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BROWNFIELD REDEVELOPMENT FOR HOUSING

CASE STUDIES

Built Project Initiatives

THE HAMILTON BEACHES

Hamilton, Ontario

440 Beach Boulevard

PROJECT SUMMARY

A former gasoline station in one of Hamilton's transitional neighbourhoods is currently under redevelopment. The site represented a blight on the landscape for over a decade and a potential environmental hazard to neighbouring properties. Through the use of innovative remediation technologies, as well as Hamilton's supportive policy environment for brownfield redevelopment, this site is being transformed into a community of attractive market-priced condominium units.

Developer

Midevco Group of Companies

Date project started

Remediation started in December of 2003 and was completed in November of 2004. Construction is expected to commence in January 2005.

Date project completed

Completion of last building is expected in December 2006.

Site area

1.9 hectares (4.7 acres)

Previous site use(s)

Gasoline and service station

Number and types of residential units

93 residential units, including:

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

Floor area of residential units

Freehold townhouses: 170 m² (1,825 sq.ft.)
Stacked condominium townhouses: 88-98 m² (950-1,050 sq.ft.)
Condominium apartments: 74-133 m² (800-1,430 sq.ft.)

Gross residential density

49 units per hectare (19.8 units per acre)

Maximum height

Row townhouses: two storeys
Stacked townhouses: three storeys
Condominium apartments: three storeys

Parking

1.8 spaces per unit

Landscaped open space

None – paid 5% parkland dedication fee

Selling prices

Freehold townhouses: \$299,000 to \$334,900
Stacked townhouses: \$189,900 to \$214,900
Condominium apartments: \$158,900 to \$319,900

Non-residential uses

None

PROJECT OVERVIEW

The property at 440 Beach Boulevard operated as a gasoline station for many years and was closed in the early 1990s. The site, which is near Lake Ontario and Hamilton's recently expanded Waterfront trail, remained derelict and represented a significant eyesore in the community. The site is adjacent to the Queen Elizabeth Highway and is surrounded by residential uses on three sides.

The Hamilton Beaches community stands in stark comparison to the lake front communities of neighbouring municipalities such as Burlington and Oakville. In these areas, the beach front represents prime residential land. In Hamilton, the lake front community has, for some time, been considered one of the city's poorer and least attractive areas. Over the past several years, the City of Hamilton has been selling plots of land in the area to promote reinvestment, and new homes are being built. This particular development will strengthen this revitalization effort, provide higher density housing in this lower density neighbourhood, and improve perceptions about the community.



Figure 1: Proposed design of three storey condominium buildings
Source: Lorne Haverty, architect

The properties that make up the development site include a former gasoline station (source of the contamination), three vacant City owned properties, and two existing single detached residential properties. In 2001, the Midevco Group of Companies (the developer) optioned several of the properties including the former gasoline station and two of the City owned properties. The developer's purchase and sale agreements with the City do not require the developer to close on the City-owned properties until the properties are clean and all planning approvals are in place.

The Midevco Group of Companies conducted a Phase II Environmental Site Assessment of the site in 2001. The ESA found that the underground storage tanks had leaked fuel into surrounding soil and this contamination had since migrated off site to properties owned by the City of Hamilton. An early estimate of the cost of remediating the site using traditional methods exceeded \$1 million, and as a result the developer approached city staff to negotiate a brownfield pilot project agreement (under the City's brownfield community improvement plan) to assist with the redevelopment. The City and the developer entered into an agreement whereby the City would sell its land to the developer at market rates and provide financial and technical assistance with the remediation.

The project was subsequently delayed when the developer optioned several other properties and redesigned the site plan in order to address neighbourhood concerns regarding building height of the proposed condominium buildings.

In December of 2003, a bioremediation system was installed on site, and contamination levels have been monitored by both parties to the agreement since that time. The most recent testing on the site indicates the site meets Ministry of the Environment (MOE) regulations and a Record of Site Condition (RSC) is being prepared for submission to the MOE. Once this stage is complete, the developer will begin construction. Without Hamilton's brownfield redevelopment policies, this project likely would never have been possible since the site could not bear a \$1 million remediation process.

PREVIOUS SITE USE(S) AND CONDITION

The property at 440 Beach Boulevard was previously used as a gasoline/service station until it was closed in the early 1990's. The underground storage tanks (UST's) were removed when the station closed, but soils contaminated by the leaky tanks were not remediated.

