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Planner: Graham Bailey

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| TO: | CHAIR AND MEMBERS PLANNING & ENVIRONMENT COMMITTEE |
| FROM: | JOHN M. FLEMING MANAGING DIRECTOR, PLANNING AND CITY PLANNER |
| SUBJECT: | APPLICATION FOR BROWNFIELD INCENTIVES BY: ESCALADE PROPERTY CORP. 27 CENTRE STREET MEETING ON APRIL 25, 2016 |

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| RECOMMENDATION |
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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 Escalade Property Corp. relating to the property located at 27 Centre Street:

- (a) the application from Escalade Property Corp. 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 \$169,500 **BE APPROVED**;
- (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; and
- (c) the financing for this brownfield incentive **BE APPROVED** as set out in the Sources of Financing Report attached hereto as Appendix "A".

IT BEING NOTED THAT the agreement between the City and Escalade Property Corp. will be transferable and binding on any subsequent property owner(s).

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| PREVIOUS REPORTS PERTINENT TO THIS MATTER |
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None

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| BACKGROUND |
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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 Contamination Assessment Study Grant Program, which was recently reinstated during the 2016-2019 budget process and the continuation of three programs: Property Tax Assistance, Development Charge Rebate and Tax Increment Equivalent Grants.

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CIP Eligibility Requirements

Eligibility requirements for each brownfield incentive program are outlined in the CIP. The incentive programs (excluding the Contamination Assessment Study Grant), 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 for costs incurred for brownfield remediation, up to 50% of the Development Charges.

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 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 brownfield remediation under the Brownfield Community Improvement Plan comes from an annual allocation of Federal Gas Tax of \$350,000 which is designated specifically for brownfield remediation. This allocation is maintained in the Federal Gas Tax Reserve Fund until required. 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 Federal Gas Tax Reserve Fund.

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Planner: **Graham Bailey**

EVALUATION OF ESCALADE PROPERTY CORP. APPLICATION

Escalade Property Corp. has submitted an application for the Development Charge Rebate Program to cover the costs incurred for site remediation, which is estimated at \$169,500. 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 27 Centre Street was formerly used by an asphalt paving company. The site is vacant with no structures remaining on site.

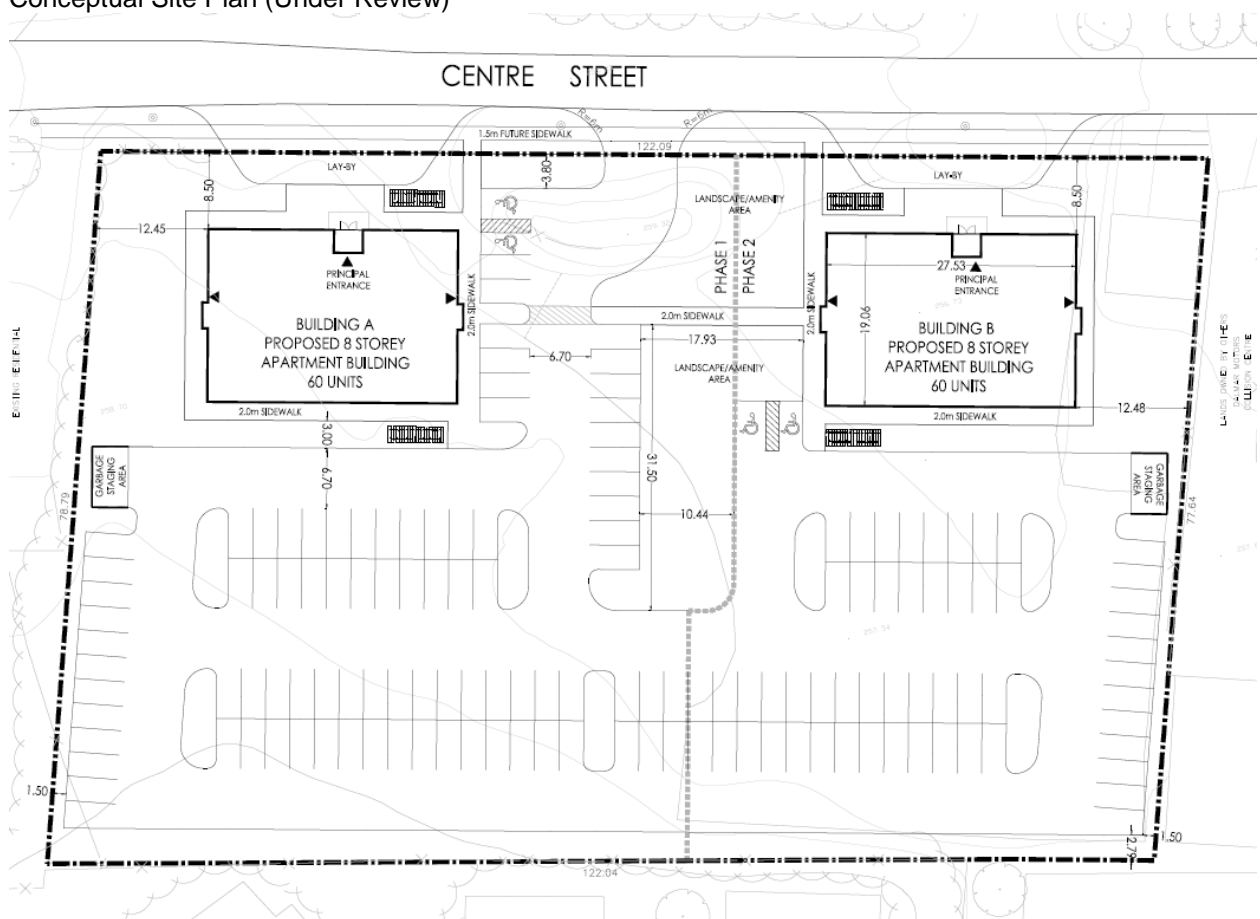
The lands were purchased in trust for Escalade Property Corp. (the applicant) by 1822094 Ontario Inc. (the applicant's holding company).

