

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

Report to: Chair and Members Planning and Economic Development Committee	Submitted by: Lee Ann Coveyduck General Manager Planning and Economic Development Department
Date: January 20, 2006	Prepared by: Carolynn Reid (905) 546-2424 Ext. 4381

**SUBJECT: ERASE Redevelopment Grant Application (ERG-05-01) - BIOX
Canada Ltd. , 41 Oliver Street (PED06037) - (Ward 3)**

RECOMMENDATION:

- a) That ERASE Redevelopment Grant Application ERG-05-01, submitted by BIOX Canada Ltd, tenant of the property at 41 Oliver Street for an ERASE Redevelopment Grant not to exceed \$686,000 payable to BIOX Canada Ltd. over a maximum of 10 years, be authorized and approved in accordance with the terms and conditions of the ERASE Redevelopment Agreement; and,
- b) That the City enter into an ERASE Redevelopment Agreement with BIOX Canada Ltd. regarding the terms and conditions governing the payment of an ERASE Redevelopment Grant for, and redevelopment of, 41 Oliver Street, with such agreement to be satisfactory to the City Solicitor.

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 October 12, 2004 by BIOX Canada Ltd. for redevelopment of the property at 41 Oliver Street (Site outlined in Appendix A to Report PED06037). The application qualifies for an ERASE Redevelopment Grant as a result of required environmental site remediation, demolition and on-site infrastructure upgrading in order to permit construction of a proposed development of a 60 million litres annual capacity

**SUBJECT: ERASE Redevelopment Grant Application (ERG-05-01) - BIOX
Canada Ltd., 41 Oliver Street (PED06037) (Ward 3) - Page 2 of 6**

state-of-the-art BIOX Biodiesel Facility deploying the most efficient biodiesel production process in the world. Site will consist of a storage tank farm (6 tanks), chemical tank farm (5 tanks), processing modules (14 units), and utility modules (3 units). Located on the 4.095 acre property will also be a 3,500 square foot single story office/control room as well as a small 500 square foot single story truck/rail unloading office/control room. Proposed development has resulted in approximately 270 personnel in short term jobs during the engineering, fabrication and construction phases and will result in the employment of approximately 30 personnel in long-term jobs during the operation and support phases.

The Grant application is for \$686,000 in eligible environmental remediation costs, costs of Phase II and Phase III ESA's not covered by the ERASE Study Grant Program, building demolition and on-site infrastructure upgrading. Estimated project construction costs are \$30 million. It is estimated that the proposed development will increase the market value assessment (MVA) on the site from its current \$256,228. Due to the nature and use of the property, the Municipal Property Assessment Corporation (MPAC) has not yet projected a new assessment figure. For the next number of years, the increase in property taxes will be dealt with in the usual manner i.e. 80% would be paid to the owner in the form of an annual grant for potentially up to 10 years (total \$686,000).

At that time the City will begin to collect and retain the full amount of the tax increment. Also during the first 10 years, the City will retain 20% of the tax increment and utilize said monies 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. The grant is a budget flow-through item.

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 site remediation 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 applicant, as specified in the ERASE CIP.

BACKGROUND:

History

The existing property use is zoned heavy industrial. The majority of the site is vacant where it had been formally occupied by Superconnect Incorporated ("Superconnect"), MG Disposal ("MG") and the Federal Marine Terminals ("FMT"). Superconnect occupied the southwest section of the site as a recycling and distribution facility, MG occupied the southeast section of the site as a storage facility for disposal bins and FMT occupied the north section of the site primarily for storage of steel beams and metal alloys.

