

Report to Planning and Environment Committee

To: Chair and Members
Planning & Environment Committee
From: John M. Fleming
Managing Director, Planning and City Planner
Subject: Medallion Realty Holdings
Application for Brownfield Incentives – 391 South Street
Meeting on: July 16, 2018

Recommendation

That, on the recommendation of the Managing Director, Planning and City Planner, the following actions be taken with respect to the application of Medallion Realty Holdings (“Medallion”) relating to the property located at 391 South Street:

- (a) A total expenditure of up to a maximum of \$4,328,520 in municipal brownfield financial incentives **BE APPROVED AND ALLOCATED** at the Municipal Council meeting on July 24, 2018 under the following two 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 Medallion Realty Holdings on the project;
 - ii) Provide tax increment equivalent grants on the municipal component of property taxes for up to three years post development.

IT BEING NOTED THAT no grants will be provided until the work is completed and receipts are obtained showing the actual cost of the remediation work.

- (b) 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 conservation of the Colborne Building on the subject property;
- (c) The Civic Administration **BE AUTHORIZED** to process the brownfield incentive application prior to Medallion Realty Holdings obtaining ownership of the subject property;
- (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 Municipal Council under the Brownfield CIP.

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

Executive Summary

Summary of Request

Medallion is seeking financial incentives through the Brownfield CIP to cover the cost of remediating the property at 391 South Street in order to construct new residential units on the Old Victoria Hospital Lands including the conservation of the existing Colborne Building. Municipal Council approval is required for Brownfield CIP financial incentive programs and this approval is required prior to the start of remedial activities. Medallion will also be submitting a future application for incentives through the Heritage CIP.

Purpose and the Effect of Recommended Action

The purpose and effect of the recommended action is to provide a total expenditure of up to a maximum of \$4,328,520 in municipal brownfield financial incentives through the Development Charges Rebate Program and Tax Increment Equivalent Grant Program.

Further, as Medallion is not yet the property owner, the recommended action is seeking Municipal Council authorization to process the application prior to Medallion obtaining ownership of the subject property.

Rationale of Recommended Action

1. The development represents a significant investment in SoHo and the Old Victoria Hospital Lands including the construction of 620 new residential units on a fully serviced site;
2. The development will help gain access to the Thames River in SoHo;
3. The development supports the vision of the SoHo Community Improvement Plan and the purpose of the Old Victoria Hospital Lands Secondary Plan;
4. The development will eventually generate significant tax revenues over and above the grants that are provided. At full project build out, the municipal portion of the taxes are estimated at \$2.1 million per year;
5. Brownfield incentive applications satisfy the Growing Our Economy Strategic Area of Focus in the *Strategic Plan for the City of London 2015 – 2019* including supporting 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.

Analysis

1.0 Relevant Background

1.1 Brownfield Community Improvement Plan

The Community Improvement Plan (CIP) for Brownfield Incentives was adopted by Municipal 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, and are considered individually based on the evaluation of a business case from the applicant and the availability of program funding.