A phase II ESA conducted by the developer in 2001 confirmed petroleum hydrocarbon contamination in the soils and groundwater which had spread to two neighbouring properties both owned by the City of Hamilton. Cost estimates to perform the remediation using a traditional dig and dump approach, which also would have required dewatering of the site, were in excess of \$1,000,000. The developer approached the

City wishing to purchase the City owned lands at a discounted rate and seeking funding assistance for the remediation.

The particular characteristics of this site (petroleum hydrocarbon contamination in sandy soils and a high water table) were very favourable for the use of bioremediation, which involves injecting microbial solution into the areas of contamination and surface application of this solution to neutralize contaminants in the soil and groundwater. With technical assistance from the City, the developer put out a proposal call for bioremediation of the site. Four companies specializing in bioremediation responded to the proposal call. The City and developer evenly shared the cost of a third party independent peer review consultant to evaluate the bids submitted. The consultant conducted interviews with two short listed bidders. A bioremediation contractor was chosen and as a condition of awarding of the contract, the cost of the bioremediation was capped at \$450,000, representing a 60% cost savings over dig and dump.

The City and the developer negotiated and entered into a brownfield pilot project agreement that included the following terms:

- the City would sell its 0.7 hectares (1.7 acres) of land to the developer at market value (\$200,000) as if the properties were clean;
- the City agreed to cost share the site remediation up to a maximum contribution from the City of \$175,000;
- the developer would pay the first \$275,000 with the City paying the last \$175,000;
- the closing of sale of the City-owned lands would be conditional on the acknowledgement of a Record of Site Condition by the Ministry of Environment and on the developer obtaining all planning approvals;
- the developer indemnify the City for liability associated with sale of its lands.

The site, including all three properties, is being remediated using in-situ bioremediation. Bioremediation has the added benefit over dig and dump of being able to remediate contamination that has migrated off-site as the microbial solution will “chase” this contamination through the groundwater. Installation of the bioremediation system on the site took place in December 2003.

The bioremediation process was expected to take between 9 and 12 months. The developer and the City have regularly reviewed progress with the bioremediation contractor. Payment of the bioremediation contractor is tied to progress as evidenced through soil and groundwater sampling. The most recent sampling indicates that the remediation is complete and a Record of Site Condition is expected to be registered with the Ministry of Environment around the end of 2004.



Figure 2: Bioremediation installation
Source: Luciano Piccioni

DEVELOPMENT COSTS AND FINANCING

- Land purchase costs were \$450,000.
- Construction costs:
 - \$818 per m² (\$76 per sq.ft.) for row townhouses
 - \$969 per m² (\$90 per sq.ft.) for stacked townhouses
 - \$1,076 per m² (\$100 per sq.ft.) for condominium apartments

Construction costs will equal \$14 million.

- Servicing costs are estimated at \$1.2 to \$1.6 million.
- Development charges will total \$825,000.
- Planning application fees paid to the municipality amounted to approximately \$20,000.
- Building permit fees of \$110,000 were paid.
- The developer will be eligible for a tax-increment rebate of the \$275,000 he has spent on the remediation through the City's ERASE Redevelopment Grant Program¹ when this program is expanded to cover this area of the City. This program rebates 80% of the municipal tax increase generated by the project to the developer on an annual basis

¹ For more information, see the CMHC Brownfield Redevelopment Case Study on Hamilton's ERASE Redevelopment Grant Program.

for up to 10 years. Based on the construction schedule and estimated assessed value of units being constructed, it will take less than two years after complete build out for the developer to recoup the \$275,000.



Figure 3: Removal of concrete pad - former gasoline pump islands
Source: Luciano Piccioni

AFFORDABILITY

The Beach Boulevard area is a residential area in transition. For many years, the price of housing in the area did not increase. The condition of much of the residential building stock in the area was fair to poor. In the last few years, with construction of the waterfront trail last year and some new larger single detached housing being built in the area, housing prices have increased dramatically. Several existing residences have recently been renovated with large additions or completely demolished and replaced with much larger and more expensive homes. The area has begun the process of revitalization and the increase in prices is reflective of this.

Most of the Beach Boulevard neighbourhood is single detached housing with the Hamilton Beaches development being the only higher density residential development in the area.

