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Planner: Graham Bailey

<b>TO:</b>	<b>CHAIR AND MEMBERS PLANNING &amp; ENVIRONMENT COMMITTEE</b>
<b>FROM:</b>	<b>JOHN M. FLEMING MANAGING DIRECTOR, PLANNING AND CITY PLANNER</b>
<b>SUBJECT:</b>	<b>APPLICATION FOR BROWNFIELD INCENTIVES BY: 2386225 ONTARIO LTD. 585 WATERLOO STREET MEETING ON NOVEMBER 30, 2015</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Planning and City Planner, the following actions be taken with respect to the brownfield incentive application of 2386225 Ontario Ltd. relating to the property located at 585 Waterloo Street:

- (a) the application from 2386225 Ontario Ltd. for brownfield incentives under the Community Improvement Plan for Brownfields Incentives for a reimbursement on 50% of Development Charges paid by the applicant, up to a maximum amount of \$275,000 **BE APPROVED**; and
- (b) the applicant **BE REQUIRED** to enter into an agreement with the City of London to be executed by the Managing Director, Planning and City Planner or designate, outlining relevant terms and conditions of the Community Improvement Plan.

**IT BEING NOTED THAT** the agreement between the City and 2386255 Ontario Ltd. will be transferable and binding on any subsequent property owner(s).

**IT BEING NOTED THAT** Financial Planning and Policy staff have identified that there are sufficient funds in the Community Improvement Program – Grant Reserve Fund to finance this grant.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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None

<b>BACKGROUND</b>
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The Community Improvement Plan (CIP) for Brownfield Incentives was adopted by Council on February 20, 2006 and approved by the Province, with modifications, on November 21, 2006.

The purpose of the Brownfield Incentives CIP is to remove or reduce the obstacles that hinder brownfield remediation and redevelopment. The financial incentive programs are used to evaluate contaminated properties and encourage the private sector to invest in those properties. The incentive programs to encourage the investigation, remediation and redevelopment of brownfield sites include the no longer funded Contamination Assessment Study Grant Program and three active programs: Property Tax Assistance Program, Development Charge Rebate Program and Tax Increment Equivalent Grant Program.

**CIP Eligibility Requirements**

Eligibility requirements for each brownfield incentive program are outlined in the CIP.

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The three incentive programs, which may be significant in terms of financial assistance, are considered individually, based on the evaluation of a business case assessment from the applicant, and the availability of program funding. Council may consider providing any one incentive or combination of incentives based on the relevant CIP eligibility requirements and merits of each application; however, the cumulative amount of funding that may be provided through the Property Tax Assistance Program, Tax Increment Equivalent Grant Program and Development Charge Rebate Program cannot exceed the eligible site remediation costs for the subject property.

In addition to the general requirements in Section 2 of the CIP, additional eligibility requirements apply to the three programs. Each application is evaluated on a case-by-case basis to consider the public and economic benefit of providing one or more incentive(s) to a property and incentives may be approved by Council where:

- a) The landowner/applicant has not contributed to the site contamination;
- b) There are not outstanding property taxes, municipal orders or by-law infractions on the subject property;
- c) All relevant supporting documentation and reports (for example, ESA’s Remedial Action Plans, Risk Assessments) have been provided to the City;
- d) Financially supporting the proposal is considered to be both cost-effective for the City and in the public interest;
- e) The incentives are considered necessary to make the remediation and redevelopment on the subject property feasible;
- f) The amount of available and budgeted municipal funding is sufficient to cover the cumulative cost of all incentives that have been approved; and
- g) Municipal Council deems that the costs associated with providing the program incentives are outweighed by the cumulative benefits of providing the incentive(s).

Eligible remediation costs that are identified in the CIP include 100% of the costs associated with building demolitions, site remediation, rehabilitation of any existing structures, and environmental insurance premiums during the remediation phase. If the application is endorsed by Council, an agreement is required between the City and the property owner, outlining the terms and conditions that apply to the approved incentive(s).

The agreement between the City and the property owner is registered on title and remains in effect until all requirements of the CIP have been satisfied. Upon completion of the site remediation work, the property owner must provide the City with documentation to confirm that the required work has been undertaken in a satisfactory manner and paid for. In the case of the Development Charge Rebate Program, the property owner must pay the full amount required under the Development Charges By-law at the building permit stage, after which the property owner is reimbursed, up to 50% of the Development Charges, by the City from tax-supported sources.

The language used in the Development Charges Rebate Program guidelines can be interpreted to imply the applicant is receiving a rebate on Development Charges that is drawn from the City Services Reserve Fund or the Urban Works Reserve Fund. This is not the case. The rebate is in all practicality a reimbursement of remediation costs from the City’s tax-supported Community Improvement Plan financial incentive funding sources. Development Charges are used only as a measuring tool to calculate how much of the remediation costs will be reimbursed.

