



CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development & Real Estate Division

TO: Chair and Members General Issues Committee	WARD(S) AFFECTED: WARD 2
COMMITTEE DATE: May 9, 2011	
SUBJECT/REPORT NO: Cannon Knitting Mills - Brownfield Pilot Project Fund (PED11086) (Ward 2)	
SUBMITTED BY: Tim McCabe General Manager Planning & Economic Development Department	PREPARED BY: Brian Morris (905) 546-2424 Ext. 5602
SIGNATURE:	

RECOMMENDATION

- a) That Hamilton Realty Capital Corporation be approved for funding under the ERASE Municipal Acquisition and Partnership Program (MAPP) – Brownfield Pilot Project in the amount of \$13,335.
- b) That the \$13,335 be charged to Brownfield Pilot Project Capital Account #3620155102 which is funded from the 20% portion of increased tax generated, and not returned to applicants through the ERASE Redevelopment Grant program.

EXECUTIVE SUMMARY

Cannon Knitting Mills, located at 134 Cannon St. E. (see Appendix 'A' to Report PED11086) is a 110,000 square foot former textile manufacturing facility that, until recently, had been in operation since the early 1900's and was originally built in 1860. The property is known to be significantly contaminated with volatile organic compounds

(VOCs) (tetrachlorethylene and daughter byproducts) and beryllium. The ground water analysis also indicated elevated concentrations of petroleum hydrocarbons (PHCs).

Hamilton Realty Capital Corporation (HRCC) purchased the property in late January, 2011, with plans to redevelop the site into residential/condo units, with some additional retail/commercial uses. Environmental remediation costs have been estimated to be as low as \$550,000 (by the vendor) and upwards of \$2 million by the purchaser's environmental consultants.

G2S Environmental Consulting Inc. and Plant Products Inc. have approached HRCC with an innovative remedial solution. The approach was formalized with a proposal for a Pilot Study on the site employing an in-situ bioremediation technique and product known as ERD_{enhanced} (Enhanced Reductive Dechlorination) to reduce the concentration of VOCs on the property. This product has seen successful results in various applications in the United States, but has not been widely applied in Ontario or Canada. Since every site and contaminant characteristics are different, pilot studies are often encouraged before going forward with full scale remedial works. This bioremediation product has been registered and licensed with the Ministry of the Environment (MOE).

HRCC approached the City's Brownfield Office and enquired if there was any funding assistance or avenues that could help with the cost of a pilot study. HRCC is eligible to apply to the ERASE Redevelopment Grant Program (RGP) or ERASE Tax Assistance Program (TAP), which employs a Tax Increment Financing Tool; however, there is no full scale remedial costs estimated until such time that the pilot study proves successful. Moreover, there are no concrete plans for the redevelopment of the site into residential/mixed use at this time. Another component of the ERASE Community Improvement Plan (CIP), known as the Municipal Acquisition and Partnership Program (MAPP) has a Brownfield Pilot Project section that enables Council to provide funding on strategic Brownfield redevelopment projects that provide significant benefits to the municipality. Consequently, on March 30, 2011, HRCC made a request for funding from the City's MAPP – Brownfield Pilot Project Program.

Alternatives for Consideration – See Page 6

FINANCIAL / STAFFING / LEGAL IMPLICATIONS
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Financial: Currently there are funds available in the Brownfields Pilot Project Capital Project ID 3620155102. The approval of this request of \$13,335 can be accommodated from the Capital project.

Staffing: N/A

Legal: The application request is consistent with the ERASE Municipal Acquisition and Partnership Program (MAPP) and Brownfield Pilot Project accounts.

HISTORICAL BACKGROUND

HRCC is a public-private partnership between the City of Hamilton and Forum Equity Partners, (a privately owned Toronto based development company specializing in municipal and provincial projects). HRCC's mandate is to develop projects within the Downtown Community Improvement Project area that are too risky or expensive for private sector developers alone, and will have a 'catalytic effect' on the area around it. This project is the first venture of the P3 that has resulted in the purchase of property in the core.

The former owners, (L & S Realty), were given a remedial work plan and related cost estimates by an environmental consulting firm. These were based on the information garnered from the Phase II and Supplemental Phase II ESA's which outlined several methods of remediating the property (including risk assessment, excavation, and in-situ treatment).

