

Region of Waterloo
Planning, Development, and Legislative Services
Community Planning

To: Planning and Works Committee
Meeting Date: April 4, 2023
Report Title: Brownfield Financial Incentive Program – Joint Tax Increment Grant (TIG) – New Agreement for 130 Water Street North, Cambridge

1. Recommendation

That the Regional Municipality of Waterloo take the following actions regarding the property municipally known as 130 Water Street North in the City of Cambridge, as described in Report PDL-CPL-23-008, dated April 4, 2023:

- a) Approve the new agreement terms for the Joint Brownfield Tax Increment Grant (TIG), with Cambridge Development Inc. and the City of Cambridge, for the remaining property at 130 Water Street North, originally approved by Council on April 12, 2011 (Report P-11-038 / F-11-018 / CR-RS-11-023 for the properties known as 130 and 170 Water Street North in the City of Cambridge), with the Regional amount not to exceed \$6,801,489, net of any other future brownfield assistance, to be financed from the incremental tax revenue for the property following remediation, redevelopment and reassessment;
- b) Authorize the Region’s Commissioner of Planning, Development and Legislative Services and Commissioner, Corporate Services / Chief Financial Officer to execute any associated agreements, assignments, amendments or other related documents with Cambridge Development Inc. and the City of Cambridge, the form and content of such Tax Increment Grant agreement(s), any subsequent assignments of the agreement, or other related documents to be satisfactory to the Regional Solicitor; and
- c) Authorize the Region’s Commissioner of Planning, Development and Legislative Services and Commissioner, Corporate Services / Chief Financial Officer to execute a termination agreement for the Original TIG Agreement with the City of Cambridge, Haastown Holdings (Cambridge) Inc. and Cambridge Development Inc., to be satisfactory to the Regional Solicitor.

2. Purpose / Issue:

For Regional Council to consider approval of a new brownfield joint Tax Increment

Grant (TIG) for the remediation and redevelopment of 130 Water Street North subject to a new agreement that includes updated terms and costs not reflected as part of the original TIG approved in 2011.

3. Strategic Plan:

The report addresses the Region's Corporate Strategic Plan 2019-2023 including Thriving Economy and Environment and Climate Action. Specific actions addressed by this report, among others, include:

1. Create a competitive business-supportive community to help attract, retain and grow employers, talent and investments in Waterloo Region (Strategic Objective 1.1); and
2. Promote the efficient use of urban land, and protect and enhance agricultural and natural areas (Strategic Objective 3.5).

4. Report Highlights:

- In 2011, Regional Council approved the first joint Tax Increment Grant (TIG) in the City of Cambridge for two brownfield sites located at 130 and 170 Water Street North. Combined, the clean-up costs were estimated to be \$6,852,543 (Region's share was approved at \$4,372,514).
- Following this, a TIG Agreement was executed between the owners of 130 and 170 Water Street North, the City of Cambridge, and the Region of Waterloo that set out the terms and conditions for the owners to receive brownfield TIG payments over a 15 year period (expires 2028).
- The first TIG payments were made in 2013 and 2014 to the owners of 170 Water Street North following rehabilitation and development of this parcel (Waterscape I development). Subsequent payments were made in 2018 and 2019 to the same owners following the completion of the Waterscape II development.
- As remediation and redevelopment has not yet occurred on the 130 Water Street North parcel, no TIG payments have been made to the owners of this parcel.
- Remedial cost estimates are higher than originally estimated in 2009 on the 130 Water Street North site. As of 2022, remediation cost estimates total \$11,626,450 (Region's share would be \$6,801,489).
- Given the time that has past since the initial TIG agreement and as the 2011 Council approval does not provide latitude for Regional Staff to make significant changes to the existing TIG agreement, Regional Staff are recommending the following:
 - Approve a new TIG agreement with the owners of 130 Water Street North for increased funds to cover remediation cost estimate increases. This

