

To: COUNCIL

Meeting Date: 05/25/21

Subject: Refinements to the Brownfield Financial Incentives Program - Tax Increment Grant (TIG)

Submitted By: Elaine Brunn Shaw, Chief Planner, MCIP, RPP

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Report No.: 21-132(CD)

File No.: 18.04.05.02

Recommendations

THAT Cambridge Council receive Report No. 21-132(CD) – Refinements to the Brownfield Financial Incentives Program – Tax Increment Grant (TIG) as information;

AND THAT in order to align with the Region of Waterloo’s Brownfield Financial Incentives Program – Tax Increment Grant, the indirect remediation costs to a maximum of 10% eligible remediation costs awarded through the City of Cambridge’s Brownfield Financial Incentives Program - Tax Increment Grant (TIG) be reduced to 0% effective June 1, 2021.

Executive Summary

Purpose

- To address the financial challenge of redeveloping a contaminated site, the City of Cambridge and Region of Waterloo jointly offer a Tax Increment Grant (TIG) program to provide financial assistance for the remediation and redevelopment of brownfield sites.
- The City’s TIG program applies city-wide to former industrial sites which are contaminated and are referred to as brownfields.
- Currently the City’s TIG program covers a developer’s direct and indirect costs related to the remediation of brownfield sites.

- Indirect remediation costs such as: planning application fees; legal fees; financing costs; insurance premiums; assessment estimates and the preparation of a Record of Site condition to a maximum of 10% of eligible costs were included as part of the Region's TIG program and removed by the Region of Waterloo in 2019.
- Indirect costs can vary substantially from project to project. For example, the remediation costs at 93 Grand Avenue South were \$160,774 while the remediation costs of the former American Standard property at 19 Guelph Avenue were \$4,161,270. Indirect costs in these examples ranged from \$10,000 to \$416,127 with the City paying its portion of the amount.
- In order to bring the City of Cambridge program into alignment with the Region of Waterloo and other area municipalities, staff is recommending a clause be added to each Tax Increment Grant (TIG) report indicating the indirect remediation costs be reduced to 0%. The City's Brownfield Community Improvement Plan permits this reduction to 0%.

Key Findings

- Given the successful completion of several remediation/redevelopment projects, City staff no longer thinks it is necessary to reimburse a project 100% of direct and 10% of indirect eligible remediation costs. This refinement still makes the TIG program attractive and exceeds many other municipal TIG programs.
- The Regional Brownfield Financial Incentive Program – TIG was amended in 2019 to remove the 10% indirect costs to the program. Both Kitchener and Waterloo are refining their programs to remove the 10% indirect costs.
- Staff is therefore recommending the addition of a clause to each TIG report indicating the maximum 10% indirect costs is reduced to 0% as permitted by the City's Brownfield Community Improvement Plan. The starting date of June 1, 2021 is recommended for ease of implementation.

Financial Implications

- After development is completed, the property gets reassessed by the Municipal Property Assessment Corporation. The property owner then pays the City and Region the full amount of the reassessed taxes. Then the City and Region grant back an agreed upon portion of the taxes each year (like a rebate) to the property owner. This grant occurs for up to 10 years, or less to cover the cost of remediation (minus any other financial incentives). Residents of the new buildings will be able to use City services paid for by the rest of the tax base until the grant is fully paid. However, that is considered a reasonable outcome based upon a brownfield property being redeveloped.

- The tax revenue which results from the increased assessment once the property has been redeveloped is used to fund the City's share of the annual TIG payment. Remediation costs vary from one project to the next, and so the indirect costs can vary as well from \$10,000 to \$500,000 depending on the extent of the remediation. The City has been responsible for its portion of the indirect costs. and is considered a reasonable outcome based upon a brownfield property being redeveloped.

Background

The purpose of the Tax Increment Grant (TIG) is to encourage brownfield remediation and redevelopment city-wide. A brownfield is defined as a:

“site which contained environmental contamination in the ground or buildings due to the operational activities of a previous land use, where the extent of the contamination rendered the property vacant, under-utilized, unsafe, unproductive or abandoned, and which a Record of Site Condition was filed”.

Brownfields are often located within Built-Up Areas where intensification and redevelopment are desired. The goals of the program are to encourage: the remediation and redevelopment of brownfield sites; to promote Reurbanization; and, to better utilize land and infrastructure within the city.

A TIG is a grant equal to the full amount, or a portion of the amount that municipal property taxes increase after a property is reassessed. The tax increment is calculated using the change in current value assessment following the completion of the remediation and redevelopment of the property. The increase in taxes, or tax increment, is based on the estimated increase in the Cambridge and Regional portion of property taxes and is calculated by subtracting the Cambridge and Regional portion of the property taxes before reassessment. The difference in taxes, or the increment, is used to provide a grant to the applicant for eligible costs associated with the environmental remediation.

Analysis

Strategic Alignment

PROSPERITY: To support and encourage the growth of a highly competitive local economy where there is opportunity for everyone to contribute and succeed.

Goal #1 - Community Wellbeing

Objective 1.1 Work with partners to create a safe, inclusive and accessible city.

Goal #2 - Governance and Leadership

Objective 2.4 Work collaboratively with other government agencies and partners to achieve common goals and ensure representation of community interests.

Goal #5 - Parks and Recreation

Objective 5.3 Develop a strategic approach to programs and services that tie investments/ resources to community outcomes.

