

--	--

Planner: G. Bailey

TO:	CHAIR AND MEMBERS PLANNING & ENVIRONMENT COMMITTEE
FROM:	JOHN M. FLEMING MANAGING DIRECTOR, PLANNING AND CITY PLANNER
SUBJECT:	APPLICATION FOR BROWNFIELD INCENTIVES BY: MCCORMICK VILLAGES INC. 1156 DUNDAS STREET MEETING ON APRIL 24, 2017

RECOMMENDATION

That, on the recommendation of the Managing Director, Planning and City Planner, the following actions **BE TAKEN** with respect to the application made under the Community Improvement Plan for Brownfield Incentives and business case submission received from McCormick Villages Inc. ("McCormick") relating to the property located at 1156 Dundas Street:

- (a) A total expenditure of up to a maximum of \$2,500,000 in municipal brownfield financial incentives **BE APPROVED AND ALLOCATED** under the following three programs in the Community Improvement Plan (CIP) for Brownfield Incentives:
 - i) Provide a rebate equivalent to 50% of the Development Charges that are required to be paid by McCormick Villages Inc. on the project;
 - ii) Provide tax increment equivalent grants on the municipal component of property taxes for up to three years post development.
 - iii) Provide for cancellation of 25% of municipal property taxes for up to three years during the rehabilitation period and development period, as defined in the CIP.
- (b) The Civic Administration **BE DIRECTED** to introduce a by-law at a future meeting of Municipal Council once the draft Property Tax Assistance by-law has been reviewed by the Ministry of Finance, which will provide for the cancellation of 25% of matching Education taxes by the Province during the rehabilitation and development period, noting this separate request is subject to evaluation and approval by the Minister of Finance.
- (c) The Civic Administration **BE DIRECTED** to process the brownfield incentive application to provide for eligibility for tax increment equivalent grants for up to three years for the development project under the Brownfields CIP and up to the full 10 year term of the Tax Increment Grant Program of the Heritage CIP for the project;
- (d) The applicant **BE REQUIRED** to enter into an agreement with the City of London outlining the relevant terms and conditions for the incentives that have been approved by Council under the Brownfield CIP;

IT BEING NOTED THAT the agreement between the City of London and McCormick Villages Inc. will be transferable and binding on any subsequent property owner(s).

--	--

Planner: G. Bailey

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

None

BACKGROUND

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. There are four incentive programs to encourage the investigation, remediation, and redevelopment of brownfield sites in the City of London: the Contamination Assessment Study Grant Program assists property owners in conducting Phase II Environmental Site Assessments and is capped at \$10,000 per property. Municipal Council approval is not required for the Study Grant Program. The remaining three programs: Property Tax Assistance, Development Charge Rebate, and Tax Increment Equivalent Grants require Municipal Council approval, may be significant in terms of financial assistance, are considered individually based on the evaluation of a business case from the applicant, and the availability of program funding.

CIP Eligibility Requirements

Eligibility requirements for each brownfield incentive program are outlined in the CIP. Council may consider providing any one incentive or combination of incentives based on the relevant CIP eligibility requirements and merits of each application; however, under the Brownfield incentive programs 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, specific 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.

The McCormick Villages Inc. Development Project

The project comprises a mixed-use redevelopment of the subject site (1156 Dundas Street – see Figure 1) which includes retaining the original historic portion of the McCormick factory building (see Figure 2) and the Candy Store addition and repurposing them for mixed-use residential, commercial, office and/or indoor parking. The later additions to the McCormick factory will be demolished to provide open space in the site’s northwest corner and allow for the construction of two mid-rise apartment buildings, a low-rise seniors apartments building, and townhouses.

The project will be built out in a phased manner. It is intended the first phase will involve the conversion of the factory and the remainder of the site will be built at a later date.

The Official Plan land use designation on the property is Main Street Commercial Corridor and Multi-Family, Medium Density Residential. In December 2015, an Official Plan Amendment and Zoning By-law Amendment application was approved by Council to permit the proposed development concept (see Figure 3). In the London Plan, the property has a Rapid Transit Corridor Place Type along Dundas Street and the remainder of the property is within the Neighbourhoods Place Type.