HRCC retained a different consultant to review the previous reports and to provide their own professional assessment of the initial data and estimated remedial work plan and associated costs prior to the purchase of the property. This assessment was provided with additional concerns and suggested a higher range for the remedial efforts on the property.

During the same time as the data review, HRCC was introduced to another group (G2S Environmental Consulting Inc. and Plant Products Co. Ltd.) through a Real Estate agent that represented the property at 134 Cannon St. E. This environmental consulting group was interested in accessing properties on which they could pilot their in-situ bioremediation product. Over the course of several weeks, from February to March, 2011, HRCC collected results and data on Plant Products Inc. ERD_{enhanced} product and its successes and limitations for dealing with VOCs.

According to Plant Products Inc., ERD_{enhanced} is designed to passive-aggressively destroy chlorinated volatile organic compounds (cVOCs) in-situ, and expedite site compliance with less environmental impact. ERD_{enhanced} is a proprietary and Patent Pending formulation consisting of food grade additives and a macro-micro nutrient package which leverages existing site conditions, stimulates microbial activities, and effectively expedites contaminant deconstruction. The ERD_{enhanced} product would be deployed using a direct push technology into an existing monitoring well on the property. Upon review of the existing data collected through the previous site assessment, G2S Environmental Consulting Inc. and Plant Products Co. Ltd. are confident that the tetrachlorethylene (PCE) contaminating conditions (and related daughter by-products) at 134 Cannon St. E. are a prime candidate for the remedial solutions provided by the ERD_{enhanced} product. Additionally, Plant Products Co. Ltd. believe that the aforementioned costs estimated for soil and groundwater remediation may be overly conservative and that lower cost alternatives, such as ERD_{enhanced} are available.

In late January 2011, HRCC eventually closed on the property with a more complete knowledge of the contamination issue. HRCC then approached the City's Economic Development Department regarding available funding mechanisms to help support a potential Pilot Study as proposed by G2S Environmental Consulting Inc. and Plant Products Co. Ltd.

HRCC is eligible to apply to the ERASE Redevelopment Grant Program or ERASE Tax Assistance Program. However, it is uncertain at this time if the in-situ remediation using ERD_{enhanced} will work, and there is no concrete redevelopment plans for the site, hence the need for a pilot study in a small area on the contaminated property. If this pilot study is successful, (anticipated to take approximately 4 months) then HRCC will retain the services of G2S Environmental Inc. and Plant Products Co. Ltd. to complete full site restoration to residential standards for residential redevelopment. The additional costs associated with remediating the rest of the site, could then be applied for and rebated through the ERASE Redevelopment Grant Program or ERASE Tax Assistance Program.

The request to the ERASE MAPP – Brownfield Pilot Project was made on March 30, 2011 by HRCC. The final approval of the Brownfield Pilot Project funding resides with City Council. Staff is recommending funding in the form of a grant of \$13,335 (to be supported by copies of official invoices pertaining to the cost of remedial efforts) which equates to 100% of the estimated \$13,335 cost of the pilot study (excluding HST).

Brownfield Pilot Projects

In 2001, City Council established a \$500,000 Brownfield Pilot Project Fund in order to encourage and assist the redevelopment of strategic Brownfield properties located in Hamilton. The purpose of Council's investment was to stimulate redevelopment and growth in the surrounding neighbourhood areas as a result of a contribution to a high profile Brownfield projects. Since the program's inception, four (4) pilot projects have been funded: 1) the Wellington Block redevelopment (\$100,000 grant) in partnership with Hamilton Health Sciences Corporation for a major new health care related development and expansion of the facilities at the Hamilton General, 2) 440 Beach Boulevard (\$175,000 grant) involving the remediation of a former gas station with the plan to construct 93 residential units on Hamilton's historic beach strip, 3) the Grand Connaught Development Group Inc. (\$229,500 grant) to remove and dispose of asbestos materials with the plan to construct a \$30 million renovation and redevelopment of one of Hamilton's most historic properties – the Royal Connaught Hotel, and 4) VON Hamilton (\$14,351 grant) involving remediation required for expansion of their health and support services facility.

