

Attachment C – Regional Council 2011 Brownfield TIG Report – 130 and 170 Water Street North, Cambridge – Recommendation and Summary

Report: P-11-038/F-11-018/CR-RS-11-023



REGION OF WATERLOO

PLANNING, HOUSING AND COMMUNITY SERVICES

Community Planning

FINANCE

Treasury Services

CORPORATE RESOURCES

Legal Services

TO: Chair Jim Wideman and Members of the Planning and Works Committee

DATE: April 12, 2011 **FILE CODE:** F-25-20/HAAS

SUBJECT: **BROWNFIELDS FINANCIAL INCENTIVE PROGRAM: TAX INCREMENT GRANT PROGRAM APPLICATION – 130 AND 170 WATER STREET NORTH, CITY OF CAMBRIDGE (WATERSCAPE)**

RECOMMENDATION:

THAT the Regional Municipality of Waterloo approve a Tax Increment Grant for the properties known as 130 and 170 Water Street North in the City of Cambridge in an amount not to exceed \$4,372,514 under the Region's Brownfield Financial Incentive Program to be financed from the remaining funds from the Brownfields Financial Incentive Pilot Program to a maximum of \$930,941 and from a source to be identified as part of the Reserve and Reserve Fund Report planned for Administration and Finance Committee in May 2011 as described in Report P-11-038/F-11-018/CR-RS-11-023, dated April 12, 2011.

AND THAT the Regional Municipality of Waterloo authorize the Region's Commissioner of Planning, Housing and Community Services and Chief Financial Officer to execute a multi-party Tax Increment Grant Agreement with the registered owners of 130 Water Street North, namely Cambridge Mill Development Inc, and 170 Water Street North, namely Haastown Holdings (Cambridge) Inc. and the Corporation of the City of Cambridge, as described in Report P-11-038/F-11-018/CR-RS-11-023, dated April 12, 2011 with the form and content of such agreement to be satisfactory to both the Regional and City Solicitors.

SUMMARY:

In October 2006, Regional Council approved the framework for a Regional Brownfields Financial Incentive Pilot Program (Pilot Program). The goals of this Pilot Program are to encourage the remediation and redevelopment of brownfield sites, to promote reurbanization, and to reduce the outward movement of the urban area in support of the Regional Growth Management Strategy (RGMS) and the Province's Places to Grow Growth Plan.

In June 2007, the joint Tax Increment Grant (TIG) Program, as described in Report F-07-046/P-07-079, was approved by the Region. A TIG acts as a financial incentive for brownfield redevelopment and is based on the property tax increase resulting from remediation and redevelopment of a contaminated site. Grant payments are determined by calculating the difference in municipal (Region and City) taxes paid before remediation and redevelopment and the taxes generated after the redevelopment is complete (the tax increment). Payments are made in annual installments until all eligible remediation costs (minus other brownfield-related assistance granted) are recouped subject to limits set out in an agreement between the parties. TIGs are only used to offset

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remediation costs and are not intended to cover redevelopment costs.

In June 2008, this joint program was implemented through amendments to the local Community Improvement Plans in the City of Kitchener (on a city-wide basis) and in the City of Cambridge (core areas only). The joint TIG program was later expanded, in 2010, to include the whole city of Cambridge.

On March 11, 2009 Regional Council approved a joint TIG with the City of Kitchener for 36 Francis Street South (The Lang Tannery) for a total grant of \$891,136. The Regional portion of this grant is capped at \$537,410 (see Report F-09-016/P-09-018). All TIG agreements are implemented through a Multi-Party legal agreement between the Region, the respective Area Municipality and the applicant.

The TIG application for 130 and 170 Water Street North, received on July 29, 2009, is the second application under this program. The application is for a maximum total grant of \$7,310,557, of which approximately 60% (\$4,372,514) would be provided by the Region and the remaining 40% (\$2,938,041) would be provided by the City of Cambridge. The TIG proportions are determined by each municipality's share of the municipal taxes levied on the property. The City of Cambridge's proportionate contribution to the tax increment grant was approved by Cambridge Council on March 28th, 2011.

This report describes the TIG Program requirements, the application received and recommends approval of the application based on the proposed phased TIG framework. The principles of this framework were approved on March 28, 2011 by the City of Cambridge (see Report CAO 2011-R11) and are also supported by the applicant. The TIG framework includes a flexible, three-phased approach that allows for the remediation and redevelopment of both parcels over a maximum timeframe of fifteen (15) years from the date of the first TIG payment. The TIGs will not be paid until the remediation and redevelopment associated with each phase on the north parcel is complete, and in the case of the south parcel, remediation of the whole site is fully complete. There is also a one-year waiting period after each respective phase is reassessed by the Municipal Property Assessment Corporation (MPAC). The first TIG payment related to the first building on the north parcel, "Waterscape 1" is anticipated to occur no earlier than 2012. A portion of non-hazardous material may be received at the Region's landfill in Waterloo in accordance with pre-established criteria set forth by both the Ministry of the Environment and the Region and at a tipping fee consistent with the Region's Fees and Charges by-law in order to reduce overall costs. The details of the joint TIG will be outlined in a Multi-Party legal agreement between the Region, the City of Cambridge and the applicants.

The Pilot Program was allocated an overall budget of \$2.5 million. Total expenditures and commitments to date are \$845,580 while pending expenditures for ESA grants and assistance with Township Community Improvement Plans total \$390,000. The amount spent, committed and pending is \$1,235,580 leaving a balance of \$1,264,420. It is recommended that the balance of the pilot program funding be used to fund the Region's share of the costs for the proposed TIG for 170 Water Street North (the north parcel), Cambridge with a potential maximum cost of \$930,941. A source of funding for the proposed TIG at 130 Water Street North (the south parcel) to the potential maximum of \$3,441,573 will be identified as part of the Reserve and Reserve Fund Report planned for Administration and Finance Committee in May. Further, as part of the review of the Pilot Program, Regional Staff are reviewing funding options for the TIG program and will report back to Regional Council with recommendations for an ongoing funding source. As approved by Regional Council in the fall 2009 (Report P-09-058), funding sources for any future TIG applications will continue to be considered on a case-by-case basis until the long-term funding strategy is in place.