**SUBJECT: ERASE Redevelopment Grant Application (ERG-05-01) - BIOX
Canada Ltd., 41 Oliver Street (PED06037) (Ward 3) - Page 3 of 6**

The Phase II ESA was conducted by AMEC Earth & Environmental for client BIOX Canada Ltd. to investigate potential environmental concerns and to assess soil and groundwater conditions at the site with respect to the Ontario Ministry of the Environment (“MOE”) “Guideline for Use of Contaminated Sites in Ontario” and were outlined in a report, copy provided to the City of Hamilton. Report identified the following environmental contamination issues:

- Underground storage tanks
- Contaminated fill (reported to have been removed)
- Recycling onsite
- Hundreds of empty drums onsite
- Suspect fill of unknown quality imported to site
- Petroleum impacts in soil exceeding MOE guidelines/standards
- Shallow soils impacted with metals which exceed MOE guidelines/standards

The Application

The application for an ERASE Redevelopment Grant submitted by the applicant of the property at 41 Oliver Street, BIOX Canada Ltd., qualifies for an ERASE Redevelopment Grant as a result of required environmental remediation, demolition and on-site infrastructure upgrading. The application involves the removal and disposal of contaminated soils and liquids, the chemical treatment of soils and associated environmental consulting fees, demolition and on-site infrastructure upgrading in order to permit the construction of a Feedstock/Biodiesel storage tank farm (6 tanks), chemical tank farm (5 tanks), processing modules (14 units), and utility modules (3 units). Located on the property will also be a 3,500 square foot single story office/control room. As well, a small 500 square foot single story truck/rail unloading office/control room will also be located on the property.

Estimated construction value of the proposed redevelopment is approximately \$30 million. The costs eligible for an ERASE Redevelopment Grant are estimated as follows:

Eligible Works	Cost
Total Disposal/Soil Treatment Cost	\$491,000
Environmental Consulting Fees	\$ 50,000
Building Demolition	\$ 45,000
On-Site Infrastructure Upgrading	\$100,000
TOTAL	\$686,000 *

* 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 \$256,228, classed as Commercial (CT). Current (2005) property taxes are approximately \$12,288 broken down as follows:

Municipal Levy =	\$ 7,377
Education Levy =	\$ 4,911
Tax Cap Adjustment =	\$ <u>0</u>
	\$12,288

Property taxes are paid in full.

It is currently undetermined what the MVA will be upon completion. 80% of the increase will be paid to the owner in the form of annual grant and the remaining 20% of the increase will be used by the City towards the MPAIP program.

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 applicant with a grant equivalent to 80% of the increase in municipal taxes up to the total eligible cost figure of \$686,000. 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. 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 specifies the obligations of the City and the applicant.

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 is \$256,228 and the property is assessed as Commercial (CT) Property taxes are paid in full. Taxes for 2005 on this property total \$12,288 broken down as follows;

Municipal Levy =	\$7,377
Education Levy =	\$4,911
Tax Cap Adjustment =	<u> 0</u>
	\$12,288

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 property is designated as “Shipping and Navigation Uses” in the City of Hamilton Official Plan and zoned “K” (Heavy Industry, Etc.) District in Hamilton Zoning By-law No. 6593. Site Plan application DA-04-152 was reviewed by the Department and recommended for approval to the Hamilton Port Authority.

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?