The Tax Increment Grant (TIG) is a collaboration between the property owner, the City and the Region of Waterloo to remediate and redevelop brownfield sites. The programme represents a strategic approach involving the two levels of local government and seeks to reduce the financial impacts of remediating and redeveloping contaminated sites typically borne by developers. This will result in the remediation of more contaminated sites providing an overall benefit to the community and potentially help to facilitate additional opportunities for developers who may not have otherwise redeveloped a contaminated site.

Comments

Should Council approve the recommended changes to the TIG program, the changes would be effective June 1, 2021. Future applicants would be advised of the changes and information on the Region's and City's websites would be updated to reflect the revisions to the program. During the consultation with stakeholders undertaken by the Region in 2018, developers understood the rationale for removing the 10% indirect costs and stated the Tax Increment Grant (TIG) remained an important financial incentive. To developers and their financial partners, the TIG signals a strong financial commitment on the part of the Region and area municipalities to support the remediation and redevelopment of contaminated sites. Without this financial commitment, contaminated sites may not be financially viable for remediation and redevelopment.

City staff no longer thinks it is necessary to reimburse a project 110% of direct and indirect eligible remediation costs. Staff is recommending the 10% indirect costs of the eligible remediation costs be reduced to 0% to bring the City's program into alignment with the programs offered by the Region and area municipalities. This reduction is also permitted by the City's Brownfield Community Improvement Plan Indirect costs include: planning fees; legal fees; financing fees; insurance premiums, assessment estimates and the preparation of a Record of Site condition.

Should Council decide to keep the indirect costs at 10%, the City's program would not be in alignment with the Cities of Kitchener and Waterloo and the Region and would provide the developer with more of a credit than the other municipalities.

Existing Policy/By-Law

The City-Wide Brownfields Community Improvement Plan was approved by Cambridge Council in 2010 which implemented the City-wide Brownfields Tax Increment Grant (TIG). Section 28 of the Planning Act sets out the permissions for upper and lower tier municipalities to establish Community Improvement Plans (CIP) and Section 28(7.1) specifically permits, in part, CIPs for environmental remediation. Ontario Regulation 550/06 then establishes the formal requirements allowing both the City and Regional Official Plans to provide the planning framework for the formulation, adoption and implementation of Community Improvement Plans.

Community Improvement Plans (CIPs) are a component of the community planning tools found in the Planning Act which can help municipalities address some of the challenges associated with growth, intensification, transit-oriented development and environmental pressures. Brownfield CIPs offer financial incentives for the rehabilitation and redevelopment of contaminated sites through the Tax Increment Grant (TIG).

Financial Impact

After development is completed, the property gets reassessed by the Municipal Property Assessment Corporation. The property owner then pays the City and Region the full amount of the reassessed taxes. Then the City and Region grant back an agreed upon portion of the taxes each year (like a rebate) to the property owner. This grant occurs for up to 10 years, or less to cover the cost of remediation (minus any other financial incentives). Residents of the new buildings will be able to use City services paid for by the rest of the tax base until the grant is completed. However, that is considered a reasonable outcome based upon a brownfield property being redeveloped.

Since the inception of the Brownfields TIG, more than 10 properties in the city have been the recipients of financial assistance to remediate and redevelop contaminated sites. Brownfield sites can be costly and complicated to remediate and without the financial incentives offered by the Region and City may not have otherwise occurred. Indirect costs vary from project to project and can range from \$10,000 to \$500,000 with the City responsible for its portion of the cost. The reduction of the 10% indirect costs of the remediation to 0% will reduce the grant amount to the applicant but will maintain this program as a robust incentive and is considered a reasonable outcome based upon a brownfield property being redeveloped.

Public Input

Posted publicly as part of the report process.

Internal/External Consultation

The Region held stakeholder consultations in 2018 with Area Municipal staff, developers and environmental consultants who indicated that the financial incentives offered by the Region and Cities provided a level of financial certainty to developers wishing to redevelop brownfield sites. Since that time, Regional and Area Municipal staff have met through the Brownfield Coordinators Committee to discuss how to improve the application process and the appropriateness of providing financial assistance above 100%. Proposed changes to this program and the date for implementation have been shared with the Waterloo Region Homebuilders' Association.

Conclusion

The implementation of a joint Cambridge and Regional TIG has encouraged private investment in brownfield sites for remediation and redevelopment since it was introduced in 2010. Given the success of the program, the Region of Waterloo has removed the 10% indirect costs of eligible remediation costs as part of the grant program. Cambridge City staff is also recommending the 10% indirect costs be reduced to 0% as permitted by the City's Brownfield Community Improvement Plan.

In accordance with the City's strategic plan, the Tax Increment Grant (TIG) is a collaboration between the property owner, the City and the Region of Waterloo to remediate and redevelop brownfield sites. The programme represents a strategic approach involving the two levels of local government and seeks to reduce the financial impacts of remediating and redeveloping contaminated sites typically bourn by developers. This will result in the remediation of more contaminated sites providing an overall benefit to the community and potentially help to facilitate additional opportunities for developers who may not have otherwise redeveloped a contaminated site.

Division Approval



Name: Elaine Brunn Shaw
Title: Chief Planner

Reviewed by the CFO

Reviewed by Legal Services

Departmental Approval



Name: Hardy Bromberg
Title: Deputy City Manager, Community Development

City Manager Approval

A handwritten signature in black ink that reads "David Calder". The signature is written in a cursive style with a large initial 'D'.

Name: David Calder
Title: City Manager

Attachments

None