The Official Plan land use designation on the property is Multi-Family, High Density Residential. The site is currently zoned Residential R9-7 * H42 which permits apartment buildings with a 42 metre maximum building height.

Escalade Property Corp. is proposing to develop in phases, two eight-storey (approximately 25 metres tall), 60-unit affordable housing apartment buildings.

An application for Site Plan Consultation (SPC16-002) was submitted for both phases to Development Services on January 5, 2016.

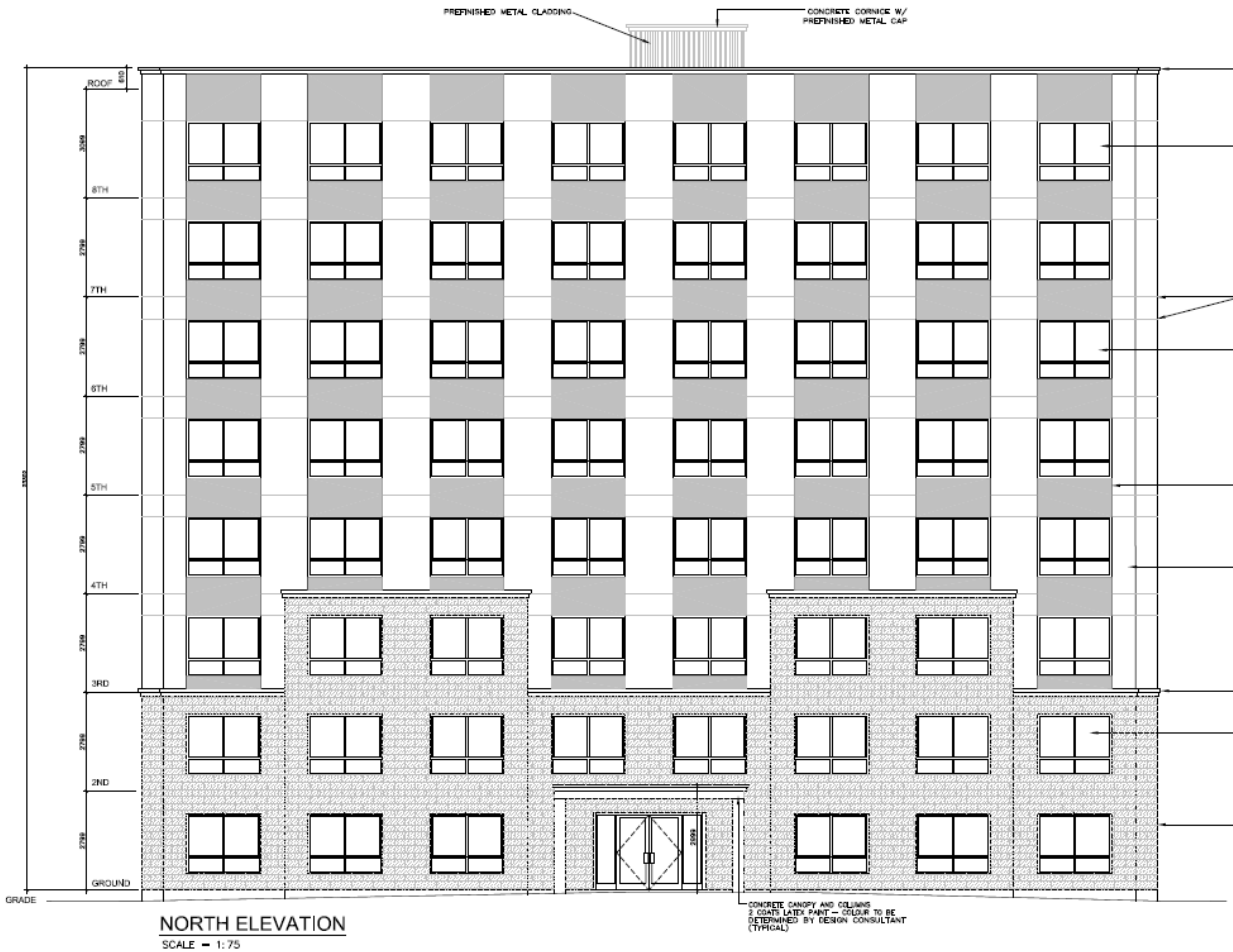
Conceptual Site Plan (Under Review)



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Planner: **Graham Bailey**

North Elevation



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.

The application package from Escalade Property Corp. satisfies the eligibility requirements of the Community Improvement Plan for Brownfield Incentives, including a) through f) on page two of this report. Point g) on page two requires City Council to deem the costs associated with providing the incentive are outweighed by the cumulative benefits of providing the incentive. The positive attributes of this project are evident in several respects. The remediation and redevelopment of this site will provide a number of cumulative 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

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Planner: Graham Bailey

- their brownfield condition;
- Providing affordable housing in the form of 120 new apartment units built in two 60-unit phases;
- Providing support for Wharncliffe Road South activities and businesses;
- The generation of Development Charges revenues that will more than offset the incentive that will be provided under the CIP.

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

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| Development Charges (2016 rate) to be paid for two apartment buildings each containing 60 one-bedroom apartment units | (\$13,323 / unit x 120) = \$1,598,760 |
| Less: applicable demolition credits | \$0 |
| Net DCs to be paid | \$1,598,760 |
| 50% of Net DCs | \$799,380 |
| Estimated Reimbursement | \$169,500 |

Under the City of London Development Charges By-law (2016 rates), the 120 unit, two building project is expected to generate Development Charge revenues of approximately \$1,598,760 based on the number of bedrooms per unit. 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. Based on the estimated remediation cost of up to \$169,500, the full incentive can be provided under the Development Charge Rebate Program and in this case there is no need to provide property tax assistance or tax increment equivalent grants.

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 \$169,500. The agreement between Escalade Property Corp. and the City will be transferable so that the reimbursement can be issued upon payment of Development Charges by a subsequent property owner.

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| CONCLUSION |
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Escalade Property Corp. 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, the creation of new affordable housing units 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 \$169,500 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.

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Acknowledgment

This report was prepared in consultation with representatives from Development Finance, Building – Permits, Inspections and Property Standards, Housing Division, Financial Planning and Policy, Environmental and Engineering Services, and the City Solicitors Office.