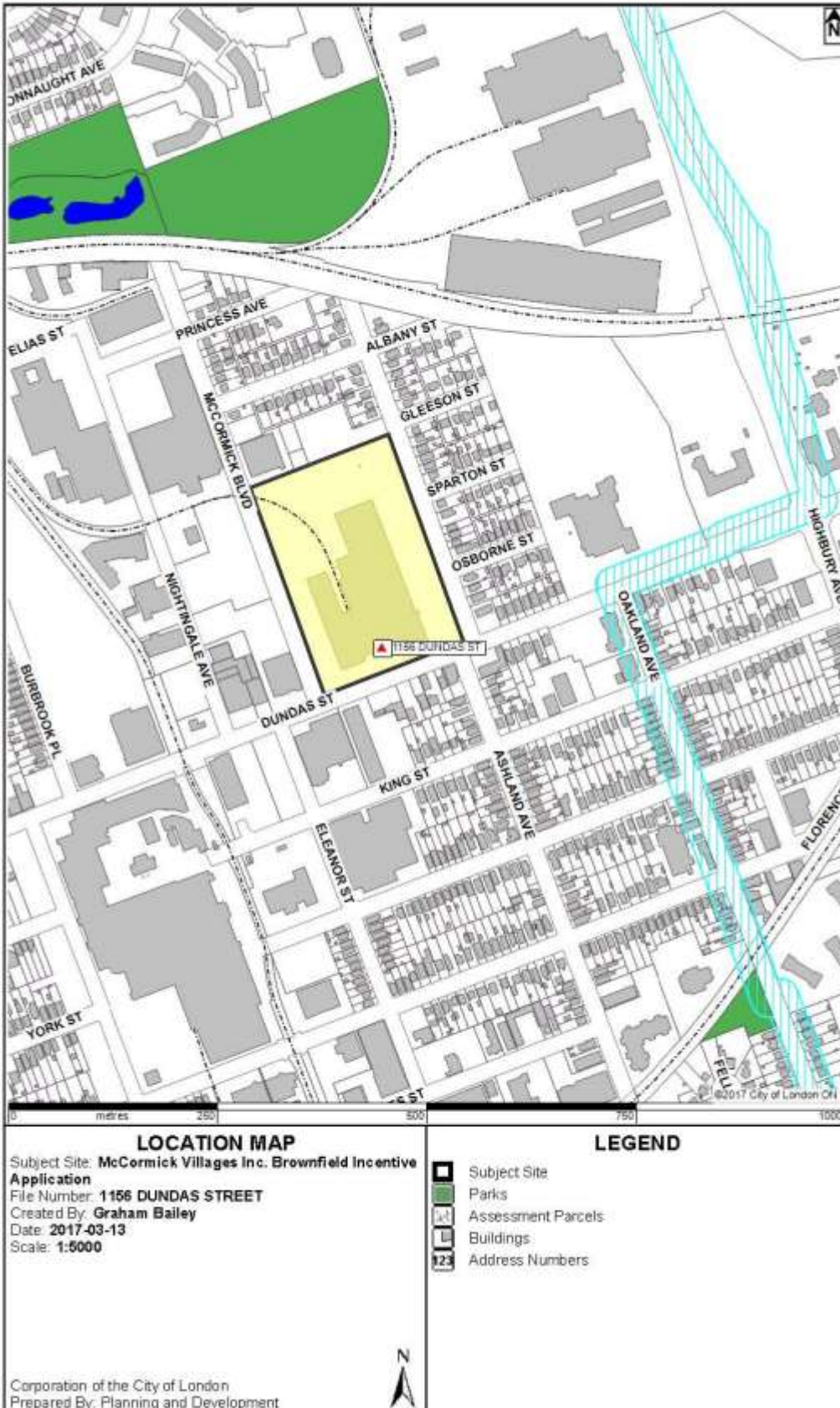
At the time of finalizing this report a Site Plan Approval application has not been submitted. Site Plan Approval is a prerequisite to the issuance of a building permit. The Brownfield CIP incentive programs “come online” at different points during the remediation and redevelopment process:

--	--

Planner: G. Bailey

Table 1 – When Brownfield CIP Programs Offer an Incentive	
Program	Payable Trigger
Property Tax Assistance	Available for up to three years during the remediation and redevelopment of the property
Development Charge Rebate	Once the applicant pulls the building permit and pays the Development Charges
Tax Increment Equivalent Grant	After the site has been redeveloped and reassessed

Figure 1 – Subject Site



--	--

Planner: G. Bailey

Figure 2 – Photos



Original McCormick's Factory Building showing Dundas Street façade of five story centre block and location of decorative parapet terra cotta. (Source: June 23, 2015 Heritage Impact Assessment)



Existing condition of central main entrance to original McCormick Factory building (2015)



Existing condition of Dundas Street front façade showing east portion of McCormick Factory (both the original four-storey and the post 1950s Candy Store addition to the front of the building – 2015)

--	--

Planner: G. Bailey

Figure 3 – Municipal Council Approved Conceptual Plan for 1156 Dundas Street



Site Remediation Investigations

Under Provincial Regulation, it is mandatory that a Record of Site Condition (RSC) be filed with the Ministry of Environment and Climate Change, to confirm that the site is ‘clean’ and that the property meets the applicable site condition standard for the intended use.

