Report to: Chair and Members
Planning & Economic Development Committee

Submitted by: Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

Date: November 18, 2005

Prepared by: Carolynn Reid
(905) 546-2424 Ext. 4381

SUBJECT: ERASE Redevelopment Grant Application (ERG-05-03) - 2021184 Ontario Ltd. (Alex Sivitilli) - 347 Centennial Parkway North (PED05213) (Ward 5)

RECOMMENDATION:

a) That ERASE Redevelopment Grant Application ERG-05-03, submitted by 2021184 Ontario Ltd. (Alex Sivitilli), owner of the property at 347 Centennial Parkway North, for an ERASE Redevelopment Grant not to exceed $243,250 payable to 2021184 Ontario Ltd. (Alex Sivitilli) over a maximum of 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 2021184 Ontario Ltd. (Alex Sivitilli) regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 347 Centennial Parkway North, with such agreement to be satisfactory to Corporate Counsel.

Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

EXECUTIVE SUMMARY:

An ERASE (Environmental Remediation and Site Enhancement) Redevelopment Grant Application was submitted on July 26, 2005 by 2021184 Ontario Ltd. (Alex Sivitilli) for redevelopment of the property at 347 Centennial Parkway North (Site outlined in Appendix A to Report PED05213). The application qualifies for an ERASE Redevelopment Grant as a result of required building demolition and on-site...
infrastructure upgrading in order to permit construction of a proposed 18,000 sq.ft. automotive dealership - ‘Select Mazda’. ‘Select Mazda’ will be one of the first ‘New Mazda Image’ program dealerships and will be considered the largest and most modern import dealership in Hamilton. Proposed development will result in the creation of 30 to 35 new full-time jobs and 5 to 10 part-time jobs.

The Grant application is for $243,250 in eligible building demolition costs and on-site infrastructure upgrading costs. Estimated project construction costs are $2.6 million. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $458,000 to approximately $1.7 million. This will increase total annual property taxes generated by this property from $22,017 to approximately $81,500, an increase of approximately $59,483. The municipal share of this property tax increase (municipal tax increment) will be approximately $35,813, of which 80%, or approximately $28,650 would be paid to the owner in the form of an annual grant for approximately 9 years (total $243,250).

At that time the City will begin to collect and retain the full amount of the tax increment. Also during the first 9 years, the City will immediately retain 20% of the tax increment, approximately $7,163 per year ($64,467 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 Community Improvement Plan (CIP) and will result in the physical enhancement of this industrial site via building demolition and on-site infrastructure upgrading leading to the development of the proposed 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 is an irregular shape, 1.76 acres with an existing 11,000 sq.ft. building and storage sheds. Vernon’s City Directories, dating back to 1945, identify Weldwood of Canada Sales Ltd. listed as operating on the site in the late 1960s to late 1980s. The most recent site occupants, “Building Products of Canada Ltd.” is listed as operating on the site from the 1990s. It is also indicated that the general area of the site as being used primarily for light industrial/commercial operations since the 1970s.
2021184 Ontario Ltd. (Alex Sivitilli) had the property remediated June 1, 2005 by Regional Waste Transit. A Phase II environmental site assessment revealed petroleum hydrocarbon impacted soils. Suspect former underground storage tanks (UST) were removed but soil not removed. Work undertaken to date:

- Remedial excavation of soil in location of the former UST
- Excavation and removal of 166.49 tonnes of impacted soil
- Excavation of west side of property along rail line
- Excavated site was backfilled with crushed stone
- Compaction of backfill material
- Impacted soil transported and disposed of at Taro East Landfill

The Application

The application for an ERASE Redevelopment Grant submitted by the owner of the property at 347 Centennial Parkway North, 2021184 Ontario Ltd. (Alex Sivitilli), qualifies for an ERASE Redevelopment Grant as a result of required demolition and on-site infrastructure upgrading. The application involves the demolition of existing buildings and on-site infrastructure upgrading in order to permit the construction of an 18,000 sq.ft. automotive dealership - 'Select Mazda'. The proposed development will consist of:

- 2000 sq. ft office space
- 6000 sq. ft shop with 12 service bays
- 3500 sq. ft service reception with basement
- 6000 sq. ft showroom
- room for approximately 150 cars on the lot

Estimated construction value of the proposed redevelopment is approximately $2.6 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>$0</td>
</tr>
<tr>
<td>Environmental Consulting Fees</td>
<td>$0</td>
</tr>
<tr>
<td>Building Demolition</td>
<td>$123,250</td>
</tr>
<tr>
<td>On-Site Infrastructure Upgrading</td>
<td>$120,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$243,250*</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 $458,000, classed as Commercial (CTN). Current (2005) property taxes are approximately $22,017 broken down as follows:

Municipal Levy = $13,187
Education Levy = $ 8,778
Tax Cap Adjustment = $ 52
$22,017

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, including all buildings, will have an MVA of approximately $1.7 million, classed as Commercial (CTN). This new MVA is estimated to generate total annual property taxes of approximately $81,500, an increase of approximately $59,483 over the current $22,017. The City’s share of this $59,483 increase is estimated to be approximately $35,813, with the remaining $23,670 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 is completed and occupancy occurs.

ALTERNATIVES FOR CONSIDERATION:

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

FINANCIAL/STAFFING/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 $35,813) or approximately $28,650 per year until the total eligible costs of $243,250 are repaid, or a maximum of 10 years, whichever comes first. In this case, the total eligible costs will be repaid in approximately 9 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 $7,163 a year for 9 years (total $64,467). These monies will be deposited into the Brownfields Pilot Project Account to be used by the City for its 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 will specify the obligations of the City and the applicant. The Redevelopment Agreement will be prepared in a form satisfactory to Corporate Counsel.

POLICIES AFFECTING PROPOSAL:

N/A.

RELEVANT CONSULTATION:

The grant application was circulated to the Corporate Services Department (Taxation and Legal Services Divisions) 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 Corporate Services Department (Budgets and Finance Division).

Departmental Comments

Taxation Division

The 2005 assessed value is $458,000 and the property (Roll# 050-481-05540) is assessed as Commercial (CTN). Property taxes are current (paid in full). Taxes for 2005 on this property total $22,017 broken down as follows:

Municipal Levy = $13,187
Education Levy = $ 8,778
Commercial Cap Adjustment = $ 52
TOTAL (approximately) = $22,017
The projected MVA of $1.7 million is based on a comparison with a similar land use property on the Hamilton Mountain. The actual assessment could vary. The Municipal Property Assessment Corporation (MPAC) takes into account numerous concerns when assigning a value. It need be stressed that the above are estimated figures.

Legal Services Division

No comments received.

Development and Real Estate Division

The proposed redevelopment was reviewed through Site Plan Application DA-04-187, which was deemed to be approved by the Manager of Development Planning on May 2, 2005, subject to an Undertaking pursuant to Section 41 of the Planning Act, R.S.O. 1990, c.P.13 being entered into.

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)