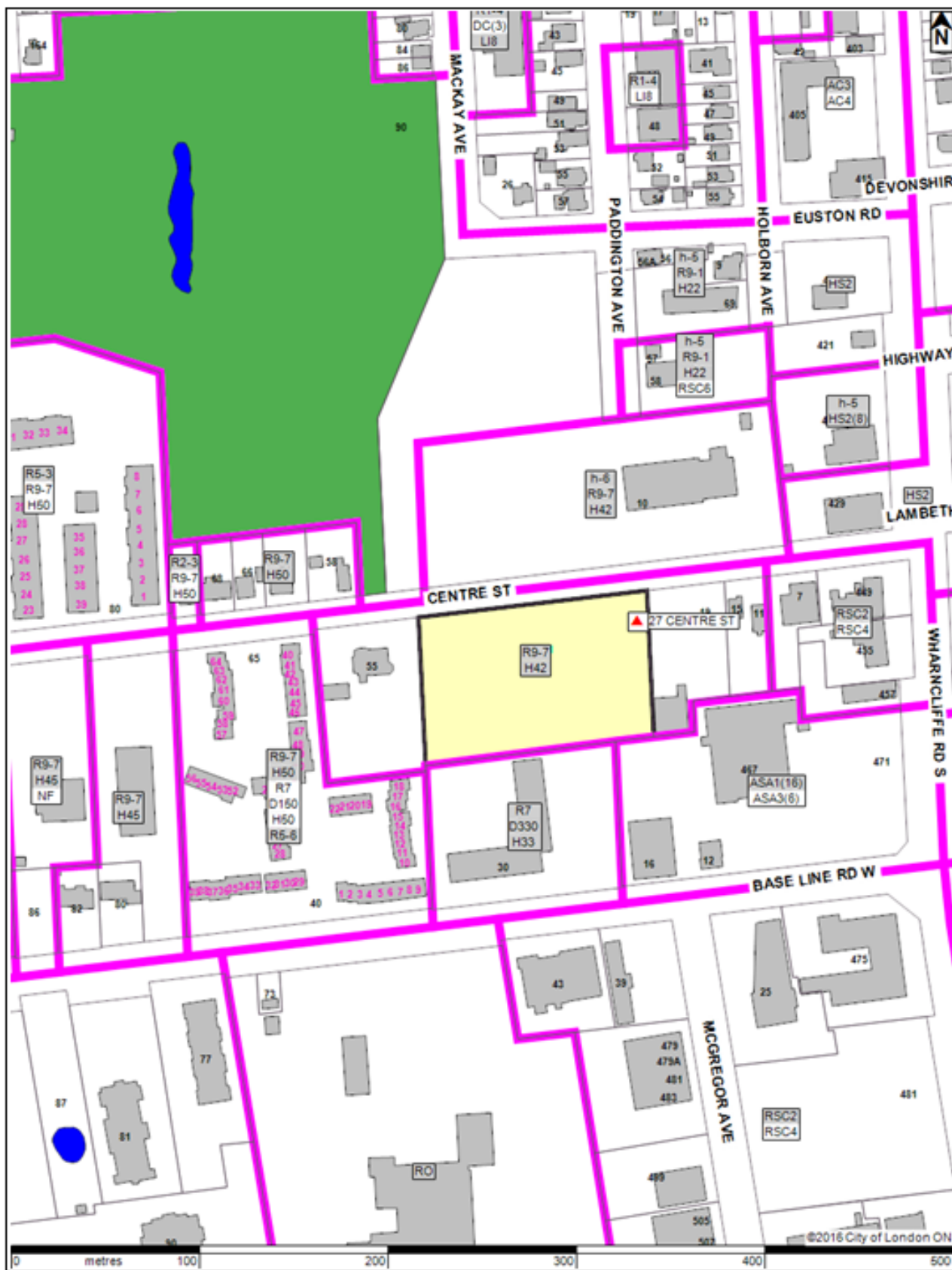
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| PREPARED BY: | SUBMITTED BY: |
| | |
| GRAHAM BAILEY, MCIP, RPP PLANNER II, URBAN REGENERATION | JIM YANCHULA, MCIP, RPP MANAGER, URBAN REGENERATION |
| RECOMMENDED BY: | |
| | |
| JOHN M. FLEMING, MCIP, RPP MANAGING DIRECTOR, PLANNING AND CITY PLANNER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

