

**CITY OF HAMILTON**

**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Economic Development Division**

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> WARD 1
<b>COMMITTEE DATE:</b> February 15, 2012	
<b>SUBJECT/REPORT NO:</b> Amended Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG-06-07) – 1649626 Ontario Inc., 801 and 803 King Street West, 80, 86, and 90 Carling Street, Hamilton (PED07078(a)) (Ward 1)	
<b>SUBMITTED BY:</b> Tim McCabe General Manager Planning and Economic Development Department	<b>PREPARED BY:</b> Brian Morris (905) 546-2424 Ext. 5602
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG-06-07), as amended, submitted by 1649626 Ontario Inc., owner of the property at 801 and 803 King Street West, 80, 86, and 90 Carling Street, for an ERASE Redevelopment Grant not to exceed \$2,224,875.00 (which includes \$525,000 previously approved by Council on February 28, 2007 in approving Item 4 of Economic Development & Planning Committee Report 07-004), payable to 1649626 Ontario Inc. over a maximum of ten (10) years, be authorized and approved in accordance with the terms and conditions of the ERASE Redevelopment Agreement; and,
- (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 1649626 Ontario Inc., referred to in subsection (a) with respect to the redevelopment of 801 and 803 King Street West, 80, 86, and 90 Carling Street 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 1649626 Ontario Inc. for redevelopment of the property at 801 and 803 King Street West, 80, 86, and 90 Carling Street, ON (see map attached as Appendix "A" to Report PED07078(a)) on September 6, 2006, and approved by Council on February 28, 2007 (PED07078). The application qualified for an ERASE Redevelopment Grant as a result of required environmental site remediation in order to permit construction of a nine storey, 39 unit, multi-residential development. A revised remediation estimate and subsequent revised application was then submitted on January 12, 2012. This revised application was a result of an audited Record of Site Condition (RSC) on the property that found the initial bioremediation to be inadequate to clean the property to the Ministry of Environment (MOE) standards. In addition, the scope and planning for the site had subsequently increased. The revised application includes the additional unanticipated remediation costs in order to resubmit for an RSC to permit the construction of a seven storey, 63 unit multi-residential student housing development of approximately 83,259 square feet.

The revised grant application is for \$2,224,875, in eligible environmental site remediation which includes the original approved total of \$525,000. This total represents an increase in additional costs of \$1,699,875 that will be a result of traditional soil excavation. Estimated project construction costs are \$12,000,000. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current \$604,825 to approximately \$10,600,000. 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 \$122,099.18 of which 80% or approximately \$97,697.34 would be paid to the owner in the form of an annual grant for approximately ten (10) years up to an amount not to exceed total estimated clean-up and LEED costs eligible for ERASE of \$2,224,875.

The City will retain 20% of the municipal tax increment; approximately \$24,419.84 a year for ten (10) years up to an amount not to exceed 20% of the total estimated clean-up 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.

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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. This application meets the grant criteria specified in the 2010 ERASE Community CIP. This redevelopment will result in the physical enhancement of this vacant residential site via environmental site remediation leading to the development of the proposed multi-unit student residence 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 \$2,224,875. 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 \$24,419.84 a year for ten (10) 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 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)

The following site history was identified in a Phase II ESA as prepared by JFM Environmental Limited and previous environmental reports on the subject site. The subject site is approximately 0.66 acres in total. The site currently resides as a vacant lot formerly occupied by a commercial paint store (National Painting & Decorating Ltd. 1955-2005) and former dry cleaning operation (Your Personal Cleaners in 1950). The buildings that housed these operations have since been demolished.

Previously completed environmental work on the property by Bluewater Environmental Inc. indicated soil and groundwater contamination at concentrations exceeding the applicable MOE site condition standards. The contaminants presence is assumed to have originated from the previous operations on the properties as well as from two underground storage tanks (USTs) that were formerly located on the site. The soil and groundwater contamination showed elevated levels of petroleum hydrocarbons (PHCs) and volatile organic compounds (VOCs), including benzene, dichloroethylene, trichloroethylene, and PCE. In late 2006, Bluewater Environmental Inc. submitted a remedial work plan to the owner that involved site remediation utilizing Bluewater's In-Situ Biological Remediation Technology. This work plan was carried out over 2007 and 2008 and involved microbial solution injections that were designed to reduce the contamination through a pump and treat degradation process, resulting in the filing of an RSC to the MOE in late 2009.