Units are being offered at the following market rates:

- Freehold townhouses - \$299,000 to \$334,900
- Stacked townhouses - \$189,900 to \$214,900
- Condominium apartments - \$158,900 to \$319,900

The proposed units in Hamilton Beaches are selling quickly at the asking prices or higher. The selling prices are quite high compared to comparable units in other parts of the city.

No rental units were included in the development.



Figure 4: Proposed design of row townhouses
Source: Lorne Hagerty, architect

PLANNING

The site was originally zoned for commercial use with part of the site zoned for medium density residential use. The developer has obtained the following planning approvals to permit the proposed medium density residential use:

- official plan amendment;
- zoning by-law amendment;
- plan of subdivision/condominium;
- site plan approvals.

The developer held three meetings with the neighbourhood association, as well as the formal public meeting required under the (Ontario) Planning Act. The planning approvals on the site were delayed for approximately eight months by neighbourhood opposition to the development. Several neighbours residing in the area objected to the planned height of the three condominium apartment buildings, which were originally planned to be four storeys in order to offer at least two stories with lake views (east). The original development (90 units) and rezoning application to permit the 4 storey condominium buildings was deferred by City council in order that the developer could reconfigure the site plan and acquire additional properties, including another City-owned property and two single detached residential properties. The developer acquired two adjacent single detached houses and vacant land owned by the City to increase the development parcel from 1.5 to 1.9 hectares (3.8 to 4.7 acres). This allowed the developer to reduce the three 4 storey condominium buildings by one storey and add stacked townhouses so that the total number of units increased from 90 to 93.

The developer also reconfigured parking areas and the City agreed to sell 6.0 m (20 ft.) of land to the adjacent property owner to the south in order to provide a buffer between this property and the development.

The eight month delay in obtaining planning approvals caused the developer to miss a construction season, although the developer indicates that sale prices have increased significantly over the last year.

The western boundary of the site is adjacent to a provincial series highway. Based on a noise study, the rear wall of the condominium apartment buildings facing the highway will not have windows or doors. All of the apartment units must have triple windows and air conditioning, and all balconies and patios are screened and oriented away from the highway.

The City's brownfield coordinator acted as a liaison between the developer, neighbourhood residents, and the City's planning and real estate departments throughout the planning approvals, land acquisition and environmental remediation process.

ECONOMIC AND OTHER BENEFITS

- The assessed value of the land is estimated to increase from \$750,000 to \$25 million.
- Property taxes on the land are estimated to increase from \$20,000 per year to \$425,000 per year.
- The development is contributing to the revitalization of the area and has spurred several smaller infill residential developments.

LESSONS LEARNED

Opponents to the development were few but vocal. Ultimately, this opposition was addressed through a flexible approach to redesigning the project mid-stream to address neighbourhood concerns. These concerns began to surface during the meetings between the developer and neighbourhood association, but were not really addressed until much later in the planning process, i.e., at the formal public meeting.

The time required to obtain planning approvals can exceed even conservative estimates and this should be built into project planning and financing timelines.

It takes time to utilize alternative cost-effective remediation technologies such as bioremediation.

SUCCESS FACTORS – DEVELOPER'S PERSPECTIVE

The use of bioremediation and the cost-sharing arrangement with the City made the project financially feasible.

The technical assistance and coordination provided by the City's brownfield coordinator meant the developer and his planning consultant dealt directly with fewer individuals and departments at the city.

The developer is still eligible for \$275,000 in tax increment funding from the City's ERASE redevelopment Grant Program.

SUCCESS FACTORS – MUNICIPALITY'S PERSPECTIVE

Through the involvement of its brownfield coordinator and staff in several other departments, the municipality built project management capacity in the area of environmental remediation. This was the City of Hamilton's first brownfield pilot project under the ERASE Program. The municipality was able to partner with the developer to convert two contaminated and undevelopable parcels of municipal land into a 93 unit residential development. Rather than simply selling this land to the developer at a deep discount, the municipality was able to generate a modest profit on the sale (\$25,000 net of the City's contribution toward remediation) and secure a significant long-term increase in property tax revenues.

By virtue of being a project partner in the remediation and providing an approvals coordination service, the municipality was able to have greater control over the design of the project.

A contaminated site that was very likely impacting the City roadway has now been remediated using a technology that will also clean any off-site impacts.

Medium density residential units will be added to a neighbourhood which currently contains only low density housing, thereby increasing the range of available housing opportunities.

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