1.2 Community Improvement Plan 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.

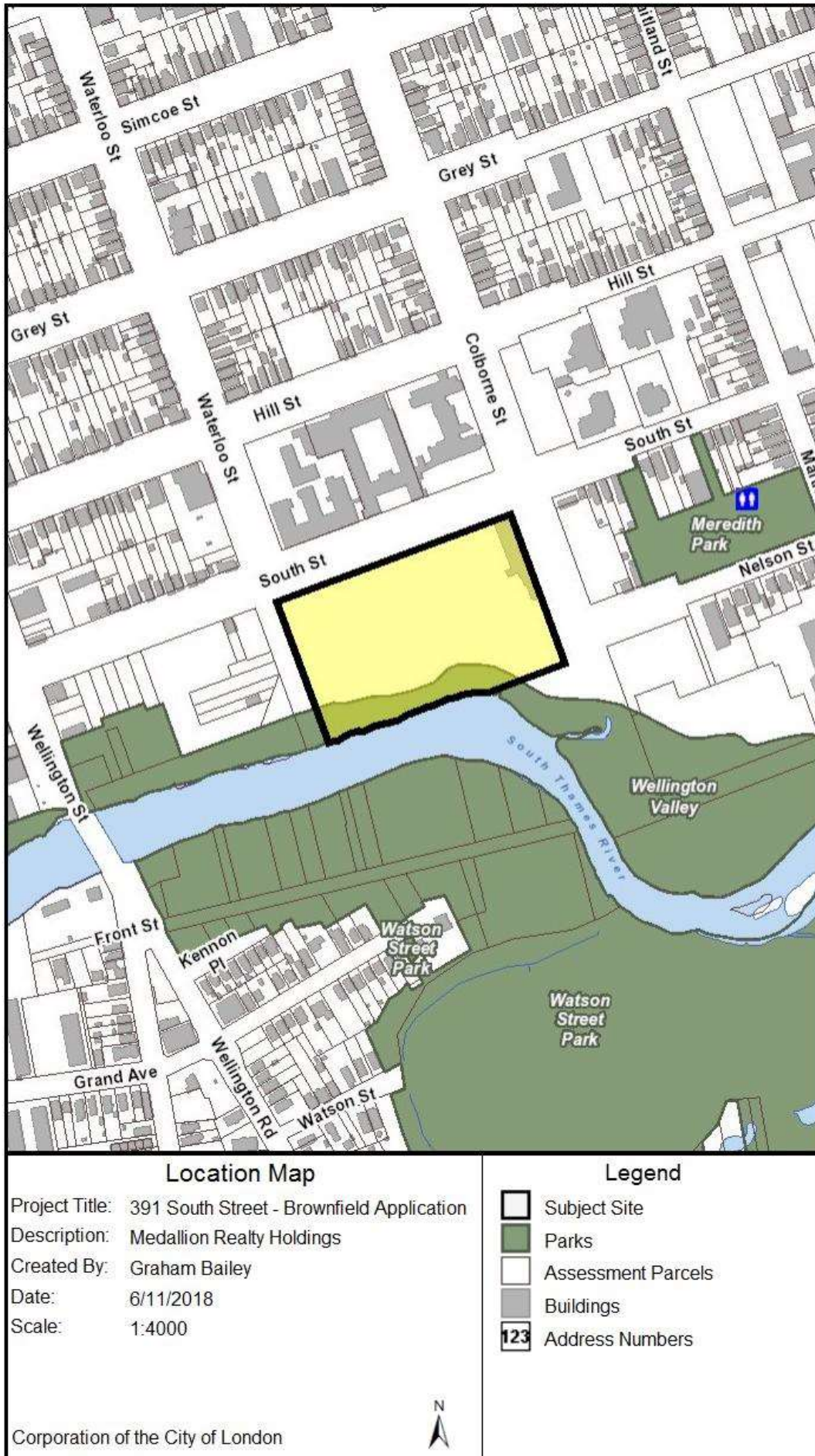
1.3 391 South Street Development Project – Old Victoria Hospital Lands

The project comprises a mixed-use development within the Old Victoria Hospital Lands in SoHo. The proposed project includes the retention and adaptive reuse of the existing Colborne Building. The Colborne Building is being considered for a commercial ground floor with residential uses on the upper floors. The project also consists of a residential development with two apartment buildings of 19 and 23 storeys set atop a podium of 3-8 storeys. Additional project details are available in the applicant’s business case (Appendix “A”). It should also be noted that the proposed project in the business case may not be exactly the same as the project that appears on a future Planning and Environment Committee agenda seeking a Zoning By-law Amendment. Any project details available during the Brownfield CIP application process should not be used to pre-determine the decision of a future Zoning By-law Amendment application.

Figure 1 – 391 South Street – Northeast Rendering



1.4 Location Map – Entire 391 South Street Parcel



1.5 Location Map –391 South Street – Subject Site



1.6 Site Remediation Investigations

Under Provincial Regulation, it is mandatory that a Record of Site Condition (RSC) be filed with the Ontario Ministry of Environment and Climate Change (MOECC) for contaminated properties if a land use change is proposed, to confirm that the site is 'clean' and that the property meets the applicable site condition standards for the intended use.

As part of the decommissioning of the London Health Sciences Centre South Street Campus, remediation of the subject site to remove contaminant levels such that the remaining material met the generic MOECC Table 3 Standards for residential/parkland/institutional (RPI) property use was undertaken. Three separate RSC were filed for the subject site by the City of London in 2011 (#109518 – April 14, 2011, #110712 – May 5, 2011, and #109520 – June 22, 2011). Based on the RSC, the subject site was deemed ready for development.

