### EXECUTIVE SUMMARY:

ERASE (Environmental Remediation and Site Enhancement) Redevelopment Grant Applications were submitted on May 31, 2004 by 1186468 Ontario Ltd. (Richard Liebtag) for redevelopment of the property at 50 and 60 Hatt Street, notably Blocks 1, 2 and 5 (Appendix A). The applications qualify as a “unique situation” for an ERASE Redevelopment Grant.
Redevelopment Grant as a result of required environmental site remediation and they propose the following in order to permit construction of:

- Block 1 and 2: 2 and 4 storey commercial office buildings with a combined floor area of 3,600 square metres. As per comments from the Development and Real Estate Division, By-law No. 05-052 was approved by Council on March 9, 2005. With the approval of this By-law, Blocks 1 and 2 on Appendix A, were rezoned from the Holding, Central Area Commercial "CAC/S-80" Zone to the Medium to High Density Multiple Dwelling "RM3/S-80" Zone. The applicant is proposing to develop these lands with a senior's apartment building with a maximum building height of 15 metres.

- Block 5: part of block 4, 5, and 6 development whereby the development will comprise a 6 storey mixed use building. As per comments from the Development and Real Estate Division, Block 5 on Appendix A, is zoned Medium to High Density Multiple Dwelling "RM3/S-81" Zone. These lands have been site plan approved for a retirement home having a maximum building height of 17.5 metres and to have a maximum of 151 residents. This building is currently under construction and also encompasses lands to the south and west of Block 5.

The Grant applications are for $598,575 in eligible environmental site remediation costs. Estimated project construction costs are $3 million for block 1 and 2 and $12 million for blocks 4, 5 and 6. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $232,000 to approximately $6 million. 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 $97,486, of which 80%, or approximately $77,989 would be paid to the owner in the form of an annual grant for approximately eight (8) years (total $598,575).

The City will retain 20% of the municipal tax increment, approximately $19,497 a year for eight (8) years (total $155,976). 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 ERASE applications contained in this report).
These applications meet the grant criteria specified in the 2005 ERASE CIP as per section 8.0 THE ERASE COMMUNITY IMPROVEMENT PLAN (CIP):

…”In order to preserve some flexibility to respond to unique situations, the City reserves the right to make exceptions to these general program requirements.”…

In view of the particular history surrounding this redevelopment, i.e. delays in the provincial approval of the 2005 ERASE CIP, development agreements in place and staff's indication that they would support these applications when the CIP was approved, the recommendation by staff is to accept these applications.

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 existing property use was zoned industrial. It is located beside Spencer Creek in the heart of the former town of Dundas. This was the location of the former Bertram Foundry (the John Bertram and Sons Company Limited). The subject property was used for the manufacture of heavy industrial equipment/machinery such as woodworking tools (1860s), machine tools, machine tools and engineering equipment for railroads and bridges (late 1800s), steel foundry for military tank parts, armaments and shell casings (1900s), and mining equipment. The contaminates identified on site include foundry sand (heavy metals), petroleum, hydrocarbons, PAH, PCBs, solvents, asbestos and lead based paint.

The Spencer Creek Village project was the first large-scale, high density residential brownfield redevelopment project in the Hamilton area, and one of the earliest examples of a successful large brownfield redevelopment project for residential uses in the province of Ontario and the country.

The Applications

The applications for the ERASE grant were accepted by Economic Development staff as complete on May 31, 2004. A waiver form agreed to by the City's Legal staff accompanied the application which had the effect of not committing the City to process the application in the event either Council or the Minister did not ultimately approve the extension of the CIP Program to outer areas of the City.

Based on the acceptance of the application and the continued insistence by the City's Planning staff to complete the clean-up of the lands since development all around the contaminated parts of the site were preceding, Mr. Leibtag proceeded to undertake and
complete the works. What is important to note in making this situation "unique" under the policy, is that the clean-up occurred after the ERASE Application was accepted by the City staff. This should not be considered a "retroactive" application since this would be a situation where the work was done first, without consultation with the City, and then after an application was made. In this case, extensive pre-consultation with staff took place and the application was made and accepted by staff before any of the work being applied for was commenced.