A Phase II Environmental Site Assessment (ESA) was prepared for McCormick by Englobe, which confirmed the presence of several potential contaminants on the site from the previous industrial use, including: petroleum hydrocarbon, Hot Water Soluble Boron, underground fuel (heating) oil storage tanks, in-fill material, metals and Polycyclic Aromatic Hydrocarbon impacts, a rail spur line, four in-ground hydraulic, piston-type elevators that may have leaked, and the presence of hazardous materials and designated substances have been confirmed within the building (asbestos, lead-based paint, active mould growth, and bio-hazardous wastes). Site investigations were conducted including the installation of boreholes and groundwater monitoring wells.

Based on the findings of the Phase II ESA report, it can be confirmed that the McCormick site constitutes a brownfield under the CIP definition and that the remediation of identified contaminants must be undertaken in accordance with Provincial Regulation 153/04 (as amended) before the site can be redeveloped for a residential use.

An RSC cannot be filed with the Ministry of the Environment and Climate Change until such time as the required remediation has been undertaken and the condition of the site confirmed as meeting relevant Provincial standards. 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 and the funding be released under the Tax Increment Equivalent Grant Program.

--	--

Planner: G. Bailey

Heritage CIP Incentives

The McCormick property is located within the Heritage Community Improvement Project Area which, through the Heritage CIP provides incentives city-wide to maintain London’s unique identity by preserving our inventory of distinct heritage buildings and encouraging redevelopment and revitalization of properties designated under Part IV of the *Ontario Heritage Act*. The Heritage CIP incentives are available as-of-right to eligible property owners within the area who apply.

The McCormick project is eligible for the two Heritage CIP incentives: the Tax Increment Grant program and the Development Charge Equivalent Grant program. It is noteworthy that these grants will constitute a significant financial incentive for the applicant, beyond the Brownfield incentive programs. However, it is important to recognize that these same Heritage incentives are available to eligible properties within the Heritage CIP Project Area – even clean sites.

The incentives in the Heritage CIP apply to a development or rehabilitation project related to an intensification or a change of use that incorporates the preservation of a correlated designated heritage building. All Heritage CIP applications require a Heritage Alteration Permit. Eligible improvements that can be financed through the Heritage CIP programs include improvements that restore or reconstruct the heritage designated building to modern building standards to meet Building Code requirements, address one or more health and safety issues, and the restoration of exterior and interior heritage designated attributes. No financial incentives offered in the Heritage CIP will be offered for upgrades that compromise the reasons for designation of the heritage building.

The Heritage CIP incentive programs will help cover the cost of new cladding for the building, as well as the windows, which are based on the historic style of the windows at the factory based on historic photographs (windows openings are a heritage attribute).

Regarding the cladding, the colour and pattern are identified as heritage attributes. In the crafting of the designating by-law, the existing material of the cladding was omitted. Terra cotta is a unique historic material and can be cost prohibitive in restoration or replication. Order of magnitude costing was obtained for replacement terra cotta cladding, and it was found prohibitive (\$348/sq. ft. of material plus installation). Repair of the existing material was also not found to be a feasible option.

Alternative materials were considered and presented to the London Advisory Committee on Heritage (LACH) at its meeting on February 8, 2017:

- Porcelain Ceramic Panels (e.g. “Ceromitex”) (\$2,310/linear ft.; \$1.848M total estimate);
- Aluminum Composite Material (ACM) (\$1,551/linear ft.; \$1.240M total estimate);
- Exterior Insulation and Finish System (EFIS);
- Manufactured Stone (e.g. “Arriscraft”).

The EFIS and Arriscraft were found to not be suitable replacement exterior cladding materials for McCormick’s by the LACH. Unfortunately, no sample of the Ceromitex product was available for the LACH to view at its meeting. From the 3rd Report of the LACH on February 8, 2017, “... the LACH stated a preference for the chosen material to be in keeping with the original building materials.”