In July 2011, the MOECC published updated *Soil, Groundwater and Sediment Standards for use under Part XV.1 of the Environmental Protection Act*. This “raised the bar” on environmental clean-up requirements, Province-wide.

Upon being selected as the preferred respondent to the Request for Proposals for the redevelopment of the site, Medallion undertook a due-diligence review of the 2011 RSC and retained WSP Canada Inc. (WSP) to conduct further environmental testing on the subject site.

WSP prepared updated Phase I and Phase II Environmental Site Assessment (ESAs) for Medallion in 2017, which confirmed the presence of several potential contaminants on the site, including: heavy metals, salt, polycyclic aromatic hydrocarbons (PAHs) and polychlorinated biphenyls (PCBs) that exceed the revised generic MOECC Standards as published in July 2011.

One of the requirements of the Brownfield CIP is that an RSC must be submitted to the City and filed with the MOECC prior to commencing the residential development. In this instance, the City is of the opinion that the filing of an additional RSC is not required as the previous RSC filed for the property is still valid if the land use at that property has not changed since its filing. However, revisions to the generic provincial RPI site standards by the MOECC means that some of the soil being removed from the site to facilitate redevelopment is not of sufficient quality to be sold or re-used in a residential/RPI setting and must be disposed of at an MOECC approved facility. This creates a unique situation where the site has an RSC and can be developed without the need for filing an additional RSC, but impacted soil is of insufficient quality to be relocated for re-use and must be disposed of at a cost to the developer and therefore, creating an obstacle to redevelopment.

As a result and as discussed in more detail in Section 2.3, Staff are recommending that the disposal of impacted soil that must be disposed of at a landfill and cannot be sold or re-used on another site in an RPI setting should be considered an eligible brownfield remediation cost for the purposes of receiving Brownfield CIP grants.

1.7 Heritage Community Improvement Plan

The 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 conservation and conversion of the Colborne Building 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 financial incentive for the applicant, beyond the Brownfield incentive programs. However, it is important to recognize that these same Heritage incentives are available to all eligible heritage properties within the Heritage CIP Project Area. Also, the combined incentives for all CIP programs will never exceed the total DCs paid or the taxes paid in any given year. The RFP to purchase the property contained a \$2 million cap on the total amount of Heritage CIP incentives available to the successful proponent.

The eligibility for 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 in the Heritage CIP will be offered for upgrades that compromise the reasons for designation of the heritage building.

To reiterate, the incentives which are the subject of this report relate to the costly remediation of brownfield conditions on the subject property. 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 Community Improvement Project Area. 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.

A Heritage CIP application is expected from Medallion once it is closer to beginning re-purposing on the Colborne Building. Heritage CIP applications are delegated to Planning Services staff for approval.

2.0 Consideration of Brownfield Incentives

2.1 Brownfield Community Improvement Plan

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”.

Medallion is applying for funding under the Brownfield CIP for financial assistance to ensure site conditions meet the updated MOECC Table 3 Standards for residential property use. 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 (RAPs), Risk Assessments (RAs)) 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.

If the application is endorsed by Municipal Council, the CIP requires an agreement 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.

In this instance, the City of London is the property owner and is negotiating a purchase and sale agreement with Medallion for the sale of the site. A custom brownfield agreement will be required between the City and Medallion to recognize that ownership has not yet changed hands. As a recommendation to this report, Municipal Council direction is being sought to process the brownfield application prior to Medallion taking ownership. Upon completion of the site remediation work, Medallion must provide the City with documentation to confirm that the required work has been undertaken in a satisfactory manner and paid for. Proof of remediation and payment is also required. If the actual costs of remediation are less than the upper limit of the grant, only those actual costs of remediation will be paid for through the grant.

2.2 Business Case (Appendix “A”)

The business case from Medallion includes a detailed estimate of site remediation costs based on the findings of the Phase II ESA, completed by WSP in 2017. The costs that were identified in the business case as potentially being eligible for incentives under the Brownfield CIP are summarized below:

Table 1 - Medallion - Site Remediation Costs

Site Remediation Associated Works	Estimated Costs
Removal of soil impacted by heavy metals, salt, polycyclic aromatic hydrocarbons, and PCB’s to an average depth of 2.6 m and amounts to 48,000 tonnes	\$3,744,000
Boundary soil retention	\$159,120
Groundwater treatment and/or discharge	\$60,000
Review Consultant	\$60,000
Environmental Consultant	\$305,400
Total Estimated Cost	\$4,328,520

The estimated remediation costs in Table 1 are explored in greater detail in Section 2.3.

