SUBJECT: ERASE Redevelopment Grant Application (ERG-06-03) – Andrew Schaafsma Holdings Inc. (Andrew Schaafsma), 1067 Beach Boulevard, Hamilton (PED06065) (Ward 5)

RECOMMENDATION:

a) That ERASE Redevelopment Grant Application ERG-06-03, submitted by Andrew Schaafsma Holdings Inc. (Andrew Schaafsma), owner of the property at 1067 Beach Boulevard, for an ERASE Redevelopment Grant not to exceed $5,770 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 Andrew Schaafsma Holdings Inc. (Andrew Schaafsma) regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 1067 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 May 6, 2004 by Andrew Schaafsma Holdings Inc. (Andrew Schaafsma) for redevelopment of the properties at 1067 Beach Boulevard (Appendix A). The applications qualify as a “unique situation” for an ERASE Redevelopment Grant as a result of required environmental site remediation in order to permit construction of six (6) freehold, street front townhomes that are two-storey units of approximately 1,600 sq. ft.

The Grant application is for $5,770 in eligible environmental site remediation costs. Estimated project construction costs are $.95 million. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current $130,000 to approximately $480,000. 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 $2,364, of which 80%, or approximately $1,891 would be paid to the owner in the form of an annual grant for approximately three (3) years (total $5,770).

The City will retain 20% of the municipal tax increment, approximately $473 a year for three (3) years (total $1,419). 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.

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 the grant criteria specified in the 2005 ERASE Community Improvement Plan (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 this application when the CIP was approved, the recommendation by staff is to accept this application.
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 in the Phase I ESA Report as prepared by Trow Consulting Engineers Ltd., October 3, 2002 for Andrew Schaafsma Holdings Inc. The records review indicated that the site had been occupied by Skyway Lawn Equipment Ltd., a repair shop for golf carts and portable salter/sander units, since approximately 1968. Prior to this the site was occupied by a MacNeil's Car Clean-up from 1965-1966 and several gasoline service stations from the late 1940s to 1964. There was a one-storey concrete block building that had three (3) underground gasoline storage tanks located on the southwest side of the building. This service station was also used for repairs and oiling. It is understood by the co-owner of Skyway Lawn Equipment Ltd., that the underground storage tanks were removed by the owner of the service station. The former presence of underground storage tanks and repair/oiling areas are considered to be of an environmental concern where above normal levels of beryllium were found.

**The Applications**

The application for the ERASE Grant was accepted by Economic Development staff as complete on May 6, 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, Mr. Schaafsma 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 1067 Beach Boulevard, Andrew Schaafsma Holdings Inc., qualifies as a “unique situation” for an ERASE Redevelopment Grant as a result of required environmental site remediation. The application involved the site remediation to remove elevated levels of beryllium, a condition found in slag which was used for backfill when the underground storage tanks were removed from a previous gasoline and service
station in order to permit the construction of six (6) freehold, street front townhomes that are two-storey units of approximately 1600 sqft. Estimated project construction costs are $.95 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>$5,770</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><strong>TOTAL</strong></td>
<td><strong>$5,770</strong></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 (2004) MVA on the property is $130,000, classed as Commercial (CT). Current 2004 property taxes are approximately $7,869.47 broken down as follows:

- **Municipal Levy** = $4,615.60
- **Education Levy** = $3,253.87
- **Tax Cap Adjustment** = $0

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 $480,000, classed as Residential (RT). This new MVA is estimated to increase total annual property taxes over the current $7,869.47. The City's share of this increase is estimated to be approximately $2,364 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 $271,637. 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 $473 a year for three (3) years (total $1,419). 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 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 $130,000 and the property is classed as Commercial (CT). Property taxes are paid in full. Taxes for 2004 on this property total $7,869.47 broken down as follows:

Municipal Levy = $4,615.60
Education Levy = $3,253.87
Commercial Cap Adjustment = $ 0
TOTAL (approximately) = $7,869.47

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

The subject lands are designated “Residential” in the City of Hamilton Official Plan, as amended by Official Plan Amendment No. 194 which was adopted by Council on August 12, 2004, and zoned “RT-30/S-1510” (Street – Townhouse) District in City of Hamilton Zoning By-law No. 6593, as amended by By-law No. 04-213, which was adopted by Council on September 15, 2004, to permit the lands to be developed with six street townhouse units.

On September 22, 2004, Site Plan control application DA-04-135 was conditionally approved by the Manager of Development Planning. The conditions were satisfied on December 14, 2004.
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 / Actual Future Municipal Levy</th>
<th>Municipal Levy Increment</th>
<th>Grant Payment to date (80%)</th>
<th>Grant Payment to date (80%)</th>
<th>Brownfield Redevelopment (20% max $5m) MPAIP Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 &amp; 60 Hatt St</td>
<td>$598,575</td>
<td>$2,942</td>
<td>$100,428</td>
<td>$97,486</td>
<td>$77,989</td>
<td>$19,497</td>
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<tr>
<td>1067 Beach Blvd</td>
<td>$5,770</td>
<td>$4,616</td>
<td>$6,980</td>
<td>$2,364</td>
<td>$1,891</td>
<td>$473</td>
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<tr>
<td>347 Centennial Pkwy N</td>
<td>$316,405</td>
<td>$13,187</td>
<td>$49,000</td>
<td>$35,813</td>
<td>$28,650</td>
<td>$7,163</td>
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<tr>
<td>422 - 456 Beach Blvd</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><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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</tbody>
</table>