The Brownfield Pilot Project fund is currently being replenished by the ERASE MAPP as contained in the Council approved 2010 ERASE Community Improvement Plan (CIP). The purpose of the MAPP is for the City to create awareness of Brownfield redevelopment opportunities and funding through municipal leadership in property acquisition, investment and municipal financial involvement in pilot projects to clean up

and redevelop Brownfield sites in the Project Area. More specifically, pilot projects can showcase the use of innovative tools such as new environmental remediation technologies.

The MAPP is funded from the 20% of the tax increment or tax assistance that is retained by the City as a result of properties participating in the ERASE Redevelopment Grant Program (RGP) or Tax Assistance Program (TAP), and other monies as allocated by Council. This 20% of the tax increment or tax assistance retained by the City will be placed in a Brownfields Pilot Project (BPP) Account. As funds accrue in this account, the City may use these funds to:

- a) conduct environmental site assessments on municipally owned properties that are potentially contaminated;
- b) clean up and redevelop municipally owned Brownfield properties;
- c) conduct environmental site assessments on properties controlled through the tax arrears sales process;
- d) acquire, remediate, rehabilitate and redevelop key privately owned Brownfield sites;
- e) fund Brownfield pilot projects (public-private partnerships) to acquire, remediate, rehabilitate and redevelop privately and publicly owned Brownfield properties; and,
- f) educate and inform the public about the importance of Brownfield redevelopment.

In regards to administration of the program, the approved CIP states that the Economic Development and Real Estate Division will be responsible for administering the MAPP, in consultation with other departments as necessary. Authority under this program would be exercised in order that redevelopment of land or buildings may occur in conformity with this Plan, subject to Council approval.

POLICY IMPLICATIONS

Report PED11086 relates to the processing of a request for funding under the ERASE Municipal Acquisition and Partnership Program (MAPP) which is contained within the City's approved ERASE Community Improvement Plan

RELEVANT CONSULTATION

Staff from the Finance and Administration Division and Taxation Division of the Corporate Services Department and the Legal Services Division of the City Manager's Office, were consulted in preparation of Report PED11086.

ANALYSIS / RATIONALE FOR RECOMMENDATION

The reasons for supporting this Brownfield Pilot Project funding request can be summarized as follows:

- This Pilot Project request conforms to the purpose that the ERASE Municipal Acquisition And Partnership Program was put in place, more specifically, the municipality can show leadership by supporting pilot projects that showcase the use of innovative tools such as new environmental remediation technologies
- In-situ remediation promotes a more sustainable remediation process as here is no excavated soil to be removed from the property and disposed of off site
- This approval will ultimately determine if a more cost effective way to remediate the site is feasible
- The property is in the Beasley Neighbourhood and redevelopment of this site could act as a catalyst for the area
- Remediation and redevelopment of this site supports downtown and community renewals mandate of providing additional and affordable residential opportunities
- The City will be able to market and promote another successful Brownfield redevelopment
- If the pilot study is successful, the applicant may be able to apply to the City's other Brownfield redevelopment programs, more specifically, the ERASE Redevelopment Grant program and/or the ERASE Tax Assistance Program and the Downtown Hamilton/West Harbourfront Remediation Loan Pilot Program

ALTERNATIVES FOR CONSIDERATION

The City of Hamilton could deny funding to Hamilton Realty Capital Corporation through the ERASE Municipal Acquisition and Partnership Program – Brownfield Pilot Project. However, identifying a sustainable remedial solution will be in a fast and efficient manner will only serve the community.

