of the Hamilton Conservation Authority will be satisfied. Following submission of the revised plan and the information for the Hamilton Conservation Authority the site plan will be able to be conditionally approved subject to standard conditions of approval.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The ERASE Redevelopment Grant is a component of the Council approved ERASE CIP. This application meets the criteria for approval.

Based on site plan drawings and information submitted in support of the ERASE Redevelopment Grant Application, staff has estimated that once the project is complete, the property, including all buildings, will have an estimated MVA of approximately \$10,000,000, classed as Commercial New Construction (XT). This new MVA is estimated to increase total municipal property taxes over the current \$17,206.44. The new municipal taxes levied on this property are estimated to be approximately \$220,912.90, with the remaining dollars going to the Province for education taxes.

As per City Council direction to increase the number of Brownfield properties redeveloped per year, this grant application would effectively support this strategic direction.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

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.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization

- ◆ Council and SMT are recognized for their leadership and integrity

Financial Sustainability

- ◆ Effective and sustainable Growth Management
- ◆ Generate assessment growth/non-tax revenues

Growing Our Economy

- ◆ Newly created or revitalized employment sites
- ◆ Competitive business environment
- ◆ A skilled and creative labour pool that supports new employers

Environmental Stewardship

- ◆ Reduce the impact of Hamilton's industrial, commercial Private and Public operations on the environment
- ◆ Aspiring to the highest environmental standards

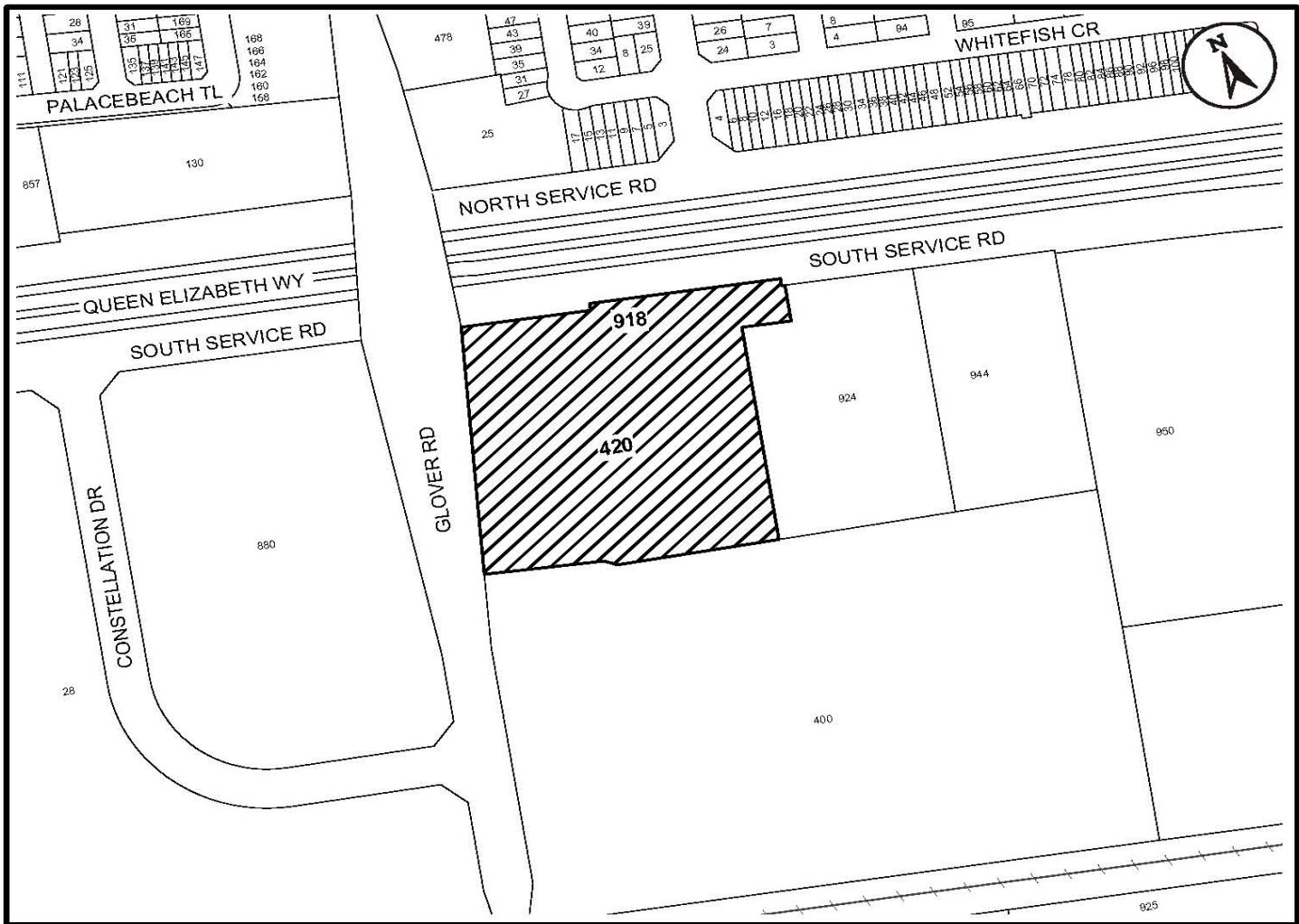
Healthy Community

- ◆ Plan and manage the built environment

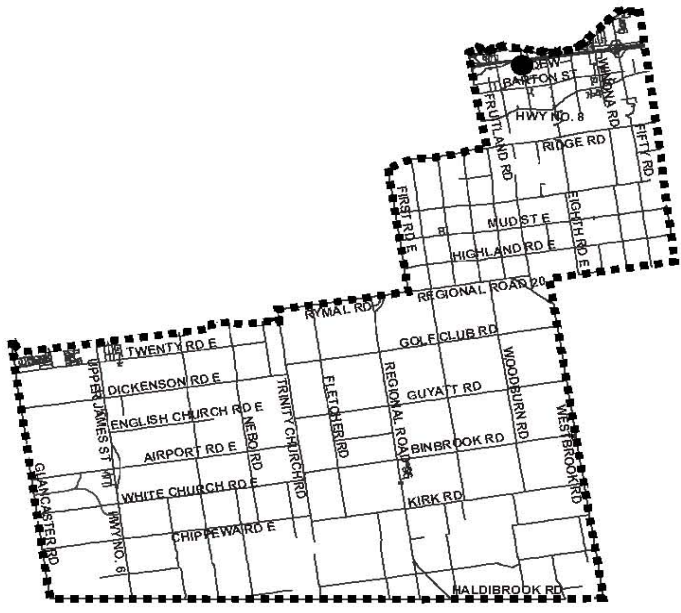
APPENDICES / SCHEDULES

Appendix "A" to Report PED11099(a) – Location Map


BM/dkm



● Site of the Application



Ward 11 Key Map

N.T.S. 

Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:
420 Glover Rd and 918 South Service Rd


Date:
May 5, 2011

Appendix "A"

Scale:
N.T.S.

Planner/Technician:
BM/IF

Subject Property

 420 Glover Road and 918 South Service Road, Stoney Creek