CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:  Chair and Members  
General Issues Committee  
WARD(S) AFFECTED: WARD 3

COMMITTEE DATE:  August 13, 2012

SUBJECT/REPORT NO:  
Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG-12-02) - DCR Holdings Inc., 440 Victoria Avenue North, Hamilton, ON (PED12154) (Ward 3)

SUBMITTED BY:  
Tim McCabe  
General Manager  
Planning and Economic Development Department  
PREPARED BY:  
Brian Morris, (905) 546-2424, Ext. 5602

SIGNATURE:  

RECOMMENDATIONS

(a) That Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application ERG-12-02, submitted by Urbancore Developments Inc., on behalf of the owner of the property at 440 Victoria Avenue North, Hamilton, DCR Holdings Inc. for an ERASE Redevelopment Grant (Part 1) not to exceed $650,000, payable to DCR Holdings Inc. over a maximum of ten years, be authorized and approved in accordance with the terms and conditions of the ERASE Redevelopment Grant Agreement;

(b) That the Mayor and City Clerk be authorized and directed to execute, on behalf of the City, the ERASE Redevelopment Grant Agreement with DCR Holdings Inc., referred to in recommendation (a) with respect to the redevelopment of 440 Victoria Avenue North, Hamilton 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 (Part 1) was submitted by Urbancore Developments Inc. on behalf of the owner, DCR Holdings Inc., of the property at 440 Victoria Avenue North, Hamilton (Location Map attached as Appendix “A” to Report PED12154). At this time, the applicant wishes to enter into a two-part approval process as it relates to the ERASE Redevelopment Grant Program (RGP), with this first part being approval for eligible demolition expenses only, with eligible environmental remediation and infrastructure upgrading expenses to come at a later date. The proposed redevelopment of the site includes an industrial subdivision, including approximately 22 lots that range in size from 0.71 acres to 1.5 acres. The application qualifies for an ERASE Redevelopment Grant as a result of required demolition, environmental site remediation, and infrastructure upgrading in order to permit a Record of Site Condition (RSC) and the eventual build out of the draft industrial subdivision. The applicant, at this time, wishes to demolish the building in order to more accurately qualify and quantify potential contamination and remediation costs.

The initial Grant Application (Part 1) is for $650,000 in eligible demolition costs which would be most of the existing 530,000 square foot facility with the exception of the existing three storey building at the corner of Victoria Avenue North and Ferrie Street. Once the existing building has been demolished, the applicant’s environmental consultants can more accurately assess and quantify potential remediation costs. Estimated project construction costs are unknown at this time. Furthermore, estimates on the proposed redevelopment, as it relates to an increase in market value assessment (MVA) and municipal property taxes on the site are also unknown at this time. More detail on the lot configurations, size and types of buildings for the eventual build-out of the subdivision will be provided as this application moves through the planning process (see Planning Division comments on Page 5 of this Report under “Relevant Consultation”). It is expected that total annual property taxes generated by this property will increase as a result of the redevelopment. Eighty percent of the municipal share of this property tax increase (municipal tax increment) would be paid to the owner in the form of an annual grant for up to ten years or to an amount not to exceed total estimated eligible costs for ERASE, including the $650,000 demolition costs (Part 1).

Under the ERASE RGP, 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 Improvement Plan (CIP). This redevelopment will result in the physical enhancement of
this industrial site via demolition and environmental site remediation leading to the
development of the proposed industrial subdivision and will result in a 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: As per the ERASE RGP, 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
which is unknown at this time, but will include the eligible demolition costs of $650,000.
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 for up to ten years, up to an
amount not to exceed 20% of the total estimated clean up costs. These monies will be
deposited into the Brownfield 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. The Redevelopment Agreement
will be prepared in a form satisfactory to the City Solicitor.

Historical Background (Chronology of events)

The subject property, located at 440 Victoria Avenue North, Hamilton, is an irregular
shaped property approximately 24.56 acres in size. Currently, there is an existing
approximately 530,000 square foot industrial building occupying a large portion of the
site. The subject property is located on the east side of Victoria Avenue North, south of
Burlington Street East, fronting on Victoria Avenue North, Ferrie Street, Emerald Street
and Mars Avenue (please refer to Appendix “A” to Report PED12154). The property is
Currently surrounded by a number of different land uses including vacant industrial to the west (former Imperial Oil site), railway tracks and various industrial applications to the north (Bunge Canada, an auto wreckers, etc.), an industrial use (Wentworth Metal Recycling) and North Central Community Park to the east and residential and industrial uses to the south.

As stated in the ERASE CIP, the building stock within the older industrial area is older than the rest of the City. Many former industrial buildings lie abandoned, derelict and in a state of disrepair. These buildings also suffer from obsolescence in that they are not of sufficient ceiling height and internal configuration to meet modern manufacturing and warehousing requirements. Many of the properties on which these buildings stand can only be reused if these buildings are demolished. The property at 440 Victoria Avenue North has sat vastly underutilized for a number of years, due to some of the issues noted above. As such, the application references a plan to demolish most of the existing structure to make way for newer more modern and flexible industrial units through a plan of subdivision.