The Heritage Planner has reviewed all of the presented cladding material options. Recognizing the budgetary constraints which have precluded terra cotta as a realistic option, he found the Ceromitex product to be the closest to the material qualities of the terra cotta (white colour, texture, and glaze) in a new product. This product has an approximate 50% premium to the other alternative, ACM, based on information found within the Heritage CIP application (and previous supplied by the property owner). A hybrid combination of materials may be possible.

From the information provided, it appears that a new cladding material would be applied on top of the existing terra cotta. This could either allow the historic terra cotta to remain in place as a minimally invasive measure, or the attachment system for the new cladding could require punctures in the terra cotta material which may cause deterioration and prohibit future restoration. Assessing the condition and stability of the existing terra cotta should be undertaken. Cladding on top of the existing material may also distort historic proportions, and therefore carefully

--	--

Planner: G. Bailey

understanding these changes will be essential to ensuring heritage compatible and appropriate interventions. Some of the cladding materials may have gaps between the panels (joints), which could be a visual concern. The LACH also commented that the rear of the McCormick’s building had a different cladding material, and continuing this precedence in recladding the building may be appropriate. Reclamation of terra cotta material to clad an interior space may be a suitable nod to the historic material.

To reiterate, the incentives which are the subject of this report relate to the costly remediation of brownfield conditions on the McCormick lands. The Brownfield incentive programs are intended to help property owners remove contaminants from lands that would otherwise not likely be developed. This program brings contaminated lands “up to the same playing field” as non-contaminated lands. In doing so, the development of these lands is encouraged which has a significant environmental benefit in the public interest, while also leading to intensification that generates business activity and also creates tax revenue that would not otherwise occur. While the Brownfield incentive programs directly addresses the clean-up of the site, the Heritage incentives apply as they would for any other eligible site in the Heritage CIP Project Area that is not contaminated. Without the combination of such incentives, a brownfield site which is also a designated heritage property may not be developed, even with the Heritage incentives that apply to clean sites.

CONSIDERATION OF BROWNFIELD INCENTIVES

Brownfield CIP

The purpose of the Brownfield CIP is to remove or reduce the obstacles that hinder brownfield remediation and redevelopment in the City of London. The incentive programs in the Brownfield CIP assist property owners with bringing a brownfield site up to the same standard as a greenfield site. In other words, to help “level the playing field”.

McCormick is applying for funding under the Brownfield CIP since the site constitutes a brownfield and remediation work is required to meet minimum Provincial environmental standards and to file a Record of Site Condition. Under the Brownfield CIP, incentives can only be provided to compensate property owners for costs that they incur to remediate the property.

Unlike the Heritage CIP, applications for incentives under the Brownfield CIP are not as-of-right but evaluated on a case-by-case basis, to consider the need for remediation, and the public and economic benefit of providing one or more incentives to a property. Incentives under the Brownfield CIP are specifically applied only to eligible site remediation costs as defined in the CIP and the maximum of all grants and tax assistance for eligible brownfield properties cannot exceed the cost of remediating the property. Criteria in the Brownfield CIP provide that approval of the incentive(s) may be recommended 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. The City is not under any obligation to approve Brownfield incentives for a particular property and each application is evaluated on a case-by-case basis.

--	--

Planner: G. Bailey

If the application is endorsed by Municipal 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.

Business Case Submission (Appendix “A”)

The business case submission from McCormick includes a detailed estimate of site remediation costs based on the findings of the Phase II ESA. The costs that were identified in the business case submission as potentially being eligible for incentives under the Brownfield CIP are summarized below:

Table 2 – Site Remediation Work and Estimated Costs for McCormick Project	
Site Remediation Associated Works	Estimated Cost
Underground Fuel Oil Tank Decommissioning	\$60,000
Petroleum-Impaired Soils Remediation	\$120,000
Metals & PAH Compound Fill Material Remediation	\$1,000,000
Groundwater Assessment	\$12,500
Decommission 11 Groundwater Test Wells	\$10,000
Environmental Site Decommissioning including removal of all designated substances and hazardous materials	\$6,000,000
Decommission Four In-ground Elevator Systems	\$15,000
Environmental Liabilities Contingency	\$900,000
Total Estimated Cost	\$8,117,500

In calculating the estimates for site remediation, McCormick’s environmental consultant used an average price of \$35/tonne from three different waste companies for transportation and disposal and a pricing for excavation, transportation, and disposal averaged out at \$57/tonne for two contractors.

The McCormick business case submission states that in their reply to the City’s Request for Proposals submission related to the purchase of the property, they noted that significant financial incentives under the City’s CIP were necessary for the successful redevelopment of the site as the contamination would be expensive to remove.