The MOE chose to audit the RSC that was filed by Bluewater Environmental Inc. and notified the property owner of some inconsistencies. The MOE undertook their own field sampling in December 2010, and subsequently issued a letter of non-compliance in February of 2011 to the property owner, notifying the property owner that contamination still exceeded the applicable standards on the site. As a result, the owner retained JFM Environmental for an updated Phase II Environmental Site Assessment and peer review, as well as the preparation of a second remedial work plan in July, 2011 in order to deal with the still elevated levels of contamination present in the soil and groundwater. It was the opinion of JFM Environmental that the best way to deal with the contamination would be by excavation. Through their further delineation work, JFM Environmental has estimated that approximately 16,920 to 22,410 tonnes of contaminated soil will need to be excavated and disposed of off-site, at a licensed facility.

As a result of the RSC audit and evolving scope of the redevelopment, the owner resubmitted an application and various supporting documents to the ERASE Redevelopment Grant Program on January 12, 2012.

## The Applications

The original application for an ERASE Redevelopment Grant, submitted by 1649626 Ontario Inc., for the property at 801 King Street West, 80, 86 and 90 Carling Street, qualified for an ERASE Redevelopment Grant as a result of required environmental site remediation. This application was approved by Council on February 28, 2007, for a figure of \$525,000 in eligible bioremediation costs. The work was carried out, but was found not to be in compliance with the MOE standards. The revised application involves further remediation work as a result of the audited RSC. Therefore, the property still needs to be cleaned up to remove contaminated soils and groundwater containing elevated levels of PHCs and VOCs that are a residual result of past commercial uses on the properties. The revised clean-up will be done in order to permit the construction of a seven storey, 63 unit, multi-residential student residence. Estimated project construction costs are \$12,000,000. The costs eligible for an ERASE Redevelopment Grant are estimated as follows:

<b>Eligible Works</b>	<b>Cost</b>
Soil Removal/Disposal	\$1,639,875
Environmental Consulting Fees	\$60,000
Original eligible remediation costs:	\$525,000
<b>TOTAL</b>	<b>\$2,224,875</b>

\*HST not included in the above

Staff's review of the proposed works against the eligibility criteria contained in the ERASE CIP shows 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 PED07078(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

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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) in consultation with the Planning Division and Budgets and Finance Division. None of the comments received from staff suggest that the application should not be approved.

**Departmental Comments**

**Taxation Division**

The 2011 assessed value (combined) is \$604,825 and the properties are classed as, Commercial Vacant Land, and Residential (CX and RT). Taxes for 2011 on these properties (combined) total \$14,258.71, broken down as follows:

Municipal Levy	-	\$10,216.59
Education Levy	-	<u>4,042.12</u>
Total (approximately)	-	\$14,258.71

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 development of the subject lands have been previously considered under Site Plan Application DA-09-122. The Site Plan was conditionally approved on April 30, 2010, and given an initial one year time-frame to satisfy conditions.

The conditions attached to the approval included the requirement for a Record of Site Condition to be filed with the Ministry of the Environment and for the applicant to submit and receive approval of a Minor Variance Application. The Variance Application was approved by the Committee of Adjustment on July 15, 2010, however, was subsequently appealed by a third party to the Ontario Municipal Board. The matter was resolved and the variances became final and binding following the withdrawal of the third party appeal.

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Given the time taken to resolve the appeal, staff agreed to extend the original Site Plan Approval for a period of one year to April 30, 2012. However, staff acknowledges that the filing of an acceptable RSC remains outstanding and is required prior to final approval of the Site Plan.

**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 \$10,600,000, classed as New Multi-Residential (NT). This new MVA is estimated to increase total municipal property taxes over the current \$10,216.59. The new municipal taxes levied on this property are estimated to be approximately \$132,315.77.

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

***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

<b>APPENDICES / SCHEDULES</b>
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Appendix "A" – Location Map

BM/dkm





● Subject Property



Ward 1 Key Map

N.T.S.



# Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:  
King\_CarlingStudentRes


Date:  
January 17, 2012

Appendix "A"

Scale:  
N.T.S.

Planner/Technician:  
BM/KA

## Subject Property

 80, 86 and 90 Carling Street and 801 and 803 King Street West