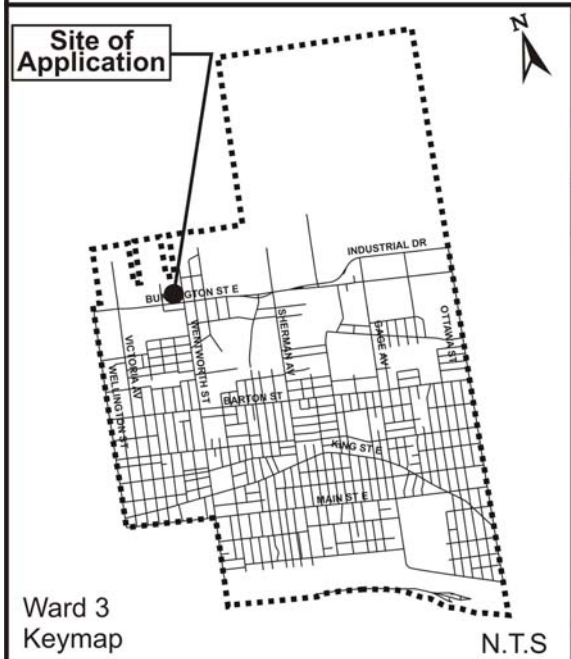
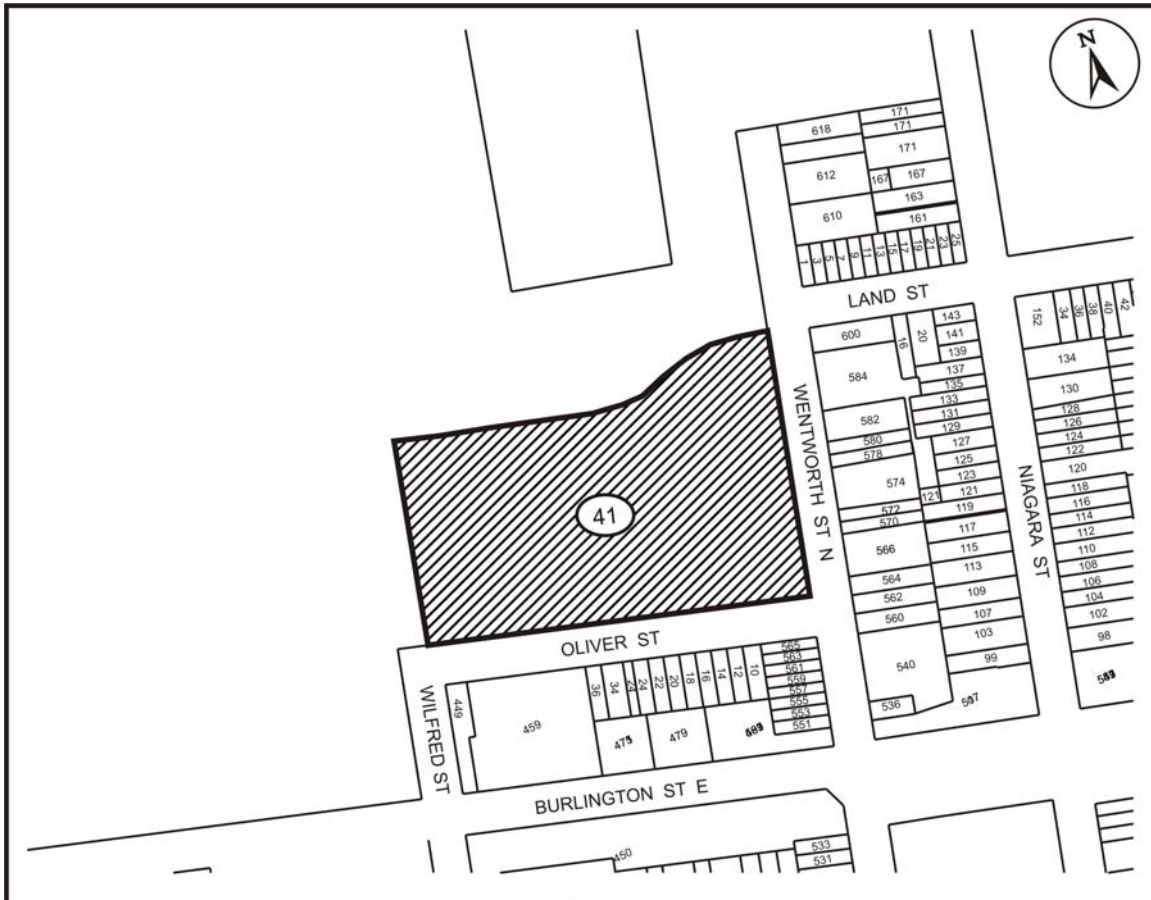
Yes **No**


Do the options you are recommending make Hamilton a City of choice for high performance public servants?

Yes **No**


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Attach. (1)




 Planning and Economic Development Department
Location Map

File Name/Number: BIOX/41 Oliver St	Date: December 12, 2005
Appendix "A"	Scale: N.T.S
	Planner/Technician: CR/MZ


Subject Property
 41 Oliver Street

T&C File Name: N:\1T&c\Location_Maps\2005\December\1Core\41 Oliver St.cdr