McCormick has estimated the cost to remediate the site and remove the designated substances and hazardous materials from the building at \$8,117,500. Incentive funding to fully cover a remediation cost of this amount is not available. Staff are recommending a cap on brownfield incentives of up to \$2.5 million. This equates to approximately 30% of the estimated remediation costs. Further, a cap of up to \$2.5 million ensures adequate City funding is available for this and other brownfield projects.

A request was made for funding from three of the Brownfield incentive programs to cover environmental remediation costs associated with the project.

Property Tax Assistance Program – Provides tax relief through the cancellation of 25% of current municipal and education property taxes for up to three years during the site rehabilitation and development period as defined under the CIP. The matching education component which is under the jurisdiction of the Ministry of Finance can also be applied for separately by the City on behalf of McCormick. The applicant has requested reduction for both the municipal and education taxes.

The potential value of incentive that may be provided under the Property Tax Assistance Program is limited under the CIP to 25% of current property taxes. Based on the current assessment value and property taxes levied in 2016, it is estimated that the total amount of tax assistance provided over a three year period would be approximately \$16,595 (municipal component) and an additional amount of \$10,143 if the education component is approved by the Minister of Finance.

A by-law is required to cancel 25% of current property taxes. Adopting a by-law that does not have Ministry of Finance approval could delay the approval of the Property Tax Assistance

--	--

Planner: G. Bailey

Program for McCormick. Further, the review of the by-law by the Ministry of Finance can take a few months depending on the project. As a result, Staff have recommended that the Property Tax Assistance By-law be introduced at a future meeting of Municipal Council after it has been reviewed by the Ministry of Finance. This option will still allow McCormick to proceed with site remediation should Municipal Council approve the brownfield incentives.

In February 2009, Municipal Council approved a similar clause for the brownfield incentive application for 704-738 King Street and 380-382 Lyle Street in the Old East Village. In that instance and despite Municipal Council approval, the property owner decided not to receive Property Tax Assistance.

Development Charge Rebate Program – Provides a rebate equivalent to up to 50% of the Development Charges for site remediation.

The language used in the Development Charge Rebate Program requirements can be interpreted to imply the applicant is receiving a rebate on DCs 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. DCs are used only as a program measuring tool to calculate how much of the remediation costs will be reimbursed.

The following table estimates the DC related to the conversion of the factory building, and the construction of the apartment buildings and townhouses:

Table 3 – Estimated Development Charges for McCormick Project				
	1 bdrm	2 bdrm	Commercial (sq. m)	Estimated DC Amount
<i>2017 DC Rate</i>	<i>\$13,755</i>	<i>\$22,173</i>	<i>\$257.51</i>	
Seniors Apt 1	54			\$742,770
Seniors Apt 2	54			\$742,770
Long Term Care Home	175			\$2,407,125
Townhouses		55		\$1,219,515
Factory Conversion	176		1,109	\$2,706,459
Total	459	55	1,109	\$7,818,639

Under the Brownfield CIP up to 50% of the total amount (\$7,818,639 x 50% = \$3,909,319) may be rebated to cover eligible remediation costs that are incurred by the property owner. This estimate may not reflect the actual commercial DCs for the project. Final determination of DCs will be made by the Chief Building Official (or designate) at the time of an application for building permit.

However, in reviewing the circulated business case, Building Division staff noted that Development Charge credits for the demolition of the rear portion of the factory and the conversion of the factory from an industrial use to a mixed residential, commercial, and/or office use had not been taken into account.

Based on the existing area of the factory, Development Charge credits for the property may be in the magnitude of \$5.3 million.

Based on the DC payable for the proposed complete site build out of \$7,818,639 minus the DC credit of \$5,326,763 equals a net DC payable of \$2,491,876. Again, this is a rough estimate and the amount of DC credits and net DC payable will be subject to the phasing of the site build-out and determined by the Chief Building Official (or designate).

As a result of the available DC credit, the net DC payable is now estimated at \$2,491,876, with up to 50% of this amount (\$1,245,938) may be rebated to cover eligible remediation costs.

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. The

--	--

Planner: G. Bailey

availability of DC credits makes estimating the expected grant payment date difficult. In all likelihood, DCs will not be paid until years after the site has been remediated and the majority of the site has been built out. The Building Division will maintain a running total of the available DC credits for the property. Once the credits are exhausted and a phase of the project requires DCs to be paid, Staff can issue the Brownfield DC Rebate grant to McCormick after the DCs have been paid.