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

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 through the program.

The following table estimates the DCs related to the proposed mixed-use project based on 620 residential units with 37 studio apartments, 384 one-bedroom apartments, 167 two-bedroom apartments, and 32 three-bedroom apartments. It should be noted that this unit mix is still preliminary, will be confirmed through the site plan approval process, and is only used for estimating the DC Rebate Grant for City budgeting purposes.

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Table 2 - Estimated Preliminary Development Charges for Medallion project

	1 bedroom	2 bedroom	Commercial (sq. m)
2018 DC Rate	\$14,162	\$19,110	\$277.41
# of units			
# of sq. m	421	199	279
Estimated DC Amount	\$5,962,202	\$3,802,890	\$77,314
Total DC Amount	\$9,842,406		

Under the Brownfield CIP up to 50% of the total amount (\$9,842,406 x 50% = \$4,921,203) may be rebated to cover eligible remediation costs that are incurred by the property owner. This estimate may not reflect the actual 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, it should be noted that DC credits for the demolition of the previous hospital buildings on the site had not been taken into account.

Based on the previous demolition, DC credits for the property are estimated to be in the magnitude of \$4,281,606.

Based on the DC payable for the proposed complete site build out of \$9,842,406 minus the DC credit of \$4,281,606 equals a net DC payable of \$5,560,800. Again, this is a rough estimate for grant budgeting purposes and the amount of DC credits and the net DC payable will be determined by the Chief Building Official (or designate).

As a result of the available DC credit, the net DC payable is now estimated at \$5,560,800 with up to 50% of this amount (\$2,780,400) 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 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 begin to issue the Brownfield DC Rebate grant to Medallion after the DCs have been 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 pre-development 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.

It is not possible to precisely estimate the size of the grants that would apply to the Medallion site until the post-development assessment value has been established by the Municipal Property Assessment Corporation (MPAC). However, based on preliminary construction estimates and assumptions about the applicable tax rates, estimated grant values are provided below:

Table 3 - Estimated Tax Increment Equivalent Grant for Medallion Project

Year	Grant
1	\$2,099,395
2	\$2,099,395
3	\$2,099,395
Total:	\$6,298,186

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The grant values found in Table 3 above are based on the full build out of the entire project. If one residential tower is built and reassessed before full project build out, the Tax Increment Equivalent Grant may be calculated on that individual tower. It should be noted that based on the estimated remediation cost and estimated DC Rebate grant, the full amount of the grants summarized in Table 3 will not be required.

Again, it is important to reiterate that the combined benefits provided under the Brownfield CIP DC Rebate and Tax Increment Equivalent Grants may not exceed the actual cost of remediating the subject property and/or the final grant value approved by Municipal Council.

Combining the Brownfield CIP Tax Grant Program and Heritage CIP Tax Grant Program

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, 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.

Clause b) in the recommendation is staff seeking direction for 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. The implications of this are that Medallion would be eligible for incentives under the Brownfields program for up to three years. Medallion would also be eligible for the full ten years under the Heritage Tax Increment Grant Program for the conservation of the Colborne Building up to the value of the eligible heritage construction costs, but would be able to choose the Start Date at a future time different than the Start Date for the Brownfields incentives. 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.

2.3 Evaluation of Medallion Application and Business Case

Staff Comments

The Medallion application, business case, and Phase I and II ESAs completed by WSP in 2017 were circulated and reviewed by City staff. Numerous emails and phone calls between staff and the applicant's team to discuss the application and business case also occurred.

Staff's comments and Stantec/WSP/Medallion's responses are in Appendix B.

The Requirement for a Record of Site Condition (RSC)

Both the Development Charge Rebate Program and the Tax Increment Equivalent Grant Program require an RSC, certifying the site has been remediated to appropriate contaminant levels according to Provincial criteria. The RSC must be submitted to the City and acknowledged by the MOECC prior to commencing any development or redevelopment on the site.

In this instance, the site already has a previously filed RSC that in the City's opinion indicates that the site is fit for redevelopment. However, as previously indicated in this report, impacted material that cannot be moved or used in a residential or RPI setting is a financial obstacle to the redevelopment of the site.

