SUBJECT: Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application (ERG-07-02) - Clappison Five Six Properties Inc., (John Krpan) 30 - 42 Dundas Street East, Flamborough, ON (PED07247) (Ward 15)

RECOMMENDATION:

(a) That ERASE Redevelopment Grant Application ERG-07-02, submitted by Clappison Five Six Properties Inc. (John Krpan), owner of the property at 30 - 42 Dundas Street East, Flamborough, ON for an ERASE Redevelopment Grant not to exceed $236,480 payable to Clappison Five Six Properties Inc. (John Krpan) 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 Clappison Five Six Properties Inc. (John Krpan) regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 30 - 42 Dundas Street East, Flamborough, ON, with such agreement to be satisfactory to the City Solicitor.

EXECUTIVE SUMMARY:

Environmental Remediation and Site Enhancement (ERASE) Redevelopment Grant Application was submitted by Clappison Five Six Properties Inc., (John Krpan) for redevelopment of the property at 30 - 42 Dundas Street East, Flamborough, ON
The application qualifies for an ERASE Redevelopment Grant as a result of required environmental site remediation in order to permit construction of a 300,000 sq. ft retail/commercial development.

The Grant application is for $236,480 in eligible environmental site remediation costs. Estimated project construction costs are $35 million. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $3,689,000 to approximately $15,000,000. This will increase total annual property taxes generated by this property. The municipal share of this property tax increase (municipal tax increment) will be approximately $265,547 of which 80%, or approximately $212,438 would be paid to the owner in the form of an annual grant for approximately two (2) years up to an amount not to exceed total estimated clean up costs of $236,480.

The City will retain 20% of the municipal tax increment, approximately $53,109. a year for one (1) year (total $53,109). 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 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.

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. Refer to Appendix B for a summary of the estimated/actual financial impact of this program to date (inclusive of ERASE applications contained in this report).

This application meets the grant criteria specified in the 2005 ERASE Community CIP. This redevelopment will result in the physical enhancement of this industrial site via environmental site remediation leading to the development of the proposed facilities 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.

**BACKGROUND:**

**History**

The following site history was identified. Aerial photographs over time show that commercial buildings were constructed on several of the properties during the 1960’s, and parts of the properties were used for vehicle and equipment storage. Based on the findings of the Phase I ESA, including the site inspection and review of previous environmental reports, several areas of known and suspected environmental concern
were identified on the site, including possible underground storage tanks (UST's), and soil exceedances for TPH (gas/diesel), Ethylbenzene and Xylene.

A Phase II ESA was conducted on the property by Barenco Inc. (Environmental Engineering and Site Remediation Services) June 2007. The total site area is 43.3 acres where the contaminants are identified in 3.2 acres of the property. Based on the test results along with historical data found in the former reports prepared by Peto McCallum, the area requiring excavation and remediation represents a total volume of petroleum hydrocarbon impacted soil of approximately 6,000 to 7,000 tonnes. It is Barenco’s opinion that the most cost effective method of remediating the petroleum impacted soil would be through the process of ex-situ bioremediation. Through the bioremediation of petroleum hydrocarbon impacted soils, any groundwater exceedances found in the area of the remedial excavation should also be eliminated. It is also estimated that approximately 400 tonnes of concrete floor slab must be removed in order to permit access to the petroleum hydrocarbon contaminated soils.

The Applications

The application for an ERASE Redevelopment Grant submitted by the owner of the property at 30 - 42 Dundas Street East, Flamborough, ON, Clappison Five Six Properties Inc., (John Krpan) qualifies for an ERASE Redevelopment Grant as a result of required environmental site remediation. The application involves ex-situ bioremediation to remove elevated levels of petroleum hydrocarbon impact to subsurface soils and the removal of concrete floor slab in order to permit the construction of 300,000 sq. ft retail/commercial development. Estimated project construction costs are $35 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>$228,000</td>
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<td>Environmental Consulting Fees</td>
<td>8,480</td>
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<tr>
<td>Building Demolition</td>
<td>n/a</td>
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<tr>
<td>On-Site Infrastructure Upgrading</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$236,480</strong></td>
</tr>
</tbody>
</table>

* GST is not included in the above.

The applicant has an approved ERASE Study Grant application and has met the conditions of that program. The value of the grant was $8,480 which is 50% of the actual study cost of $16,960. The Environmental Consulting Fees noted above are the balance of that study.

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. These applications meet the criteria for approval.

Current (2007) MVA on the property is $3,689,000 classed as Commercial (CTN/CUN). Current 2007 property taxes are approximately $74,021 broken down as follows:

- Municipal Levy = $56,339.72
- Education Levy = $46,897.29
- Tax Cap Adjustment = $29,216.00
  
  Total = $74,021.01

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 estimated MVA of approximately $15,000,000, classed as Commercial - Residual (CT). This new MVA is estimated to increase total annual property taxes over the current $74,021. The City's share of this increase is estimated to be approximately $321,887 in municipal taxes, with the remaining dollars 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:

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 any possible financial or legal implications.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial Implications:

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 $236,480. 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 $53,109 a year for one (1) year (total $53,109). 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:**

Administration of this application under the terms of the program can be accommodated by staff of the Economic Development and Real Estate Division and the Corporate Services Department.

