SUBJECT: ERASE Redevelopment Grant Application (ERG-05-04) – Quality Wood Products, 215 Cavell Avenue (PED06039) (Ward 3)

RECOMMENDATION:

a) That ERASE Redevelopment Grant Application ERG-05-04, submitted by Quality Wood Products, owner of the property at 215 Cavell Avenue, for an ERASE Redevelopment Grant not to exceed $45,988 payable to Quality Wood Products over a maximum of 10 years, be authorized and approved in accordance with the terms and conditions of the ERASE Redevelopment Agreement; and,

b) That the City enter into an ERASE Redevelopment Agreement with Quality Wood Products regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 215 Cavell Avenue, with such agreement to be satisfactory to the City Solicitor.

EXECUTIVE SUMMARY:

An ERASE (Environmental Remediation and Site Enhancement) Redevelopment Grant Application was submitted by Quality Wood Products for redevelopment of the property at 215 Cavell Avenue (Appendix A). The application qualifies for an ERASE Redevelopment Grant as a result of required on-site infrastructure upgrading in order to permit construction of a proposed 2,700 sq.ft. warehouse. The proposed development will result in the creation of a new facility which allows for better access and shipping of product.
The Grant application is for $45,988 in eligible building on-site infrastructure upgrading costs. Estimated project construction costs are $200,000. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $26,000 to approximately $150,000. This will increase total annual property taxes generated by this property from $1,116 to approximately $9,904, an increase of approximately $8,788. The municipal share of this property tax increase (municipal tax increment) will be approximately $6,237, of which 80%, or approximately $4,989 would be paid to the owner in the form of an annual grant for approximately nine (9) years (total $44,901).

At that time the City will begin to collect and retain the full amount of the tax increment. Also during the first nine (9) years, the City will immediately retain 20% of the tax increment, approximately $1,247 per year ($11,223 total), for its own Municipal Property Acquisition, Investment and Partnership (MPAIP) program to acquire key brownfield sites, clean up and redevelop property it already owns, or participate 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.

This application meets all of the grant criteria specified in the ERASE CIP (Community Improvement Plan) and will result in the physical enhancement of this industrial site via on-site infrastructure upgrading leading to the development of the proposed facility. This 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.

**BACKGROUND:**

**History**

The existing property use is zoned industrial. The current property is a regular-shaped, 0.05 acres site which was an unimproved vacant rail right-of-way.

Quality Wood Products removed several tons of debris from the site which had been used illegally as a location to dump garbage. Upon purchasing the parcel, the company undertook measures to remove the garbage and to secure the site.

**The Application**

The application for an ERASE Redevelopment Grant submitted by the owner of the property at 215 Cavell Avenue, qualifies for an ERASE Redevelopment Grant as a result of required on-site preparation infrastructure upgrading. The application involves the on-site infrastructure upgrading in order to permit the construction of a 2,700 sq. ft. warehouse/shipping facility of:
Estimated construction value of the proposed redevelopment is approximately $200,000. The costs eligible for an ERASE Redevelopment Grant are estimated as follows:

<table>
<thead>
<tr>
<th>Eligible Works</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Disposal/Soil Treatment Cost</td>
<td>$0</td>
</tr>
<tr>
<td>Environmental Consulting Fees</td>
<td>$0</td>
</tr>
<tr>
<td>Building Demolition</td>
<td>$0</td>
</tr>
<tr>
<td>On-Site Infrastructure Upgrading</td>
<td>$45,988</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$45,988</strong></td>
</tr>
</tbody>
</table>

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.

**ANALYSIS/RATIONALE:**

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

Current (2005) MVA on the property is $26,000, classed as Industrial Vacant (IXN). Current (2005) property taxes are approximately $1,116 broken down as follows:

- Municipal Levy = $792
- Education Levy = $324
- Tax Cap Adjustment = $0

Total: $1,116

Property taxes are current (paid in full).

Based on site plan drawings and information submitted in support of the ERASE application, staff have estimated that once the project is complete, the property, including all buildings, will have an MVA of approximately $150,000, classed as Industrial (IT). This new MVA is estimated to generate total annual property taxes of approximately $9,904, an increase of approximately $8,788 over the current $1,116. The City’s share of this $8,788 increase is estimated to be approximately $6,237 with the remaining $2,551 going to the Province for education taxes.

For 2006, the City has budgeted approximately $100,000 in foregone tax revenues with respect to the ERASE program. This figure includes approximately $67,000 for previously approved ERASE applications and $33,000 for future applications (includes
this application). Note: ERASE tax revenue increase starts only when construction completed and occupancy occurs.

**ALTERNATIVES FOR CONSIDERATION:**

Without funding from the ERASE program, development is unlikely to occur.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial Implications:**

As per the ERASE Redevelopment Grant Program, the City will provide the owner with a grant equivalent to 80% of the increase in municipal taxes. In this case, the grant is estimated to be (0.80 of $6,237) or approximately $4,989 per year until the total eligible costs of $45,988 are repaid, or a maximum of 10 years, whichever comes first. In this case, the total eligible costs will be repaid in approximately nine (9) years. At that time, the City will begin to collect and retain the full municipal portion of the tax increment.

The City will also retain 20% of the municipal tax increment, approximately $1,247 a year for nine (9) years (total $11,243). These monies will be deposited into the Brownfields Pilot Project Account to be used by the City for its MPAIP program. 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 Implications:**

None.

**Legal Implications:**

The provision of ERASE Redevelopment Grants is authorized in the ERASE CIP which was adopted and approved in 2001 and the expansion to this original plan in 2005 under Section 28 of the Planning Act. The Redevelopment Agreement will specify the obligations of the City and the applicant. The Redevelopment Agreement will be prepared in a form satisfactory to the City Solicitor.

**POLICIES AFFECTING PROPOSAL:**

N/A.
The grant application was circulated to the Corporate Services Department (Taxation Division) and City Manager’s Office (Legal Services Division) and the Planning and Economic Development Department (Development and Real Estate 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 Development and Real Estate Division and Budgets and Finance Division.

Departmental Comments

Taxation Division

The 2005 assessed value is $26,000 and the property (Roll# 040-28554690) is assessed as Industrial Vacant (IXN). Property taxes are current (paid in full). Taxes for 2005 on this property total $1,116 broken down as follows;

- Municipal Levy = $792
- Education Levy = $324
- Commercial Cap Adjustment = $0
- TOTAL (approximately) = $1,116

The projected MVA of $150,000 is based on a comparison with a similar land use property within the area. The actual assessment could vary. MPAC takes into account numerous concerns when assigning a value. It need be stressed that the above are estimated figures.

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.

Development and Real Estate Division

The property is designated “Industrial” in the City of Hamilton Official Plan and zoned “K” (Heavy Industry, Etc.) District in Hamilton Zoning By-law No. 6593. The property is also identified as “Industrial” on the Crown Point West Neighbourhood Plan.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Human health and safety are protected.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Investment in Hamilton is enhanced and supported.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No

:CR
Attach. (1)