SUBJECT: ERASE Redevelopment Grant Application (ERG-06-02) – Beach Community Real Estate and Development Inc. (John Paisley), 440 Beach Boulevard, Hamilton (PED06064) (Ward 5)

RECOMMENDATION:

a) That ERASE Redevelopment Grant Application ERG-06-02, submitted by Beach Community Real Estate and Development Inc. (John Paisley), owner of the property at 422, 426, 428, 440, 456 Beach Boulevard where the development is known as 440 Beach Boulevard, for an ERASE Redevelopment Grant not to exceed $271,637 payable to Beach Community Real Estate and Development Inc. 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 Beach Community Real Estate and Development Inc. (John Paisley) regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 422, 426, 428, 440, 456 Beach Boulevard, with such agreement to be satisfactory to the City Solicitor.

Lee Ann Coveyduck
General Manager
Planning and Economic Development Department
EXECUTIVE SUMMARY:

ERASE (Environmental Remediation and Site Enhancement) Redevelopment Grant Application was submitted on March 15, 2005 by Beach Community Real Estate and Development Inc. (John Paisley) for redevelopment of the properties at 422, 426, 428, 440, 456 Beach Boulevard (Appendix A). The application qualifies for an ERASE Redevelopment Grant as a result of required environmental site remediation in order to permit construction of 93 residential units:

- 18 freehold row townhouses
- 21 stacked condominium townhouses
- 54 condominium apartment units in three 3-storey buildings.

The Grant application is for $271,637 in eligible environmental site remediation costs. As per Brownfield Pilot Project No. 1 – Beach Boulevard – Beach Community Real Estate and Development Inc. (ECO03001)/ (CS03005), January 14, 2003, the City had agreed to pilot funding contribution to a maximum of $175,000 (plus G.S.T.) where the balance of the remediation costs as per Section 4.15:

Should the ERASE Redevelopment Grant Program be expanded to include the subject properties, the Developer will be eligible to apply to the City of Hamilton for an ERASE Redevelopment Grant for the remediation costs actually expended by the Developer to a maximum of $275,000, subject to applicable requirements, criteria and conditions of the grant program at the time application is made.

Estimated project construction costs are $14 million. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $426,000 to approximately $4.56 million. This will increase total annual property taxes generated by this property from $11,108. The municipal share of this property tax increase (municipal tax increment) will be approximately $171,435, of which 80%, or approximately $137,148 would be paid to the owner in the form of an annual grant for approximately 2 years (total $271,637).

At that time the City will begin to collect and retain the full amount of the tax increment. Also during the two (2) years, the City will immediately retain 20% of the tax increment, approximately $34,287 per year ($68,574 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. 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).
This application meets all of the grant criteria specified in the ERASE Community Improvement Plan (CIP) and will result in the physical enhancement of this industrial site via environmental site remediation leading to the development of the proposed facilities. 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**

In April of 2001, Council established a Capital Budget account of $500,000 to fund the City’s participation in brownfield pilot projects. In early 2001, the City was approached by Beach Community Real Estate and Development Inc. who expressed an interest in purchasing two (2) City-owned properties on the southwest side of Beach Boulevard that had been declared surplus. The Developer wished to combine these properties with three (3) other properties to form a parcel large enough to permit a multi-unit residential townhouse and condominium development. Beach Community Real Estate and Development Inc. had optioned the three (3) privately-owned properties at 440, 464 and 466 Beach Boulevard (now know as 440 Beach Boulevard) and had proposed a 93 unit multi-unit residential townhouse and condominium complex on the total 3.77 acres, including the City-owned lands, 422, 426, 428 and 456 Beach Boulevard (1.74 acres of the total 3.77 acres).

Environmental testing of the site had shown that the site was contaminated with petroleum hydrocarbons from a previous gasoline and service station. In order to economically remediate the site, in-situ bio-remediation was recommended. The lowest cost-capped estimate received to bio-remediate the site in order to permit the proposed residential use was $450,000 (plus G.S.T). Bio-remediation of the site was completed.

The City owned approximately 46% of the proposed development site and approximately 40% of the contamination was on the two (2) City-owned properties. Report (EC003001)/(CS03005) recommended that the City contribute pilot project funding of up to 43.75% of the cost of cleaning up the site, to a maximum contribution of $175,000 (plus G.S.T). In return, the Developer would purchase the City-owned properties for a total of $200,000 (market value), pay the balance of the clean-up costs to a maximum of $275,000 (plus G.S.T), oversee the site remediation, and then construct 93 residential units in four (4) phases once the ERASE Redevelopment Grant Program was expanded to include the subject properties.