In summary, the reduction in the net DCs payable because of DC credits is a considerable cost savings to McCormick, but will have a detrimental effect to the applicant on how large the DC rebate grant is under the Brownfield CIP and when that grant will be paid.

Tax Increment Equivalent Grant Program – Under the Brownfield CIP, the property owner is eligible to apply for up to 100% of the post development municipal property tax increment for up to three years, to cover eligible site remediation costs. The amount of the tax increment equivalent grant is equal to the increase between the predevelopment and post-development municipal portion of property taxes after rehabilitation and development has taken place. Where improvements have been approved by the City, resulting in an increased assessed value of the property and therefore increased taxes, the City will provide a grant equal to the amount of the municipal property tax increase as a result of the rehabilitation and development for up to a maximum of three years from the date of the increase in assessed value.

The Brownfield CIP was modelled on the Provincial program for brownfields and uses the same definitions and terminology as the provincial program. For brownfields, the development period for which incentives are available is defined as:

Development Period – Means, with respect to the eligible property, the period of time starting on the date the rehabilitation period ends and ending on the earlier of:

- i) The third anniversary of the passage of the site specific enabling by-law, or a longer period of time as may be specified in the enabling by-law;*
- ii) The date that the tax assistance provided for the eligible property equals the remediation costs; or*
- iii) The date the City confirms that the development on the subject property is suitable for occupancy.*

Under the Brownfield CIP, the start of the grant period (Year 1) is defined as the first full calendar year that taxes are paid after the project is completed (i.e. after the Development Period) and the property is reassessed.

Under the Program Guidelines for the Tax Increment Grant Program available through the Heritage CIP, the start of the grant period (Year 1) is similarly defined as *Year 1 of the program will be defined as the first full calendar year that taxes are paid after the project is completed (i.e. after the development period) and the property is reassessed.* However, the term “development period” is not defined in the Heritage CIP.

For the Brownfields CIP, the start date (Year 1) and development period are defined as commencing at the end of the rehabilitation period, and running until the amount of incentives equals the value of the rehabilitation (in this instance, up to the cap of \$2.5 million), the date of occupancy, or if applicable, three years from the passage of the enabling by-law for the Property Tax Assistance program.

Staff have interpreted the start date (Year 1) for the Heritage CIP to begin after the Brownfield CIP Tax Increment Grants have been paid and running until the amount of incentives equals the value of rehabilitating / restoring the designated heritage property.

Staff are recommending that Year 1 for incentives under both the Brownfield CIP and the Heritage CIP be determined as provided under each of the programs separately, meaning that the Start Date would differ for the two programs. This would mean that McCormick would be eligible for incentives under the Brownfields program for up to three years. McCormick would also be eligible for the full ten years under the Heritage Tax Increment Grant Program, but would be able to choose the Start Date at a future time different than the Start Date for the Brownfields incentives.

--	--

Planner: G. Bailey

For the purposes of calculating the Year 1 value for the incentives, the pre-assessment value would be the same as the value used for the Brownfields incentives.

It is not possible to precisely estimate the size of the grants that would apply to the McCormick site until such time as the conversion of the factory is completed and the post-development assessment value has been established by the MPAC. However, based on preliminary construction estimates and assumptions about the applicable tax rates, grant values are provided below with the estimated year the grant payments would be made based on a draft construction timeline provided by McCormick:

Year	Grants
2020	\$259,781
2021	\$259,781
2022	\$259,781
Total	\$779,343

Note: These estimates only reflect the factory conversion

Green Municipal Fund

The Federation of Canadian Municipalities’ Green Municipal Fund (GMF) offers funding to the private sector (as partners of municipal governments) for brownfield site remediation or risk assessment work. For McCormick to be eligible for the GMF there must be a collaborative relationship between McCormick and the City regarding the environmental initiative and the City must at least have a genuine interest and an active involvement in the environmental initiative for McCormick to successfully obtain GMF funding. To be eligible as a private-sector partner, McCormick must provide official documentation to demonstrate that the City is supporting the project. In discussion with a GMF adviser, a Council Resolution approving Brownfield incentives would suffice as official documentation to demonstrate the City’s genuine interest and financial contributions to the project.

Approving up to \$2.5 million in Brownfield incentives and in addition to the Heritage CIP financial incentives should represent a municipal contribution that is significant enough to qualify the project for the GMF’s Brownfield Remediation low interest loan. As noted in the business case, without access to the GMF’s low interest loan, the undertaking of this project may be delayed.