The property has been home to a number of industrial uses over the years dated back to the turn of the 20th century. In 1902, 440 Victoria Avenue North became the home to Otis Elevators. From the period of 1914-1918 the site was used to manufacture shells for WWI, but returned to manufacturing elevators in 1919. In 1940, the Federal Government built a gun plant on the Otis Elevator site for WWII efforts. The Federal Government then sold the plant to Studebaker of Canada after the war ended who produced automobiles in the facility until 1966. In 1969, Otis Elevator bought the Studebaker building to use as a warehouse and Otis operated on the site until 1987 when the plant was shut down. Trebor-Allen Candy operated on the site throughout the 1990s. DCR Holdings Inc. has owned the property since 2005. Suspected environmental impacts associated with elevator manufacturing, automobile manufacturing, and other industrial uses that have historically operated on the site may include: heavy metals, inorganics, petroleum hydrocarbons (PHCs), volatile organic compounds (VOCs), polychlorinated biphenyls (PCBs), polyaromatic hydrocarbons (PAHs) and base neutral acids.

There has also been a number of high profile redevelopments planned for the site including a potential film studio and most recently a multi-game recreational facility, but none have come to fruition.

**POLICY IMPLICATIONS**

Report PED12154 relates to the processing of an Application under the ERASE RGP which is contained within the City’s approved ERASE CIP (2010).
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

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, and Building Services 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 not be approved.

Departmental Comments

Taxation Division

The 2012 assessed value is $6,453,000 and the property is classed as Commercial (CT). Property taxes are paid in full. Taxes for 2012 on this property total $241,427.17, broken down as follows:

- Municipal Levy = $153,877.32
- Education Levy = $87,549.85
- Tax Cap Adjustment = $0
- Total (approximately) = $241,427.17

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

Urbancore Developments Inc. has submitted a Formal Consultation Application (FC-12-082) on behalf of the owner DCR Holdings Inc. The applicant is proposing to subdivide the subject lands to create 22 industrial lots ranging in size from 0.71 acres to 1.5 acres, and a new road. An existing three storey building at the corner of Victoria Avenue North and Ferrie Street would be maintained. The Formal Consultation Application will be scheduled for discussion at an upcoming Development Review Committee meeting.

The subject lands are currently zoned “K” (Heavy Industry, etc). District in the City of Hamilton Zoning By-law 6593. This zone permits a wide range of industrial uses. In order to implement the proposed plan, the applicant will be required to apply for
approval of a Draft Plan of Subdivision to create the 22 lots and proposed road (Freeman Way). In addition, a rezoning application may be initiated by the City to place the lands into an appropriate Industrial Zone within the City of Hamilton’s new comprehensive Zoning By-law 05-200.

Building Services Division

The applicant has stated that the demolition of the building would be applied for in three phases. A demolition permit application was submitted for the property at 440 Victoria Avenue North on July 18, 2012, for phase one of the demolition. This phase of the demolition encompasses the demolition of buildings 60, 61 and 23 for a stated total of 340,987.98 square feet. Phase two and phase three of the demolition will be applied for under separate permits and, it is anticipated that the remainder of the approximately 530,000 square feet of the building will be demolished, with the exception of the existing three storey building at the corner of Victoria Avenue North and Ferrie Street.

ANALYSIS / RATIONALE FOR RECOMMENDATION

The ERASE Redevelopment Grant is a component of the Council approved ERASE CIP. This Application and the information supplied at the time of the Application meets the initial criteria for approval. The applicant must produce a Record of Site Condition (RSC) on the site in order to satisfy the terms of the ERASE RGP. Further information on this will be provided with Part 2 of this Application, to be submitted at a future date.

The 2012 assessed value is $6,453,000 and the property is classed as Commercial (CT). Property taxes are paid in full. Taxes for 2012 on this property total $241,427.17, broken down as follows:

Municipal Levy = $153,877.32
Education Levy = $ 87,549.85
Tax Cap Adjustment = $ 0
Total (approximately) $241,427.17

Property taxes are current (paid in full).

It is anticipated that once the building is demolished, the property owner would submit to the City, an application under Section 357 of the Municipal Act for a property tax adjustment. The application would be forwarded to the Municipal Property Assessment Corporation (MPAC) for review and to determine any applicable change(s) to the property's assessment. MPAC would return the application with the assessor's
recommendation which may provide a revised value and/or tax classification for the property, being that the property would then be vacant land. However, the ERASE RGP stipulates that the amount of City taxes (“base rate”) will be determined before commencement of the project. The increase in the municipal portion of real property taxes (or “municipal tax increment”) will be calculated as the difference between the base rate and the amount of City taxes levied as a result of re-valuation by MPAC following project completion. The municipal tax increment will be used to fund the grant. Because the demolition costs are being applied for as eligible expenses and part of the project, the base rate for determining the municipal tax increment will be based at the date of approval of Part 1 of the application as identified in the property tax breakdown noted above.

Based on draft plan of subdivision drawings and information submitted in support of the ERASE Application (Part 1), staff has estimated that once the project is complete, the property, including all buildings, will have an increased MVA. This new MVA is estimated to increase total annual municipal property taxes over the current $153,877.32.

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

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<th>ALTERNATIVES FOR CONSIDERATION</th>
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<td>(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)</td>
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The Grant Application meets the initial 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.

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<th>CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)</th>
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**Skilled, Innovative & Respectful Organization**

- Council and SMT are recognized for their leadership and integrity

**Financial Sustainability**

- Effective and sustainable Growth Management
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

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