The funding for the Community Improvement Plan incentives comes from two tax-supported Reserve Funds created solely to support Community Improvement Plans. Once the remediation costs have been incurred and all of the requirements of the Community Improvement Plan are met, payment for remediation costs is made from the appropriate Reserve Fund.

<b>EVALUATION OF 2386225 ONTARIO LTD. APPLICATION</b>
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2386225 Ontario Ltd. has submitted an application for the Development Charge Rebate

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Program to cover the costs incurred for site remediation, which is estimated to be in the range of \$275,000. The applicant has not applied for the Property Tax Assistance Program or the Tax Increment Equivalent Grant Program and has indicated a future application for these programs is not forthcoming.

**Project Details**

The property located at 585 Waterloo Street was formerly occupied by the Supertest Gas Company. The gas station was constructed in 1936 and was demolished in December 1989. The site has remained vacant since that time.

In 2014, 2386225 Ontario Ltd. applied for amendments to the Official Plan and Zoning By-law (OZ-8371) to change the land use designation for 321 Central Avenue and 585 and 581 Waterloo Street to Multi-Family, High Density Residential and to change the zoning to permit the development of a six-storey (20m tall) residential apartment building with a maximum of 35 residential apartment units and underground parking.

Northeast Elevation



The Official Plan and Zoning By-law Amendment was adopted by Council on September 30, 2014.

**Application Evaluation**

The applicant has submitted a complete application as outlined in Section 2 (General Eligibility Criteria and Requirements) and Section 5 (Development Charge Rebate Program) of the CIP. This includes a completed application form providing the required project and owner information, as well as identifying the incentives being sought, a Phase 2 Environment Site Assessment (ESA), a business case letter outlining the request and reasons for the incentives, and a cost estimate from the contractor who will be conducting the proposed site remediation work.

The Phase 2 ESA found on-site contamination that needs to be removed to support the redevelopment of the property to a residential use and to support the filing of a Record of Site Condition. The Record of Site Condition must be submitted to the City and acknowledged by the Ministry of the Environment and Climate Change prior to commencing the residential development.

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The Development Charge Rebate application only applies to the property at 585 Waterloo Street and incentives are not being sought to offset the cost of demolishing the properties at 321 Central Avenue and 581 Waterloo Street.

The application package from 2386225 Ontario Ltd. satisfies the relevant eligibility requirements of the Community Improvement Plan for Brownfield Incentives. The positive attributes of this project are evident in several respects. The remediation and redevelopment of this site will provide a number of long-term public benefits, including:

- Remediation of contaminated lands and improved quality of environment within an existing residential neighbourhood;
- Providing infill residential development on a vacant site that is fully serviced;
- Generation of greater taxable assessment on lands that are otherwise vacant due to their brownfield condition;
- Providing infill residential development that represents excellence in planning and design and fits within the context of the West Woodfield Heritage Conservation District;
- Providing support for Downtown activities and businesses.

The application also satisfies the Growing Our Economy Strategic Area of Focus in the *Strategic Plan for the City of London 2015 – 2019*. Within the Growing our Economy Strategic Area of Focus, the application supports the Urban Regeneration strategies of using Community Improvement Plans to coordinate City and private investment to meet both local and City-wide priorities, as well as investing more in brownfield remediation.

**Estimated Reimbursement**

Under the City of London Development Charges By-law (2015 rates), the 33 unit project is expected to generate Development Charge revenues of approximately \$467,620, based on the number of bedrooms per unit and less the demolition credits. This estimate may not reflect the actual Development Charges owing for the property. Final determination of Development Charges payable will be made by the Chief Building Official (or designate) at the time of an application for building permit.

Under the Development Charge Rebate Program, remediation costs may be reimbursed to the property owner in an amount equal to up to 50% of the amount paid for Development Charges. The estimated reimbursement is approximately \$233,810 (50% of \$467,620). Based on the estimate remediation cost of up to \$275,000, the full cost of remediation cannot be covered. The applicant is aware and understands that the Development Charge Rebate Program will likely not cover the full site remediation costs.

**Recommendation**

Based on the evaluation criteria in the Community Improvement Plan for Brownfield Incentives, approval is being recommended for a reimbursement to cover remediation costs that will be incurred to obtain a Record of Site Condition. Once the requirements of the CIP are satisfied and the Development Charges have been paid in full, a cheque for 50% of the Development Charges paid will be issued to the property owner to cover the costs incurred for site remediation, up to a maximum of \$275,000. The agreement between 2386225 Ontario Ltd. and the City will be transferable so that the reimbursement can be issued upon payment of Development Charges by a subsequent property owner.