March 29, 2016
GB/gb

Attach: Appendix "A" – Source of Financing

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Planner: Graham Bailey



LOCATION MAP
 Subject Site: Brownfield Incentive Application
 File Number: 27 CENTRE STREET
 Created By: Graham Bailey
 Date: 2016-03-10
 Scale: 1:2500

Corporation of the City of London
 Prepared By: Planning and Development

LEGEND

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| | Subject Site |
| | Parks |
| | Assessment Parcels |
| | Buildings |
| | Address Numbers |

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Planner: Graham Bailey

March 10, 2016

City of London
Attention Graham Bailey, Planner II Urban Regeneration Planning Services
300 Dufferin Avenue
London, Ontario
N6B1Z2

Dear Mr Bailey,

RE: Brownfield Incentive Application, 27 Centre Street

Please accept this application to the City of London for a Development Charge Rebate Grant related to the forthcoming development of 27 Centre Street by Escalade Property Corp.

The Brownfield site at 27 Centre Street is approximately 0.95 hectares in size and is zoned multi-family residential. The lands were formerly home to an Ontario Provincial Police detachment and more recently a commercial yard for a paving company. The site has been vacant since the former business changed locations. The site contamination is a result of its former use. The contamination has been noted in the fully completed Environmental Site Assessment performed by EXP Services Inc. and reported January 13, 2016.

Escalade Property Corp. has not contributed to any site contamination.

The cost of remediating has contributed to the site being vacant for numerous years.

Escalade Property Corp. will be engaged in the removal of onsite contamination identified by a Phase II ESA to support the redevelopment of the property to a residential use and will complete the filing of a Record of Site Condition to the City and acknowledged by the Ministry of the Environment and Climate Change.

The City of London's financial support of this proposal is both cost effective for the City and in the public interest. The development is expected to yield 60-one bedroom residential apartment units. This project will generate Development Charge revenues of approximately \$800000. Under the Development Charge Rebate Program, remediation costs may be reimbursed in an amount equal to up to 50% of the amount paid for Development Charges. Based on an estimated remediation cost of \$169500.00, the full cost of remediation is covered. Also, when comparing post development tax rates to current tax rates, the City's approval of this proposed incentive will pay for itself in just over three years.

There is no tax arrears associated to this Site.

This application has attached all related ESA's and remediation quotes.

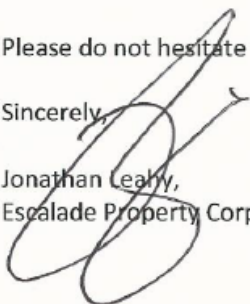
I trust that the amount of available and budgeted municipal funding is sufficient to cover the total cost of all remediation.

I trust Council will deem that the year over year benefits of providing the incentive will far outweigh the cost associated with providing the program incentives.

Please do not hesitate to contact me if any further information is required,

Sincerely,

Jonathan Leahy,
Escalade Property Corp.



Chair and Members
 Planning and Environment Committee

April 15, 2016

**RE: Application for Brownfield Incentives
 Escalade Property Corp.
 27 Centre Street**

FINANCE & CORPORATE SERVICES REPORT ON THE SOURCES OF FINANCING:

Finance & Corporate Services confirms that the cost of this project can be accommodated from the Federal Gas Tax Reserve Fund-Brownfield Remediation and that, subject to the adoption of the recommendations of the Managing Director, Planning and City Planner, the detailed source of financing for this project is:

| <u>ESTIMATED EXPENDITURES</u> | <u>This Submission</u> |
|---|-------------------------------|
| 27 Centre Street | \$169,500 |
| NET ESTIMATED EXPENDITURES | <u>\$169,500</u> |
| <u>SOURCE OF FINANCING:</u> | |
| Drawdown from Federal Gas Tax Reserve Fund - Brownfield Remediation | \$169,500 1) |
| TOTAL FINANCING | <u>\$169,500</u> |

1) The uncommitted balance in the Federal Gas Tax Reserve Fund-Brownfield Remediation allotment will be approximately \$934,000 with the approval of this claim.

EH

Alan Dunbar
 Manager of Financial Planning & Policy