CORPORATE STRATEGIC PLAN

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

- ◆ More innovation, greater teamwork, better client focus
- ◆ Council and SMT are recognized for their leadership and integrity

Financial Sustainability

- ◆ Effective and sustainable Growth Management
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- ◆ Generate assessment growth/non-tax revenues

Growing Our Economy

- ◆ Newly created or revitalized employment sites
- ◆ Competitive business environment

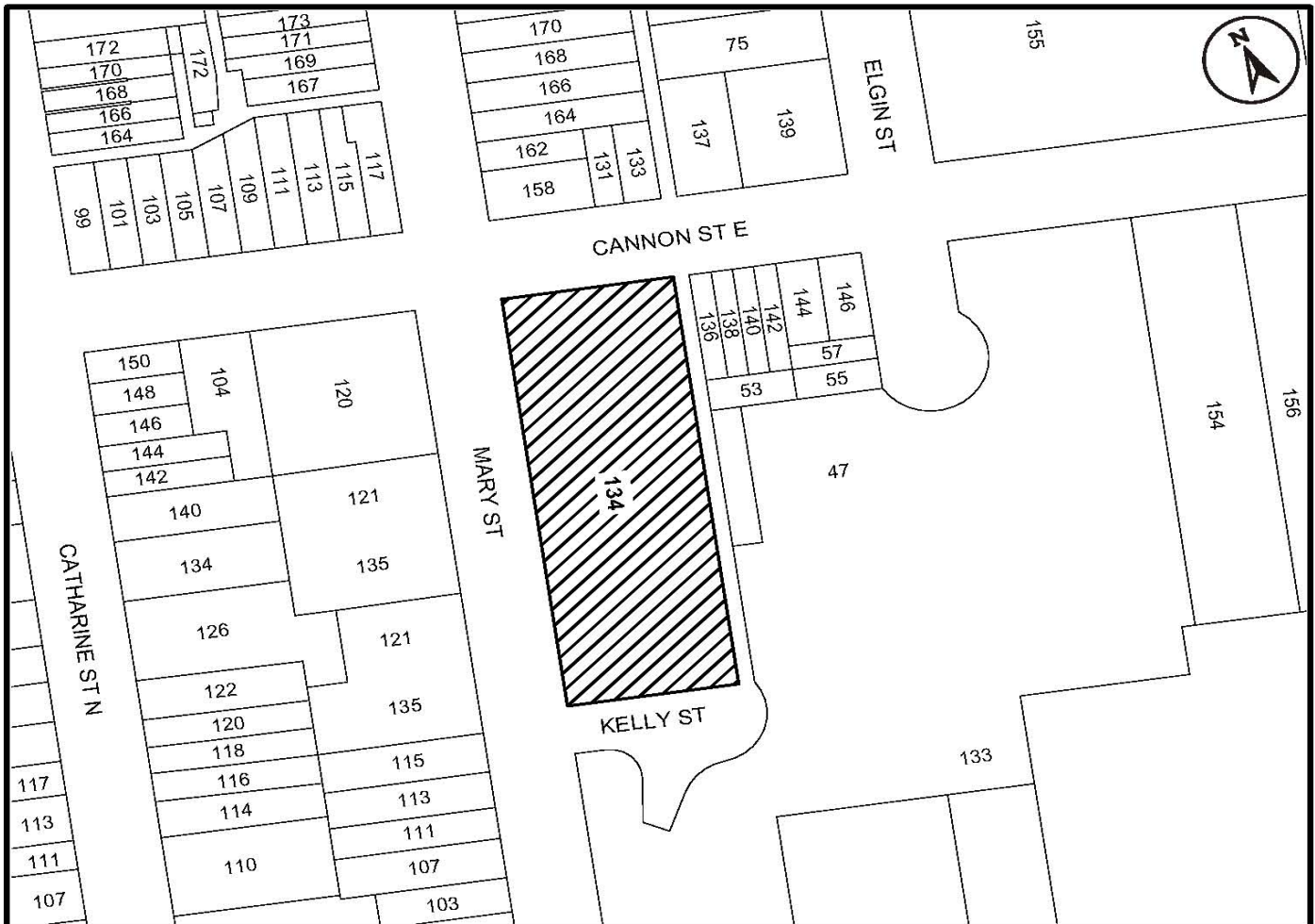
Environmental Stewardship

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

APPENDICES / SCHEDULES

Appendix 'A' to Report PED11086 – Location Map

BM/NE:dt



● Site of the Application



Ward 2 Key Map

N.T.S.

Location Map



PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT

File Name/Number:
Cannon Knitting Mills

Date:
April 11, 2011

Appendix "A"

Scale:
N.T.S.

Planner/Technician:
BM / SW

Subject Property



134 Cannon Street East