

## Attachment 2

# Brownfield Redevelopment CIP Performance: 2012-2017

### Introduction

Brownfields are abandoned, idled, or underused properties where expansion or redevelopment is complicated by real or perceived environmental contamination as a result of historical land use practices. These sites can have significant environmental, economic and social impacts on the community. However, remediation and redevelopment can result in improvements to soil and groundwater conditions, lead to job retention and creation, improve public safety and security and allow for efficient use of existing hard and soft services.

The Ministry of Municipal Affairs and Housing approved the City's Brownfield Redevelopment Community Improvement Plan (CIP) in 2004. The CIP includes financial incentive programs that are intended to stimulate private sector investment in the reuse and redevelopment of brownfield sites and partially offset the costs associated with the site assessment, remediation and risk management. That CIP was amended in 2008 and then replaced by a [new CIP](#) in 2012.

### CIP Goals

The main goal of the CIP is to promote the remediation, rehabilitation, adaptive re-use and redevelopment of brownfield sites throughout the City of Guelph in a fiscally responsible manner over the long term.

Other goals of this CIP for the City of Guelph include:

- a) Improve the physical and visual quality of brownfield sites;
- b) Improve environmental health and public safety;
- c) Provide opportunities for new housing, commercial uses and employment uses;
- d) Increase assessment values and property tax revenues;
- e) Make more efficient use of existing infrastructure and services;
- f) Promote the achievement of targets for intensification within the built-up urban area; and,
- g) Promote brownfield redevelopment that is energy efficient and green.

### CIP Financial Incentive Programs

The CIP establishes a framework of incentive programs that use public sector investment to leverage significant private sector investment in brownfield remediation, rehabilitation, adaptive re-use, and redevelopment. The plan includes three complimentary programs that can be applied to the same project.

1. Environmental Study Grant (ESG)
  - Grant equivalent to 50% of the cost of a Phase II Environmental Site Assessment, designated substances and hazardous materials survey, remedial work plan, or risk assessment
  - Maximum grant of \$15,000 per environmental study

- Maximum of two studies per property/project
2. Tax Assistance (TA)
    - Offset site investigation and remediation by cancelling municipal property taxes and education property taxes for up to three years
    - Cancellation of education property taxes is subject to approval by the Minister of Finance
  3. Tax Increment Based Grant (TIBG)
    - Offset site investigation and remediation costs, and LEED® costs using a grant equivalent to 80% of the municipal property tax increase created by the project for up to 10 years after the project completion

### **Monitoring program**

The CIP recognizes the importance of monitoring and making adjustments to the CIP as necessary to help ensure that the goals of this CIP are successfully accomplished. Section 7 of the CIP outlines a set of variables that are to be tracked and that the CIP be reviewed every 5 years. The CIP furthermore recommends consultation with program participants such that adjustments can be made to the programs. This attachment addresses the monitoring provisions of the CIP.

Staff undertook a review of the City's experiences with the CIP programs, and assessed how they have contributed to the CIP's goals. Furthermore, the review evaluates each of the three programs to inform a future amendment to the Brownfield Redevelopment CIP.

The general approach to the Brownfield Redevelopment CIP review is:

1. Project initiation and identification of preliminary issues by staff
2. Data collection and analysis
3. Stakeholder interviews that inform and refine the list of issues
4. Review of other municipal practices as they relate to identified issues
5. Analyse the issues
6. Present CIP performance data and initial directions for changes to the CIP to Council for feedback
7. Develop recommendations and a draft amendment to the CIP
8. Advertise and hold a statutory public meeting of Council to consider the changes to the CIP
9. Consider feedback received at the public meeting and through written submission, and revise the draft CIP as necessary
10. Council meeting to decide on changes to the CIP

Based on the above review, the scope of potential CIP revisions is relatively minor and technical in nature.

### **Stakeholder Interviews**

Because of the minor and technical nature of the scope of anticipated changes to the CIP, the community engagement approach was limited to interviews with key stakeholders who have had direct experience with the programs. They are in the

best position to evaluate the programs' strength and weaknesses. Staff solicited 11 stakeholders for interviews including developers, environmental consultants and Ministry of the Environment and Climate Change (MOECC) staff. Six interviews were conducted and two emails were received.