Brownfield CIP Incentives Summary

Incentive Programs	2017	2018	2019	2020	2021	2022	2023	2024	2025 or later	Total
DC Rebate									\$1,245,938	\$1,245,938
Tax Grant				\$259,781	\$259,781	\$259,781				\$779,343
Property Tax Assistance - Municipal	\$16,595	\$16,595	\$16,595							\$49,785
Property Tax Assistance - Education	\$10,143	\$10,143	\$10,143							\$30,429
Total	\$26,738	\$26,738	\$26,738	\$259,781	\$259,781	\$259,781	\$0	\$0	\$1,245,938	\$2,105,495

As seen in the above summary table, the three Brownfield CIP programs do not reach Staff’s recommended up to \$2.5 million cap. Staff have requested the cap to be higher than the estimates due to: the uncertainty around the estimates for the programs, the municipal contribution requirements of the GMF low interest loan, and the difficulty in determining the timing of the DC Rebate grant.

Evaluation of McCormick Application and Business Case

The McCormick application and business case submission were circulated and reviewed by staff. The McCormick application and business case submission has confirmed that the site constitutes a brownfield under the definition in the CIP and that under existing Provincial

--	--

Planner: G. Bailey

legislation, the proposed residential development project cannot proceed until such time as site remediation has been undertaken and a Record of Site Condition has been filed in accordance with the relevant provisions under the *Environmental Protection Act*.

Since the Brownfield incentives involve the expenditure of public funds, Municipal Council should be satisfied that the public and economic benefits associated with the McCormick project will outweigh any costs incurred by the City. Several attributes that have been identified, as follows:

1. Remediation of a site for residential development that was previously contaminated through industrial uses and does not meet current Provincial regulatory standards;
2. The proposal constitutes development on a fully serviced heritage designated property;
3. Facilitate the rehabilitation of a heritage designated property with significant importance to the surrounding neighbourhood and city;
4. The proposal supports the principles and objectives of the McCormick Area Secondary Plan;
5. The creation of a new public park;
6. The development will include residential units and/or offices, providing new accommodations in the area and contributing to the ongoing revitalization of the Old East Village through:
 - a) Increasing Old East Village foot traffic;
 - b) Providing additional “eyes on the street” and an increased presence at night;
 - c) Helping support rapid-transit ridership;
 - d) Promoting Old East Village residential neighbourhood development;
 - e) Supporting local business development.
7. The development will eventually generate significant tax revenues over and above the grants that are provided for it under either the Heritage CIP and Brownfield CIP;

Further, in evaluating applications, the Brownfield CIP programs note that approval of the incentive(s) may be recommended where:

- a) The landowner/applicant has not contributed to the site contamination;
 - According to the provided business case, McCormick Villages Inc. did not contribute to any contamination since purchasing the site. Staff agree that the landowner/applicant has not contributed to the previously contaminated site.
- b) There are no outstanding property taxes, municipal orders or by-law infractions on the subject property;
 - This requirement is normally confirmed prior to issuing a grant. If there are any outstanding property taxes, municipal orders, or by-law infractions on the property, staff asks the applicant to clear the outstanding issue(s) prior to the grant cheque being requested.
- c) All relevant supporting documentation and reports (i.e. ESA’s, Remedial Actions Plans, Risk Assessments) have been provided to the City;
 - All documents and reports 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;
 - The magnitude of the incentive ask is outweighed by the benefits provided by the project including the increase in taxes and its contribution to the continued revitalization of the Old East Village;
 - The project supports the principles and objectives of the McCormick Secondary Plan, which would be in the public interest.
- e) The incentives are considered necessary to make the remediation and redevelopment

--	--

Planner: G. Bailey

of the subject property feasible;

- McCormick has provided a cost estimate for the site remediation and the conversion of the factory. The total estimated cost including site remediation is just under \$40 million. The estimated remediation cost is \$8,117,500, which is a sizable sum of money to spend to ensure the site is developable.
- f) The amount of available and budgeted municipal funding is sufficient to cover the cumulative cost of all incentives that have been approved;
- In reviewing site specific applications for Brownfield incentives it is important to consider the implications that potential expenditures will have on overall program funding. The funding for brownfield remediation under the Brownfield CIP comes from an annual allocation of Federal Gas Tax of \$350,000 which is maintained in the Federal Gas Tax Reserve Fund. The balance in this Reserve Fund includes the staff recommended capped remediation costs of up to \$2.5 million;
 - Other applications for Brownfield incentives will likely be received in 2017. These applications are incorporated into the allocation as they arise.
- g) Municipal Council deems that the costs associated with providing the program incentives are outweighed by the cumulative benefits of providing the incentive(s).
- Municipal Council to decide based on this staff report and its recommendation and the applicant's input including the business case.