Further, Medallion has indicated that the filing of a new RSC is required in order for it to be eligible for a mortgage on the property as a financial institution will not lend money at favourable terms if the property does not have a current RSC reflecting that the site has been remediated to the up-to-date residential standards.

Tipping Fees

In the business case, Medallion has indicated a \$35/MT brownfield waste tipping fee. This figure is consistent with the tipping fee previously used for the Rygar Properties and McCormick Villages business cases and applications that were approved by Municipal Council. The rationale for a \$35/MT tipping fee compared to the \$31/MT tipping fee at the City's W12A landfill include:

- The City's W12A landfill is not a large landfill site and cannot guarantee to take all the impacted material. This site can also limit the amount of impacted material accepted per day;
- The possibility of using a private landfill site (e.g. GFL in Dorchester, Ontario), where tipping fees are \$35/MT.

As a result, Staff accepts the \$35/MT tipping fee as appropriate.

Further, once the remediation work is completed, receipts are required from Medallion to determine the actual cost of the remediation work including tipping fees.

Similarly, Medallion has indicated a \$30/MT excavation and trucking fee. This figure is consistent with previous Brownfield CIP application and business cases. Staff accepts the \$30/MT excavation and trucking fee as appropriate.

Previous Brownfield CIP Applications

Although Brownfield CIP applications are reviewed on a case-by-case basis, a brief review of the previous Brownfield CIP incentive applications helps Staff ensure the applications are evaluated in a fair and transparent manner. The eight previous Brownfield CIP incentive applications that have been approved by Municipal Council are:

- 570 Nelson Street (Nelson Park Inc.) – Approved February 5, 2008 for up to \$200,000. A total grant of \$161,192 was paid on October 17, 2008;

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- 704-738 King Street and 380-382 Lyle Street (Medallion Properties Inc.) – Approved February 24, 2009 for up to \$567,095. A total grant of \$361,790 was paid to the applicant on February 23, 2015;
- 726-748 Dundas Street (Terrasan 744 Dundas Street Limited) – Approved October 6, 2009 for up to \$124,341. Due to the applicant's bankruptcy, the grant was never paid;
- 585 Waterloo Street (2386225 Ontario Ltd.) – Approved December 9, 2015 for up to \$275,000. A grant has yet to be paid as the site has not been remediated;
- 27 Centre Street (Escalade Property Corp.) – Approved May 4, 2016 for up to \$169,500. Site remediation has finished and a Record of Site Condition was filed with the Province on April 4, 2017. A grant for \$169,500 was issued to the applicant in April 2017;
- 100 Fullarton Street, 475-501 Talbot Street, and 93-95 Dufferin Avenue (Rygar Properties Inc.) – Approved May 2, 2017 for up to \$2,735,007. 64% of the estimated remediation cost is the disposal of contaminated soil that cannot be sold or reused in an RPI setting. To staff's knowledge site remediation has not begun;
- 1156 Dundas Street (McCormick Villages Inc.) – Approved May 2, 2017 for up to \$2,500,000. Site remediation work began in 2018.
- 32, 36, and 40 York Street (Tricar Properties Limited) – Approved January 31, 2018 for up to \$192,000. Site remediation work began in 2018.

For the previous eight brownfield applications, contaminated soil that was required to be excavated, removed, and disposed of was considered an eligible remediation cost under the Brownfield CIP, even if that soil was located where underground parking, building foundations, and/or basements would be constructed.

Refinement of Estimated Remediation Costs

In reviewing the application and business case and recognizing that the requested grant is a significant amount of money, Staff and Medallion discussed options to refine the estimated remediation costs and help assure that everything will be done to ensure the full maximum grant amount is not needed unless absolutely necessary.

- City staff discussed the inclusion of the Boundary Soil Retention (shoring) value included in the business case and its eligibility for the grant programs. Medallion indicated that the shoring needs to be put in place along the north side of the property as the alternative, being an open cut, would result in the removal of more fill material than already proposed. Staff accept this rationale for the inclusion of the boundary soil retention and note that the cost was approved in a previous Brownfield CIP application.
- City staff will discuss internally about economies of scale at the W12A landfill site to explore the potential of a reduced tipping fee to help lower the overall cost of disposing of the soil. Disposing of the soil at W12A will bring in revenue to the City and also help off-set the grant amount that the City will pay out to Medallion. Any proposed change to tipping fees will require a report to Municipal Council seeking approval to modify the Fees & Charges By-law.
- The idea of potentially combining the City led remediation of the Old Victoria Hospital Lands for the promenade south of the subject site with Medallion's remediation of the subject site into a combined remediation effort to achieve economies of scale was also discussed. This idea requires further discussion and the timing would need to align to help determine if it is even feasible.