The project team also interviewed other staff involved in the administration of the CIP programs from the following departments:

- Engineering and Capital Infrastructure Services
- Finance, Strategy & Long-term Planning
- Taxation and Revenue
- Business Development and Enterprise
- Legal, Realty and Risk Services

The key issues and themes through the interviews were:

- Overall, developers thought the program was well developed and effective. Guelph is seen as a leading municipality with respect to incentives for brownfield redevelopments
- Overall, TIBG were considered beneficial to the projects
- There was disagreement as to whether TIBGs could 'make or break' a particular project, with some saying the money came too late in the project development timeline
- City should publicize clear administrative expectations to add confidence and expedite review
- The CIP provided a catalyst for the City to rally around solving non-financial barriers to brownfield projects
- Time to approval by Council was reasonable but administration and implementation was slow in some cases
- Coordination between Downtown and Brownfield programs could be improved
- City should better market the CIP programs
- Fully committing the financial resources early in the program time frame and then having to freeze on Tax Increment Based Grant applications may be holding back projects
- Disconnects between the portion of the Tax Increment that is available for the Brownfield TIBG (80%) vs Downtown and Heritage Grants (100%) present administrative problems and undesirable incentives for applicants.

These themes are addressed in more detail throughout this attachment and will be further considered through the staff report presented at the statutory public meeting for the CIP update.

### **Other Municipal Practices**

Guelph is a member of the Intermunicipal Brownfield Working Group and the Federation of Canadian Municipalities' (FCM) Leadership in Brownfield Renewal (LiBRe) program. These communities of practice provided valuable advice on program refinements and insights on key issues. The results of these discussions are considered throughout the review.

## **Environmental Study Grant Program (ESG)**

The ESG program is a grant equivalent to 50% of the cost of a Phase II Environmental Site Assessment, designated substances and hazardous materials survey, remedial work plan, or risk assessment. The maximum grant is \$15,000 per environmental study, with up to two studies per property/project.

The City has budgeted to pay an annual average of \$50,000 in ESGs. However, the City has only committed to pay \$76,500 since 2011, an average of \$11,000 per year. To date, \$33,000 has actually been paid.

Since staff received delegated authority in 2012 to approve Environmental Study Grants, typical approval timelines have been reduced to less than two weeks. Additional details are included in Table 1 at the end of this report.

The ESG is the CIP's "riskiest" program in that, unlike the other programs, the grant is not tied to the actual redevelopment of a brownfield and does not guarantee and return on investment. However, as shown in table 1, all four of the ESGs that have actually been paid have resulted in a RSC being filed and/or development that is currently underway. Given the low cost of grants, the ESG is bearing results that advance the CIP objectives.

Several stakeholders, both internal and external suggested that the grant maximums should be increased to reflect the increasing costs of conducting Phase II Environmental Site Assessments, and this is generally supported by staff.

## **Tax Assistance Program (TA)**

The Tax Assistance (TA) program offsets site investigation and remediation costs by cancelling municipal and education property taxes for up to three years. Cancellation of education property taxes is subject to approval by the Minister of Finance.

The City and Province have approved Tax Assistance (TA) for three properties since 2009. Two of the sites received less than the three years of tax cancellation because the site was sold within that period. The value of the Municipal taxes cancelled was \$96,000. This was matched by \$59,000 in Provincial education taxes cancellation. Additional details on the TA program are included in Table 2.

The value of the Tax Assistance program is only 2-5% of the value of TIBGs on the same sites. Despite its relatively low value, the Tax Assistance program is uniquely valuable for two key reasons:

1. Timing of money: taxes are waived during remediation and redevelopment period for up to three years or until investigation and remediation expenses are offset. Under the TIBG program, funding comes much later after the project has been built and occupied, potentially often three or more years later than the TA incentives.

2. Provincial funds: unlike the TIBG program, education taxes collected on behalf of the Province can be cancelled under the TA program.

However, the Province has been very slow in approving education tax cancellation under this program. The delay between Council and Provincial approval for all three sites was longer than one year, and over three years in one case. Similar delays have been experienced by other municipalities.

One implication of the delays in Provincial approval is that proponents are often ready to sell their site before 3 years of tax cancellation has elapsed, and selling a site automatically ceases the tax cancellation. Despite the long development timelines of all three TA projects, only one of these received a full three years of tax cancellation.

More recently, proponents have chosen not to apply for the TA program because of anticipated Provincial delays. Notwithstanding delays in Provincial approval, the TA program is useful because of the timing of the money early in a project lifecycle, and because of the opportunity to leverage Provincial funds in the incentives. Staff understand that the Province has recently reviewed their administrative process and expect to speed up Provincial approvals. Furthermore, applicants can apply for cancellation of City taxes only, and avoid the need for Provincial approvals. Staff are supportive of continuing this program and working with the province to expedite approvals.

### **Tax Increment-Based Grant Program (TIBG)**

The Tax Increment Based Grant (TIBG) programs offset site investigation, remediation costs, and costs for developing to a Leadership in Energy and Environmental Design (LEED) standard. The grant is paid using 80% of the municipal property tax increase created by the project for up to 10 years after the project completion.

This program is popular among municipalities because it is low risk. There is no grant until remediation and redevelopment is complete, the property is reassessed, and increased taxes have actually been collected.