In reviewing the business case, it should be noted that included in the \$6,000,000 estimated cost for environmental site decommissioning is the demolition of the rear portion of the building that is not being retained and the removal of all designated substances and hazardous materials from the demolished section. While building demolition and removal of hazardous materials may be approved as an eligible remediation cost under the Brownfield CIP, in keeping with previous brownfield applications, staff believe that the building demolition component will have to be undertaken whether or not the site is a brownfield. Also, the removal of the hazardous materials associated with the demolition could be considered a normal cost of business. As a result, the demolition of the rear portion of the building and the removal of hazardous materials and designated substances in the demolished section will not be considered eligible costs. The removal of the designated substances and hazardous materials from within the retained building is an eligible cost under the Brownfield CIP.

Lastly, Brownfield incentive applications satisfy 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, brownfield remediation 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.

Overall, the McCormick project represents a significant investment in the Old East Village area and should be supported financially by incentives that are targeted for site remediation. The municipal component of the 2016 property taxes on the non-remediated site equals \$22,126 per year. After the factory is rehabilitated, the municipal portion of the taxes are roughly estimated at \$259,781 per year. This is an increase in taxes of \$237,655 per year. However, taxes on the property will continue to increase as the other residential buildings and townhouses approved in the conceptual plan are built and reassessed.

The value of all incentives that are provided under the Brownfield CIP are capped once it reaches up to \$2.5 million in eligible cost of remediation incurred by the property owner. For this reason, incentives that are provided under the Brownfield CIP must be allocated and administered separately from those provided under the Heritage CIP. In the business case submission, McCormick provided a breakdown of estimated remediation costs that would be eligible for incentives under the Brownfield CIP. These costs are based on available information and some assumptions about the environmental standards that are applied under existing Provincial Regulations.

--	--

Planner: G. Bailey

CONCLUSION

McCormick Villages Inc. is proposing a major development in the Old East Village which includes the restoration and conversion of the McCormick factory building on a site that is contaminated from past industrial activity. In addition to the environmental benefits that will result from site remediation, this development will provide substantial public and economic benefits including the provision of new residential and/or office units, contribute to the continued revitalization of the Old East Village, and the generation of significant new tax revenues for the City.

Zoning for the proposed development was approved by City Council in 2015. McCormick retained the services of Englobe to prepare a Phase II Environmental Site Assessment, which provide information on the existing environmental conditions and confirms that site remediation is required so that the development can satisfy Provincial environmental standards. The McCormick application includes a business case submission with a detailed breakdown of estimated remediation costs of \$8,117,500. Due to available funding, Staff have recommended the amount of brownfield funding be capped at up to \$2.5 million.

The proposed development merits incentives that are specifically targeted to the cost of site remediation to meet Provincial environmental standards. Based on a review of the business case submission and consideration of available funding under the Brownfield CIP, the following incentives are being recommended to cover eligible site remediation costs associated with the McCormick application up to a maximum amount of \$2.5 million:

- a) Development Charge Rebate Program – a rebate grant to be provided equivalent to 50% of the DCs that would normally apply to the development; and
- b) Tax Increment Equivalent Grant Program – a rebate grant to be provided for up to three years post development (after the assessed value has increased).
- c) Property Tax Assistance Program – cancellation of 25% of municipal property taxes for up to three years during the rehabilitation and redevelopment of the site, as defined in the CIP;
- d) Property Tax Assistance Program – adoption of a By-law by Municipal Council and request to the Minister of Finance to support the cancellation of 25% of matching Education taxes (Note: this application is subject to separate evaluation and approval by the Minister of Finance).

Prior to the issuance of any incentives an agreement will be executed between McCormick and the City outlining the nature of the development proposal and specifying the relevant terms and conditions that apply under the provisions of the Brownfield CIP.

--	--

Planner: G. Bailey

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

April 4, 2017

GB/gb

Attached: Appendix "A" – Business Case Submission

Y:\Shared\policy\Brownfields\Applications\1156 Dundas Street (McCormick)\McCormick Villages Inc. - 1156 Dimdas Street - Brownfield PEC Report Rev4.docx

Agenda Item # Page #

--	--

Planner: G. Bailey

Appendix "A" – Business Case Submission