**The Applications**

The application for an ERASE Redevelopment Grant submitted by the owner of the properties at 422, 426, 428, 440, 456 Beach Boulevard, Beach Community Real Estate and Development Inc., qualifies for an ERASE Redevelopment Grant as a result of
required environmental site remediation per Brownfield Pilot Project No. 1 – Beach Boulevard – Beach Community Real Estate and Development Inc. (ECO03001)/ (CS03005), January 14, 2003. The application involved the site remediation to remove petroleum hydrocarbons from a previous gasoline and service station in order to permit the construction of 93 residential units:

- 18 freehold row townhouses
- 21 stacked condominium townhouses
- 54 condominium apartment units in three 3-storey buildings

Estimated project construction costs are $14 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>$271,637</td>
</tr>
<tr>
<td>Environmental Consulting Fees</td>
<td>n/a</td>
</tr>
<tr>
<td>Building Demolition</td>
<td>n/a</td>
</tr>
<tr>
<td>On-Site Infrastructure Upgrading</td>
<td>n/a</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$271,637</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 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 (2005) MVA on all properties forming the development parcel is $426,000, classed as Exempt for the formerly held City properties and various other residential classifications (RT and MT) for the balance of the properties. Current 2005 property taxes are approximately $11,108.29 on all properties broken down as follows:

Municipal Levy = $10,252.32
Education Levy = $855.97
Tax Cap Adjustment = $0
$11,108.29

Property taxes are $4,061.73 in arrears on the property known as 440 Beach Boulevard. All other parcels in this development have their property taxes 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 $4.56 million, classed as Multi-Residential (MT). This new MVA is estimated to increase total annual property taxes over the current $11,108. The City’s share of this increase is estimated to be approximately $171,435 in municipal taxes, with the remaining dollars going to the Province for education taxes.

**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 $271,637. In this case, the grant is estimated to be (0.80 of $171,435) or approximately $137,148 per year until the total eligible costs of $271,637 are repaid, or a maximum of ten (10) years, whichever comes first. In this case, the total eligible costs will be repaid in approximately two (2) 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 $34,287 a year for two (2) years (total $68,574). 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 2005 assessed value on all properties forming the development parcel is $426,000 and the property is assessed as Exempt for the formerly held City properties and various other residential classifications (RT and MT) for the balance of the properties. Property taxes are $4,061.73 in arrears on the property known as 440 Beach Boulevard. All other parcels in this development have their property taxes paid in full. Taxes for 2005 on these properties total $11,108.29 broken down as follows:

- Municipal Levy = $10,252.32
- Education Levy = $ 855.97
- Tax Cap Adjustment = $ 0

Total: $11,108.29

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 subject lands are designated “URBAN” in the Region of Hamilton-Wentworth Official Plan (ROP). The subject lands are designated “RESIDENTIAL” and “COMMERCIAL” in the City of Hamilton Official Plan. On February 11, 2004, the subject lands were rezoned from the “C” (Urban Protected Residential) District and “H” (Community Shopping and Commercial, etc.) District to the “RT-30”-‘H’ (Street Townhouse - Holding) District, modified and “DE-2”-‘H’ (Multiple Dwellings - Holding) District, modified. On August 30, 2004, Site Plan Application DA-04-59 was
conditionally approved by the Manager of Development Planning. On January 26, 2005, By-law No. 05-010, was adopted by Council to remove the Holding ‘H’ provision to permit the development of the lands for street townhouses and apartments.

**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

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 to date (80%)</th>
<th>Grant Payment (80%)</th>
<th>Brownfield Redevelopment (20% max $5m) MPAIP Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 &amp; 60 Hatt St</td>
<td></td>
<td>$598,575</td>
<td>$2,942</td>
<td>$100,428</td>
<td>$97,486</td>
<td>$77,989</td>
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<tr>
<td>1067 Beach Blvd</td>
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<td>$5,770</td>
<td>$4,616</td>
<td>$6,980</td>
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<td>$1,891</td>
<td>$473</td>
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<tr>
<td>347 Centennial Pkwy N</td>
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<td>$316,405</td>
<td>$13,187</td>
<td>$49,000</td>
<td>$35,813</td>
<td>$28,850</td>
<td>$7,163</td>
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<tr>
<td>422 - 456 Beach Blvd</td>
<td></td>
<td>$271,637</td>
<td>$10,252</td>
<td>$181,688</td>
<td>$171,435</td>
<td>$137,148</td>
<td>$34,287</td>
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<tr>
<td><strong>Totals</strong></td>
<td></td>
<td><strong>$1,192,387</strong></td>
<td><strong>$30,997</strong></td>
<td><strong>$338,096</strong></td>
<td><strong>$307,098</strong></td>
<td><strong>$245,678</strong></td>
<td><strong>$61,420</strong></td>
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