The TIBG is the most valuable of the three CIP programs. The City has awarded eight Brownfield TIBGs worth \$10.3 million. Three of the Brownfield TIBG recipients also received grants under the Downtown Major Activation Grant programs that also uses the tax increment based funding mechanism.

The Brownfield TIBG program, in concert with the Downtown Major Activation Grant Program and Heritage Redevelopment program has been successful providing for the remediation and redevelopment of 29 ha of brownfield land, leveraging \$316 million in project value, \$293 million in assessment growth, and \$3.4 million in increased annual City taxes. Additional details are included in Table 3 at the end of this report.

Stakeholder interviews noted that developers were relatively satisfied with their experience in securing TIBG approvals, with Guelph being seen as a leading municipality in this regard. However, administration of TIBGs including negotiating agreements, coordinating with Downtown Major Activation Program, reviewing eligible cost submission and annual grant amount calculations have been seen as administratively burdensome. This was reflected in some stakeholder interviews where developers expressed concerns about the timing of administrative tasks post approval.

A common theme identified through development industry stakeholder interviews is the timing of incentives. Timing of money is extremely important to project viability. Incentives provided earlier in the project are more valuable than those that occur later. Typically the most financially difficult time in the project is when Development Charges (DCs) are paid and building permits are issued. Financing terms tend to be better once a project is underway and better still once a project is complete. Payments under the TIBG program occur after a project has been developed, re-assessed, and taxes paid for a year. In the case of residential condominium developments, the developer who is receiving the grant no longer owns the site. For these reasons, developer stakeholders said that the impact of TIBGs was diminished, given the scale of the City investment, when compared to incentives provided earlier in the project.

DC exemptions and reduction are a form of brownfield redevelopment incentive used in many other municipalities and were suggested by several program participants. DCs are payable prior to building permit issuance, much earlier in a project lifecycle than a TIBG, and exempting or reducing them is more impactful, per dollar, than TIBGs.

Staffs are considering allowing TIBG grant recipients to have all or a part of their Development Charges (DCs) deferred up to the amount of program eligible costs. DCs would be recovered with interest through the TIBG payments. This approach would be described in the CIP but would rely on a DC late payment agreement that is enabled by the Development Charges Act.

### **Qualitative Analysis**

The numbers presented earlier help build a compelling case for the economic benefits of brownfield redevelopment. However, the CIP outlines the social and environmental benefits of brownfield redevelopment which, although harder to quantify, are very important.

Every time a contaminated site is investigated, remediated or risk assessed, there is a decreased risk to human health, safety and the environment. The program has resulted in 29 hectares of land being remediated. Beyond this, it is difficult to quantify the total environmental impact of the program. However, the City is entirely reliant on groundwater for its municipal drinking water supply, and contamination arising from past uses places ongoing threats to the City's water supply. The investigation, remediation and risk management of contaminated sites

is important in protecting the City's groundwater and protecting human health and safety. In fact, 2 of the 24 contaminated sites within the City that were identified as significant drinking water threats under the Clean Water Act have benefited from the CIP programs and have remediated and risk managed the contamination on their site.

Furthermore, brownfield sites are typically located within the built-up area of the City with existing infrastructure. Bringing these sites back into productive use has supported the City achieving its intensification goals.

Social benefits include enhanced neighbourhood appearance, reduced stigma and increased community pride and wellbeing. Although these are difficult to measure or articulate precisely, some examples are helpful. The redevelopment of a former used car lot at Waterloo and Gordon Street, to midrise condominium apartments includes affordable ownership units and retail at grade. The redevelopment of the former Rockwell Manufacturing site at Gordon and Wellington Street near the river clearly has improved the image of that property, a key gateway to Downtown and the adjacent Royal City Park.

Little progress has been made on the goal to "Promote brownfield redevelopment that is energy efficient and green." The TIBG eligible costs include developing to a Leadership in Energy and Environmental Design (LEED) standard. To date, no applicants have pursued this standard. That is not to say that the projects supported by the CIP are not "energy efficient and green," but the CIP has not demonstrably advanced LEED development.

Overall, the programs have been successful in their main goal of promoting the remediation, rehabilitation, adaptive re-use and redevelopment of brownfield sites throughout the City of Guelph in a fiscally responsible manner.

## **Next Steps**

The findings of this performance report will inform proposed amendments to the CIP to be presented at a statutory public meeting of Council.