**CONCLUSION**

2386225 Ontario Ltd. has submitted an application under the Brownfield Incentives Community Improvement Plan for reimbursement of the costs incurred to undertake remediation on a brownfield site. There is sufficient funding in place and the application meets all of the relevant eligibility criteria under the CIP. In addition to the remediation of contaminated lands, the public benefits associated with this proposal include the development of a vacant, serviced infill site

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and the generation of new revenues to the City in the form of increased property taxes and Development Charges. The application for a remediation cost reimbursement of up to \$275,000 under the Development Charges Rebate Program is being recommended for approval, with all relevant provisions of the CIP to be addressed in an agreement between the property owner and the City.

**Acknowledgment**

This report was circulated to representatives from Development Finance, Building – Permits, Inspections and Property Standards, Financial Planning and Policy, Environmental and Engineering Services, and the City Solicitors Office for their review.

<b>PREPARED BY:</b>	<b>SUBMITTED BY:</b>
<b>GRAHAM BAILEY, MCIP, RPP PLANNER II, URBAN REGENERATION</b>	<b>JIM YANCHULA, MCIP, RPP MANAGER, URBAN REGENERATION</b>
<b>RECOMMENDED BY:</b>	
<b>JOHN M. FLEMING, MCIP, RPP MANAGING DIRECTOR, PLANNING AND CITY PLANNER</b>	

November 9, 2015

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**CITY OF LONDON  
PLANNING SERVICES**

August 11, 2015

RECEIVED OCT 07 2015

City of London  
 Attn: Jim Yanchula, Manager of Urban Regeneration, Planning Services  
 300 Dufferin Avenue  
 London, ON  
 N6B 1Z2

FILE NO \_\_\_\_\_  
 REFERRED TO \_\_\_\_\_  
 SUBSEQUENT REFERRALS \_\_\_\_\_  
 FOR ACTION  FILE  
 FOR INFORMATION  S.F.  
 OTHER

Dear Mr. Yanchula,

Re: Brownfield Incentive Application  
585 Waterloo Street

Please accept this application to the City of London for a Development Charge Rebate Grant related to the forthcoming development at 581-585 Waterloo Street and 321 Central Avenue by 2386225 Ontario Limited.

The Brownfield site at 585 Waterloo Street (along with its adjacent lands) has achieved an official plan amendment, rezoning, and the necessary demolition permits to move forward with the development that was approved by City Council in September 2014.

As noted in all previous applications related to the land at 585 Waterloo Street, this site was formerly a gas station and auto shop until approximately 1989, and has been vacant since its demolition. The site's contamination, as a result of its former use, has been noted in the fully completed Environmental Site Assessments. From these assessments, our site remediation contractor has estimated the cost of the remediation at \$275,000.

It should be noted that I have not contributed to any contamination since purchasing the site in 2010.

It is without question that the high cost of remediating this site has contributed to it being vacant for 25 years. Since 1990, the property has not had any designated use -- not even parking -- by its former owner or by me.

The City of London's financial support of this proposal is both cost-effective for the City and in the public interest. The approved development is expected to yield 31-33 condominium homes. Based on early construction estimates and sales projections, we foresee that the sales of these homes at various price points above \$400,000 will result in an increase the residential tax base in the neighbourhood by at least \$14,000,000. Therefore, based on current property tax rates, the City's approval of this proposed incentive will pay for itself in the first year of new property taxes on the completed development site. The project will not and cannot move forward without pre-sales, eliminating any the risk to the City of London.

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Beyond the financial incentive for the City of London, the redevelopment of this long-vacant site is vital to the City's urban core, as it sits in the West Woodfield Heritage Conservation District, which abuts Victoria Park, Richmond Row, and Downtown London.

The application will serve the public interest by reducing each buyer's cost to purchase a home on this site by nearly \$10,000.

As a factor of below-grade parking and architectural development that follows the guidelines of the West Woodfield Heritage Conservation District, this construction of this development is significantly costlier than the cost of development with above-grade parking and of lesser architectural value.

Without this financial incentive, this development must either pass on its high cost of remediation to buyers, or accept a risk that could contribute to it not moving forward, as a factor of feasibility.

This application not only benefits the city's direction to develop housing inward and upward, but further increases the tax base in the core, while making downtown living more financially compelling for Londoners.

You will note from City records that no taxes are in arrears with respect to this property. This application has attached all related ESA's and remediation quotes.

I trust that the amount of available and budgeted municipal funding is sufficient to cover the cumulative cost of all incentives that have been approved, and that Municipal Council will deem that the costs associated with providing the program incentives are outweighed by the cumulative benefits of providing the incentive.

Should you require any further information, please do not hesitate to contact me.

Sincerely,

2386225 Ontario Limited



B.J. Hardick, D.C.  
President

**CITY OF LONDON  
PLANNING SERVICES**

RECEIVED OCT 07 2015

FILE NO \_\_\_\_\_  
 REFERRED TO \_\_\_\_\_  
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