**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 the 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 City Solicitor.

**POLICIES AFFECTING PROPOSAL:**

Report PED07247 relates to the processing of an application under the ERASE Redevelopment Grant Program (ERG) which is contained within the City’s Provincially-approved ERASE Community Improvement Plan.

**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 (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 and Real Estate 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 2007 assessed value is $3,689,000 and the property is classed as Commercial (CTN/CUN). Property taxes are paid in full. Taxes for 2007 on this property total $74,021 broken down as follows;

Municipal Levy = $56,339.72
Education Levy = $46,897.29
Tax Cap Adjustment = $(29,216.00)
Total (approximately) $74,021.01

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

Planning staff has received an application to remove the Holding - “H” provision from Block 2 of Zoning By-law 03-332. There are four (4) separate conditions that need to be addressed to remove the Holding - “H” provision. The conditions are as follows:

i) a municipal road allowance connecting the subject lands to Dundas Street East has been dedicated to the City of Hamilton by way of a plan of subdivision to provide appropriate access to the subject lands, to the satisfaction of the Director of the Planning Division;

ii) the necessary road accesses and roadway infrastructure works, including Hwy. Now. 5 & 6 interchange reconstruction, are complete, to the satisfaction of the City of Hamilton and the Ministry of Transportation;

iii) the owner submits a clearance letter from the Ministry of Culture confirming that all archaeological resource concerns have met licensing and resource conservation requirements, to the satisfaction of the Director of the Planning Division; and,

iv) the owner addresses the stormwater management and downstream monitoring requirements to the satisfaction of Conservation Halton.
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.

An underutilized and dilapidated site is now being converted into a residential use.

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Human health and safety are protected.

The rehabilitation of this site and its development into a productive use makes efficient and effective use of City services as well as protecting human health and safety.

Economic Well-Being is enhanced. ☑ Yes ☐ No

Investment in Hamilton is enhanced and supported.

The ERASE programs lead to effective partnerships with community stakeholders and encourage redevelopment of contaminated and/or underutilized properties. Developers and property owners invest in Hamilton properties leading to property assessment increases.

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

Hamilton continues to lead initiatives related to brownfield redevelopment. Such initiatives are professionally stimulating and result in Hamilton being a choice for employment to those interested in bettering community life.

CR:NE:db
Attachs. (2)
Location Map

File Name/Number: Clappison Five Six Properties Inc.
Date: August 9, 2007
Appendix "A"

Subject Property
- 30, 32, 34, 36, and 42 Dundas St E (Highway No. 5 E)
- City Boundary

Ward 15 Key Map
N.T.S.
# TABLE 1 - ERASE ACTIVITY TO DATE

<table>
<thead>
<tr>
<th>Property Address</th>
<th>Approval Date</th>
<th>Estimated / Actual Clean up costs</th>
<th>Current Municipal Levy</th>
<th>Estimated * / Actual Future Municipal Levy</th>
<th>Municipal Levy Increment</th>
<th>Grant Payment (80%)</th>
<th>Grant Payment to date (80%)</th>
<th>Brownfield Redevelopment (20% max $5m)</th>
<th>MPAIP Reserve</th>
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<tr>
<td>801 King St W</td>
<td></td>
<td>$525,000</td>
<td>$11,564</td>
<td>$31,716</td>
<td>$20,152</td>
<td>$16,122</td>
<td>$4,030</td>
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<td>50 &amp; 60 Hatt St</td>
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<td>$473</td>
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* Estimated Calculations see Table 2
### Table 2 Estimated Municipal Levy & Education Levy

<table>
<thead>
<tr>
<th>Address</th>
<th>Property Class</th>
<th>Estimated MVA Sq. Footage</th>
<th>Municipal Tax Rate</th>
<th>Municipal Levy</th>
<th>Education Tax Rate</th>
<th>Education Levy</th>
<th>Total</th>
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<tr>
<td>801 King St W</td>
<td>Residential (RT)</td>
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<td>48,667.83</td>
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<td>Residential (RT)</td>
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<td>51,760.10</td>
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<td></td>
<td>Total</td>
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<td>$6,979.93</td>
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<td>$10,990.27</td>
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<tr>
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<td>Multi-Residential (MT)</td>
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<td>$181,687.64</td>
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<td>Residential (RT)</td>
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<td>349 - 443 Woodward Ave</td>
<td>Commercial (CTN)</td>
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<td>30 - 42 Dundas St E</td>
<td>Commercial (CT)</td>
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<td>2.15%</td>
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<td>$321,887</td>
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