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- WSP Canada Inc. (Medallion’s environmental consultant) has acknowledged that soil testing will be done on-site to help determine if some soil can be treated as daily cover instead of impacted material. Daily cover is subject to a \$9/MT tipping fee at W12A, compared to the \$31/MT tipping fee for impacted material / brownfield waste.
- As identified in the Staff comment section of this report, there are numerous allowances and contingencies built into the business case including:
 - 20% contingency on the removal of soil (\$624,000);
 - 20% contingency on boundary soil retention (\$26,520);
 - Groundwater treatment and/or discharge allowance and 20% contingency (\$60,000);
 - 20% contingency on review consultant costs (\$10,000);
 - 20% contingency on environmental consultant costs (\$50,900);
 - Risk Assessment of heritage building, if required (\$100,000);
 - Record of Site Condition / Preparation of conceptual site model, if required (\$10,000);
 - Hydrogeological Assessment and disposal testing allowance (\$20,000);
 - Groundwater discharge permitting allowance (\$10,000);
 - A total of approximately \$910,000 in contingencies and allowances is including in the grant request. If many of these allowances and/or contingencies are not required then, barring no unforeseen expenses, the actual remediation costs will be lower than the maximum grant request.

Based on the review of the application and business case, as well as the numerous discussions with the applicant, Staff are recommending a total expenditure of up to a maximum of \$4,328,520 in municipal brownfield financial incentives be approved and allocated.

Public and Economic Benefits of remediation and redevelopment

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

1. Remediation of a site that was previously contaminated;
2. The development will eventually generate significant tax revenues over and above the grants that are provided for it under both the Heritage CIP and Brownfield CIP. It is estimated that the development will generate municipal tax revenue in the area of \$2.1 million per year when it is completed;
3. The development will include an estimated 620 residential units, providing new accommodations in the area and contributing to the ongoing revitalization of SoHo through:
 - a) Increasing SoHo foot traffic;
 - b) Providing additional “eyes on the street” and an increased presence at night;

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- c) Helping the success of the proposed SoHo Civic Space across the street from the project;
 - d) Supporting business on the Wellington Street and Horton Street corridor;
 - e) Supporting downtown business development;
 - f) Providing housing options for downtown employees to live and work in the core;
 - g) Promoting SoHo residential neighbourhood development;
 - h) Promoting access to the Thames River;
 - i) Supporting the vision of the SoHo Community Improvement Plan and the purpose of the Old Victoria Hospital Lands Secondary Plan;
 - j) Walking distance to the future BRT on Wellington Street.
4. The proposed development is expected to lead to further improvements of the SoHo area, leading to assessment growth from this core area neighbourhood;
5. The proposal constitutes infill development on a fully serviced site.

Brownfield CIP Criteria Evaluation

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, Medallion 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, RAPs, RAs) 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 request is outweighed by the benefits provided by the project including the increase in taxes and its contribution to the continued revitalization of SoHo.
- e) The incentives are considered necessary to make the remediation and redevelopment of the subject property feasible;
 - Staff are not party to Medallion's financial pro forma for the project and must rely on the submitted business case to help determine if the incentives are necessary to make the project feasible. In this instance, the estimated remediation cost is \$4,328,520, which can be considered

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a significant sum of money to spend to primarily dispose of soil that cannot be used in an RPI setting.

- 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. A grant of this magnitude would likely not be completely covered by the Federal Gas Tax Reserve Fund; instead part of the grant may have to come from other financial incentive funding sources.
- 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.

Strategic Plan for the City of London 2015-2019

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.

Summary

Overall, the Medallion project represents a significant investment in SoHo and should be supported financially by incentives that are targeted for site remediation. The municipal component of the 2016 property taxes on the mostly vacant site is estimated at \$23,363 per year. At full project build out, the municipal portion of the taxes are estimated at \$2.1 million per year meaning that the entire estimated grant would be recovered after approximately two years of taxes after the full project build out.

Further, the value of all incentives that are provided under the Brownfield CIP would be capped once it reaches the total 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, Medallion 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.