**Table 1: Environmental Study Grant Details**

<b>Location</b>	<b>Date Approved</b>	<b>Study Type</b>	<b>50% of Study Cost</b>	<b>Amount Paid</b>	<b>Days to approval</b>	<b>Approved By</b>	<b>Remediation/Redevelopment Status</b>
139 Morris St	28-Feb-11	Phase 2 ESA & RWP	\$9,875	\$9,875	44	Council	TIBG approved. RSC Filed. Site Plan under review
180 Gordon Street	28-Mar-11	Phase 2 ESA and RWP	11,896.19	\$10,000	41	Council	TIBG and TA approved. RSC filed. Site Plan approved
5 Gordon Street; 34 Essex	24-May-11	Phase 2 ESA &RMP	\$15,800	\$3,447	70	Council	Ph II ESA showed remediation not required. Site redeveloped
68-70 Wyndham St S	12-Sep-14	Phase 2 ESA & RMP	\$11,325		16	Staff	Not active
42 Carden St	13-Jun-16	Phase 2 ESA & Haz Mat Survey	\$10,425	\$10,073	188	Council	Ph 2 ESA showed remediation is not required. Construction underway
89 Beechwood Ave	03-Apr-17	Phase 2 ESA	\$7,250		6	Staff	Rezoning under review
1354 Gordon	27-Oct-17	Phase 2 ESA	\$9,945		7	Staff	Preliminary redevelopment discussions
<b>Total</b>			<b>\$76,516</b>	<b>\$33,394</b>			



**Table 2: Tax Assistance Details**

<b>Location</b>	<b>Date Approved (City)</b>	<b>Months to Provincial Approval</b>	<b>Value of Municipal Tax Cancellation (Actual)</b>	<b>Value of Education Tax Cancellation (Actual)</b>	<b>Total Tax Cancellation (actual)</b>	<b>Months of Tax Cancellation</b>
72 York Rd	29-Jul-09	11	\$ 8,624	\$ 5,992	\$ 14,616	36
5 Arthur St S	23-Mar-10	14	\$ 25,526	\$ 5,327	\$ 30,853	31
180 Gordon St	30-Mar-11	41	\$ 62,532	\$ 47,807	\$ 110,339	19
Total			\$ 96,682	\$ 59,126	\$ 155,808	

**Table 3: Tax Increment Based Grant Details**

Location	Grant Type	Grant Amount	Project Value	Date Approved	Increased Assessment	Tax Increment	Land Area Remediated (ha)	Residential Units	Commercial GFA built or rehabilitated (m2)	Jobs Created †
Gummer	Heritage	\$1,500,000	\$16,700,000	01-Jan-07	\$7,210,000	\$140,000		18	4,000	86
5 Arthur-Kilmer	Brownfield	\$3,052,925		30-Apr-10			3.25			
5 Arthur-Fusion**	Brownfield	\$3,121,305	\$150,000,000	10-Feb-14	\$144,491,027*	\$1,597,126*		388		
5 Arthur-Fusion**	Downtown	\$8,566,117		10-Feb-14						
5 Arthur - Fusion	Heritage	\$1,200,000	\$8,000,000	11-Jul-16					4,100	88
180 Gordon	Brownfield	\$294,000	\$ 3,500,000	28-Mar-11	\$3,498,250*	\$41,097*	0.16	10		
148-152 MacDonell	Brownfield	\$1,291,517	\$40,000,000	26-Mar-12	\$43,545,759	\$453,960	0.32	130	335	7
148-152 MacDonell	Downtown	\$3,122,553		23-Jul-12						
150 Wellington	Downtown	\$4,640,209	\$45,000,000	28-Apr-14	\$48,500,000	\$520,000		140	700	15
40 Wellington	Brownfield	\$565,730	\$12,000,000	23-Apr-12	\$7,138,320	\$145,480	1.17	0	3,502	75
40 Wellington	Downtown	\$1,111,462		17-Dec-12						
5 Gordon	Downtown	\$1,506,822	\$16,000,000	28-May-12	\$12,434,350	\$157,998		55	544	12
72 MacDonell	Downtown	\$404,000	\$2,500,000	11-Jun-12	\$529,000	\$9,957			1211	26
139 Morris	Brownfield	\$1,151,879	\$13,875,000	28-Oct-13	\$19,054,250*	\$203,851 *	1.3	62	-	
35 + 40 Silvercreek	Brownfield	\$241,154	tbd	28-Oct-13	Tbd	tbd	22	tbd	tbd	tbd
72 York	Brownfield	\$549,000	\$7,500,000	28-Oct-13	\$6,671,000*	\$78,604 *	0.67	24	-	
Petrie	Heritage	\$91,000	\$1,300,000	21-Mar-16		\$9,100			994	21
<b>Total</b>		<b>\$32,409,673</b>	<b>\$316,375,000</b>		<b>\$293,071,956</b>	<b>\$3,357,172</b>	<b>29</b>	<b>827</b>	<b>15,387</b>	<b>331</b>

\* Estimated

\*\* post development tax estimates represents first 3 residential phases

†Based on 1 job/46m2 from DC by-law background study