SUBJECT: ERASE Redevelopment Grant Application (ERG-05-02) – J. Beume Real Estate Ltd. – 106/127 Burton Street (PED06026) (Ward 3)

RECOMMENDATION:

a) That ERASE Redevelopment Grant Application ERG-05-02, submitted by J. Beume Real Estate Ltd., owner of the property at 106/127 Burton Street, for an ERASE Redevelopment Grant, not to exceed $470,000 payable to J. Beume Real Estate Ltd. 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 City enter into an ERASE Redevelopment Agreement with J. Beume Real Estate Ltd. regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 106/127 Burton Street, with such agreement to be satisfactory to the City Solicitor.

EXECUTIVE SUMMARY:

An ERASE (Environmental Remediation and Site Enhancement) Redevelopment Grant Application was submitted on June 15, 2005 by J. Beume Real Estate Ltd. for redevelopment of the property at 106/127 Burton Street (Site outlined in Appendix A to Report PED06026). The application qualifies for an ERASE Redevelopment Grant as a result of required environmental site remediation, building demolition and on-site infrastructure upgrading in order to permit construction of a proposed 21 townhouse development. Proposed development will result in 1,400 sq. ft. freehold units where expected selling price is approximately $189-195,000 per unit. This exemplary infill site example will encourage the revitalization and restoration of this neighbourhood
converting an old industrial use to support the residential fabric of this community. This development will also increase the tax assessment for the municipality.

The grant application is for $470,000 in eligible environmental remediation costs, costs of Phase II and Phase III ESAs not covered by the ERASE Study Grant Program, building demolition and on-site infrastructure upgrading. Estimated project construction costs are $3.9 million including the costs of environmental site remediation, building demolition and on-site infrastructure upgrading. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $158,500 to approximately $3,990,000 (based on 21 units at an average selling price of $190,000). This will increase total annual property taxes generated by this property from $7,600 to approximately $69,800, an increase of approximately $62,200. The municipal share of this property tax increase (municipal tax increment) will be approximately $53,440, of which 80%, or approximately $42,752 would be paid to the owner in the form of an annual grant for approximately ten (10) years.

At that time, the City will begin to collect and retain the full amount of the tax increment. Also during the first ten (10) years, the City will immediately retain 20% of the tax increment, approximately $10,688 per year ($106,880 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 and will result in the physical enhancement of this industrial site via site remediation leading to the expansion of the existing 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 at 127 Burton Street is abandoned and the property at 106 Burton Street is an empty lot that was used as parking for the business being run at 127 Burton Street. Its last known use was as a flea market. Prior records show it made industrial shipping boxes. The site had numerous fires and in 1998 approximately 150 containers of paints, thinners and solvents were removed from the site by the Ministry of the Environment. Contamination is suspected but not confirmed. The City in 1998 also bricked up all the windows, man
doors and delivery doors in an effort to secure the site from further trespassing and arson.

The City had the option to take ownership of this property due to failed tax sale, for non payment of property taxes, from November of 2004 (Municipal Act 2001, section 379(5B)). It was the City’s intention to find a new owner for this property who would purchase the property as is, or redevelop the property. Preferences were given to redevelopment. J. Beume Real Estate Ltd. agreed to purchase this property in accordance to the specifications issued by the Purchasing Section, May, 10, 2005 for $109,500. Proceeds from this sale went towards paying off the combined tax arrears of approximately $509,000. Any arrears that remained after transfer of ownership were removed. The 2005 taxes will be pro-rated to the date of the ownership change, June 29, 2005, to December 31, 2005.

The Application

The application for an ERASE Redevelopment Grant submitted by the owner of the property at 106/127 Burton Street, J. Beume Real Estate Ltd., qualifies for an ERASE Redevelopment Grant as a result of required environmental remediation, demolition and on-site infrastructure upgrading. The application involves the removal and disposal of contaminated soils and liquids, the chemical treatment of soils and associated environmental consulting fees, demolition and on-site infrastructure upgrading in order to permit the construction of a 21 freehold townhouse development on both properties.

Estimated construction value of the proposed redevelopment is approximately $3.9 million. 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>$150,000</td>
</tr>
<tr>
<td>Environmental Consulting Fees</td>
<td>$30,000</td>
</tr>
<tr>
<td>Building Demolition</td>
<td>$100,000</td>
</tr>
<tr>
<td>On-Site Infrastructure Upgrading</td>
<td>$190,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$470,000*</td>
</tr>
</tbody>
</table>

* GST is 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.

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 $158,500, classed as Commercial (CTN). Current (2005) property taxes are approximately $7,600 broken down as follows:
Property taxes are current (paid in full).

Based on site plan drawings and information submitted in support of the ERASE Application, staff has estimated that once the project is complete, the property will have an MVA of approximately $3,990,000, classed as Residential (RTN). This new MVA is estimated to generate total annual property taxes of approximately $69,800, an increase of approximately $62,200 over the current $7,600. The City’s share of this $62,200 increase is estimated to be approximately $53,440, with the remaining $8,760 going to the Province for education taxes.

**ALTERNATIVES FOR CONSIDERATION:**

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

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

*Financial Implications*

Current (2005) MVA on the property is $158,500, classed as Commercial (CTN). Current (2005) property taxes are approximately $7,600 broken down as follows:

- Municipal Levy = $4,560
- Education Levy = $3,040
- Tax Cap Adjustment = $ n/a
- $7,600

Property taxes are paid in full.

Based on site plan drawings and information submitted in support of the ERASE Application, staff has estimated that once the project is complete, the property will have a MVA of approximately $3,990,000, classed as Residential (RTN). This new MVA is estimated to generate total annual property taxes of approximately $69,800, an increase of approximately $62,200 over the current $7,600. The City’s share of this $62,200 increase is estimated to be approximately $53,440, with the remaining $8,760 going to the Province for education taxes.

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 $42,752 (0.80* $53,440) per year until the total eligible costs of $470,000 are repaid, or a maximum of ten (10) years, whichever comes first. In this case, the total eligible costs will be repaid to the total of $427,520 in approximately ten (10) 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 $10,688 a year for ten (10) years (total $106,880). These monies will be deposited into the Brownfields Pilot Project Account to be used by the City for its Municipal Property Acquisition, Investment and Partnership (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 under Section 28 of the Planning Act. The Redevelopment Agreement specifies the obligations of the City and the applicant.

**POLICIES AFFECTING PROPOSAL:**

N/A.

**RELEVANT CONSULTATION:**

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 $158,500 and the property is assessed as Commercial (CTN). Taxes for 2005 on this property total $7,600 broken down as follows;
Municipal Levy = $4,560
Education Levy = $3,040
Tax Cap Adjustment = $ n/a

$7,600

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

A Public Meeting to consider applications to amend the City of Hamilton Official Plan and Zoning By-law No. 6593 to redesignate and rezone the lands from “Industrial” to “Residential” will be considered by the Planning and Economic Committee at its meeting on January 17, 2006.

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)