3.0 Conclusion

Medallion is proposing a major development in SoHo which includes apartment towers and the conservation of the Colborne Building. This development will provide significant public and economic benefits including the provision of 620 new residential units, contribute to the continued revitalization of SoHo and the generation of significant new tax revenues for the City.

Medallion retained the services of WSP to prepare a revised Phase II Environmental Site Assessment, which provide information on the existing environmental conditions with comparison to the current MOECC criteria. The Medallion application includes a business case with a detailed breakdown of estimated remediation costs and a request for total brownfield funding in the amount of \$4,328,520.

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In addition to the incentives that are available under the Heritage CIP, the proposed development merits incentives that are specifically targeted to the cost of site remediation including the removal of soil that cannot be used in an RPI setting. Based on a review of the business case and consideration of available funding under the Brownfield CIP, the following incentives are being recommended to cover eligible site remediation costs associated with the Medallion application up to a maximum amount of \$4,328,520:

- 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).

Further, staff are recommending that the requested amount of \$4,328,520 in brownfield financial incentives be approved by Municipal Council for the following reasons:

- 1) The Brownfield CIP program requirements make no distinction between the excavation, removal, and disposal of contaminated soil versus a comparable amount of clean soil or the incremental cost difference between removing contaminated soil versus removing an equivalent amount of clean soil;
- 2) The previous eight approved Brownfield CIP applications did not separate out the costs for removing the equivalent amount of clean soil;
- 3) Clean soil is often removed from a site at a marginal cost, no cost, or for a profit to the property owner;
- 4) The \$35/MT tipping fee is a reasonable estimate;
- 5) The actual tipping fees paid for the disposal of the contaminated soil will need to be demonstrated and proof provided to the City before any grants are paid;
- 6) The \$30/MT excavation and trucking fee is a reasonable estimate;
- 7) The actual excavation and trucking fees for removing the contaminated soil needs to demonstrated and proof provided to the City before any grants are paid.
- 8) The City and Medallion will both work to attempt to bring the actual remediation costs lower than the approved grant value by seeking out economies of scale and ensuring on-site testing takes place to help determine if some soil can be treated as daily cover and therefore at a less expensive tipping fee.

Under the provisions of the Brownfield CIP, the overall amount of funding that is provided for all financial incentives is capped when it reaches the value of eligible remediation costs incurred by Medallion. Prior to the issuance of any incentives an agreement will be executed between Medallion 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.

From a business case perspective, the proposed development will bring the following benefits:

- Remediation of a previously contaminated site;
- Generate an estimated \$2.1 million per year in municipal taxes once completed;
- Conserve and re-purpose the Colborne Building;
- Support the ongoing revitalization of the SoHo neighbourhood and the Old Victoria Hospital Lands.

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Acknowledgments

This report was reviewed by staff in Finance and Corporate Services and Environmental and Engineering Services.

Prepared by:	Graham Bailey, MCIP, RPP Planner II, Urban Regeneration
Submitted by:	Britt O'Hagan, MCIP, RPP Manager, Urban Regeneration
Recommended by:	John M. Fleming, MCIP, RPP Managing Director, Planning and City Planner
Note: The opinions contained herein are offered by a person or persons qualified to provide expert opinion. Further detail with respect to qualifications can be obtained from Planning Services.	

July 6, 2018
GB/gb

Attach.

- C. Alan Dunbar, Financial Planning & Policy
Jason Davies, Financial Planning & Policy

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Appendix A – Business Case

See attached.

Appendix B – Staff Comments

In the proposal, the MOECC Table 2 & 3 of the Soil, Ground Water and Sediment Standards for Use Under Part XV.1 of the Environmental Protection Act, (Ontario Regulation (O. Reg.) 153/04 (as amended April, 2011)) are used interchangeably. Although similar, there are minor standard threshold differences between the two standards (i.e., potable scenario versus non-potable scenario). Clarification is required regarding which standard is applicable to the Site.