The applications for an ERASE Redevelopment Grant submitted by the owner of the property at 50 and 60 Hatt St, 1186468 Ontario Ltd. (Richard Liebtag), qualify as a "unique situation" for an ERASE Redevelopment Grant as a result of required environmental site remediation. The application involves the site remediation to remove PCBs, drums, underground storage tanks, excavation and offsite disposal of contaminated soil. Site remediation criteria was to residential land use, non-potable water supply, full depth clean up in order to permit the construction of:

- Block 1 and 2: 2 and 4 storey commercial office buildings with a combined floor area of 3,600 square metres. As per comments from the Development and Real Estate Division, By-law No. 05-052 was approved by Council on March 9, 2005. With the approval of this By-law, Blocks 1 and 2 on Appendix A, were rezoned from the Holding, Central Area Commercial "CAC/S-80" Zone to the Medium to High Density Multiple Dwelling "RM3/S-80" Zone. The applicant is proposing to develop these lands with a senior’s apartment building with a maximum building height of 15 metres.

- Block 5: part of block 4, 5, and 6 development whereby the development will comprise a 6 storey mixed use building. As per comments from the Development and Real Estate Division, Block 5 on Appendix A, is zoned Medium to High Density Multiple Dwelling "RM3/S-81" Zone. These lands have been site plan approved for a retirement home having a maximum building height of 17.5 metres and to have a maximum of 151 residents. This building is currently under construction and also encompasses lands to the south and west of Block 5.

Building designs will blend in with Spencer Creek Village and the urban Dundas streetscape. Estimated construction value of the proposed redevelopment is approximately $3 million for block 1 and 2 and $12 million for blocks 4, 5 and 6. The costs eligible for an ERASE Redevelopment Grant are estimated as follows:

<table>
<thead>
<tr>
<th>Eligible Works</th>
<th>Total Cost</th>
<th>Blocks 1 and 2</th>
<th>Block 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Disposal/Soil Treatment Cost</td>
<td>$551,250</td>
<td>45,000</td>
<td>506,250</td>
</tr>
<tr>
<td>Environmental Consulting Fees</td>
<td>$ 47,325</td>
<td>27,325</td>
<td>20,000</td>
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<tr>
<td>Building Demolition</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Site Infrastructure Upgrading</td>
<td>n/a</td>
<td></td>
<td></td>
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<tr>
<td>TOTAL</td>
<td>$598,575*</td>
<td>72,325</td>
<td>526,250</td>
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</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 these ERASE Redevelopment Grant Applications.

**ANALYSIS/RATIONALE:**

The ERASE Redevelopment Grant is a component of the Council approved ERASE CIP. These applications meet the criteria for approval.

Current (2004) MVA on the property is $232,000, classed as Residential (RT). Current (2004) property taxes are approximately $3,629.94 broken down as follows:

- Municipal Levy = $2,942.22
- Education Levy = $687.72
- Tax Cap Adjustment = $0

$3,629.94

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 $6 million, classed as Commercial Zone to Medium to High Density Multiple Dwelling. This new MVA is estimated to increase total annual property taxes over the current $3629.94. The City’s share of this increase is estimated to be approximately $97,486 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 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 $97,486) or approximately $77,989 per year until the total eligible costs of $598,575 are repaid, or a maximum of ten (10) years, whichever comes first. In this case, the total eligible costs will be repaid in approximately eight (8) years. 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 $19,497 a year for eight (8) years (total $155,976). 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 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 the City Solicitor.

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 2004 assessed value is $232,000 and the property is assessed as (RT) Property taxes are paid in full. Taxes for 2004 on this property total $3629.94 broken down as follows:

- Municipal Levy = $2,942.22
- Education Levy = $687.72
- Commercial Cap Adjustment = $0
- TOTAL (approximately) = $3,629.94

Legal 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

By-law No. 05-052 was approved by Council on March 9, 2005. With the approval of this By-law, Blocks 1 and 2 on Appendix A, were rezoned from the Holding, Central Area Commercial "CAC/S-80" Zone to the Medium to High Density Multiple Dwelling "RM3/S-80" Zone. The applicant is proposing to develop these lands with a senior's apartment building with a maximum building height of 15 metres.

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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

:NE
Attachs. (2)
# ERASE ACTIVITY TO DATE (2005)

<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 *¹ 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) MPAIP Reserve</th>
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</thead>
<tbody>
<tr>
<td>50 &amp; 60 Hatt St</td>
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<td>$598,575</td>
<td>$2,942</td>
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<td><strong>Totals</strong></td>
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<td><strong>$307,098</strong></td>
<td><strong>$245,678</strong></td>
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<td><strong>$61,420</strong></td>
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