- **Response:** *As specific approval of the use of Table 3 non-potable groundwater site condition standards was not obtained from the City of London and Middlesex County at the time of the Phase Two ESA, the analytical results were compared to both the Table 2 (potable) and Table 3 (non-potable) Standards. For the purposes of off-site disposal as part of site development, the Table 3 Site Condition Standards for Industrial/Commercial/Community (ICC) land use have been used for comparison as this will dictate the requirement for soil disposal. Comments provided below reflect this comparison.*

The sampling frequency undertaken as part of the Phase II ESA appears to be too coarse to reliably calculate the cost of remedial works. Seven boreholes were advanced within the approximately 0.94 Ha subject area, which represents one borehole per 6,850 MT of soil removed. The coarseness of available data has led to a very conservative interpretation/estimate for the remedial works as proposed, with contingency built in to each individual line item. Please provide additional rationale for this and how you will better delineate between soils that are subject to a \$35/MT tipping fee and soil that can be tipped for less, for example at W12A as daily cover.

- **Response:** *For clarity, a table summarizing the results of the comparison of soil analyses to the MOECC Table 3 ICC Standards is attached. The comparison identified the following conditions:*
 - *FILL soils from all (8) eight boreholes were found to exceed the Table 3 ICC Standards for one or more tested parameters;*
 - *Nine (9) of nine (9) samples of FILL (100%) analyzed for Metals and Inorganics exceeded the ICC Site Condition Standards for one or more parameters tested;*
 - *Five (5) of six (6) samples of FILL (83%) analyzed for Polycyclic Aromatic Hydrocarbons (PAHs) exceeded the ICC Site Condition Standards for one or more parameters tested;*
 - *Testing of the NATIVE soils did not indicate impacts above the Table 3 ICC Standards with the exception of elevated pH in two (2) samples.*
- **Response:** *Based on the foregoing, it was interpreted that the Fill soils are impacted and exceed Table 3 ICC Standards and the Native soils generally meet the Table 3 ICC standards. Soils exceeding Table 3 ICC Standards are not acceptable as daily cover at the City of London landfill site nor other non-licensed receiving sites and require disposal as waste.*

While additional boreholes and sampling can be carried out, the widespread and consistent presence of impacts noted in the Fill soils at all borehole locations and the lack of discernable differences in fill material throughout the boreholes precludes further delineation of impacts and indicates that all Fill soils warrant disposal as waste a licensed receiver.

The proposal indicates that an average depth of 2.6 m was inferred for the removal of impacted soils. Is this the average depth/thickness of fill material across the Site? Can Stantec/WSP provide a rationale for this thickness? Is this a “worst-case” thickness depth?

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- **Response:** *The depth of Fill was based on the depth of fill encountered at each borehole (which ranged from 0.8 to 4.1m) and a sum of the weighted average of the approximate area around each borehole and the associated depth of fill at the borehole.*

The proposal indicates that a 20% contingency (amounting to \$624,000) was applied to the conservative estimate for the removal of impacted soils. If the proposal is to remove all fill materials from the subject area, how/when would this contingency amount be used?

- **Response:** *As the depth of fill was variable across the site (ranging from 0.8 to 4.1m as noted above), the actual volume is difficult to accurately assess. It is worth noting that the contingency of 20% is simply an allowance. The actual volume (or weight) can be confirmed through disposal way bills from the disposal site.*

The proposal outlines a cost associated with the treatment and discharge of groundwater in the amount of \$60,000. The work completed by WSP indicates that shallow boreholes were dry upon termination within the fill layer, and the shallowest static level encountered within the native soils (silt till) was at approximately 8.5 mbgs, well below the proposed excavation depth. Further, groundwater samples collected from the monitoring wells in WSPs Phase II Environmental Site Assessment indicated that all analyzed parameters were below the respective Table 2 and 3 Standards. Can Stantec/WSP provide a rationale for this line item?

- **Response:** *The costs for treatment and discharge of groundwater were carried as an allowance in the event that groundwater and/or surface water is encountered and requires treatment and/or incurs disposal costs related to sewer disposal. These costs are not related to treatment to meet Table 2 or Table 3 Standards.*

The proposal outlines a cost associated with a hydrogeological assessment and disposal testing in the amount of \$20,000 and groundwater discharge permitting in the amount of \$10,000. Can Stantec/WSP provide a rationale for this line item?

- **Response:** *As with the treatment and discharge costs, this item was carried as an allowance to address potential groundwater and surface water disposal issues.*

Please provide more detail on what exactly is Boundary Soil Retention. Is that the shoring of the site due to the removal of the soil?

- **Response:** *Yes, this is shoring along the north property limit to facilitate removal of impacted Fill soils up to the property.*