- new TIG agreement will also reset the timeframe for eligible TIG payments, after remediation and redevelopment is complete;
- Remove the owners of 170 Water Street North from the future agreement, as their TIG payments have been paid out fully; and
 - Continue to include clause assigning remaining assessment from 170 Water Street North to 130 Water Street North into a future agreement, with the form and content of the agreement terms to be satisfactory to the Region's Commissioner of Planning, Development and Legislative Services, the Region's Commissioner of Corporate Services / Chief Financial Officer, and the Region's Solicitor.
- The 2011 TIG agreement contemplated assigning a portion of the increased assessment from 170 Water Street North to 130 Water Street North that could be used to offset eligible remedial costs on 130 Water Street North. If approved, this condition would be carried forward to the new TIG agreement.
 - The 2011 TIG agreement also contemplated that the owners of 130 Water Street North could dispose of non-hazardous material at the Region's landfill in order to reduce the overall costs of rehabilitation. If approved, this condition would not be carried forward to the new TIG agreement.
 - In terms of redevelopment, the owners of 130 Water Street North now have planning approvals to develop the site into a commercial residential building including two towers on a shared two storey podium. The building is proposed to include 50,000 square feet of commercial space, 240-260 condominium units (in one tower) and a mix of hotel and rental units in the other tower (approximately 150 hotel suites and 40-60 rental units). It is anticipated that the development will proceed in two phases, with the podium and one tower to be developed first followed by the second tower.
 - The redevelopment represents a significant increase in assessed value and tax assessment with an estimated total current value assessment increase of \$125,814,000. Once redevelopment is completed, this significant increase in assessed value will create the property tax increment that will allow future TIG payments to reimburse the owner for eligible remedial costs.

5. Background:

The Brownfield Financial Incentive Program (BFIP) contains the joint TIG and Regional Development Charge (RDC) exemption that assists with the cost of remediating eligible brownfield sites. On June 26, 2019 Regional Council approved refinements to this award-winning program. The joint TIG is offered in Area Municipalities where Community Improvement Plans (CIPs) have been approved for the purposes of encouraging brownfield remediation and redevelopment (currently in the Cities of Cambridge, Kitchener, and Waterloo and in the Township of Wellesley). The RDC

exemption for eligible brownfield sites is available region wide through RDC By-law 19-037. Applicants must satisfy a number of criteria to receive these incentives.

The infusion of private investment in the redevelopment of brownfield properties is helping to ensure the efficient use of existing infrastructure, as well as helping to achieve the Region's broader economic development, transit supportive, and land use planning objectives.

The subject property at 130 Water Street North, Cambridge was deemed an eligible Brownfield in accordance with the Region's Brownfield Financial Incentive Program. The property was first developed as a coal gasification plant from 1886 to 1910 by the Galt Gas Company and has been used as a textile mill, auto garage, and a lumberyard until around 1980. Buildings were demolished in 1985 and has remained vacant until 2010. The site has been used by visitors to the Cambridge Mill restaurant to the south since 2010.

MTE Consultants Inc. completed an updated Remedial Action Plan dated April 25, 2022 (updated June 14, 2022) which included updated remedial cost estimates based on Phase One and Phase Two Environmental Site Assessment activities (June 2016 and January 2021, respectively). Within the scope of the Phase Two ESA, MTE completed soil and groundwater investigations which identified multiple Contaminants of Concern in the soil and groundwater in concentrations that exceeded the applicable Ministry of the Environment, Conservation and Parks (MECP) Site Condition Standards, including the following: coal tar related impacts consisting of Petroleum Hydrocarbons (PHCs); Polycyclic Aromatic Hydrocarbons (PAHs); Benzene, Toluene, Ethylbenzene and Xylene (BTEXs); Volatile Organic Compounds (VOCs); and 1,1-biphenyl, metals and PCBs. To facilitate residential development of the Site, a Risk Assessment approach to file a Record of Site Condition and manage environmental risks for future occupants of the Site was required. A Risk Assessment was completed and approved by the MECP on August 30, 2021 and the Certificate of Property Use was acknowledged by the MECP on July 6, 2022. The filing of the Record of Site Condition will likely be acknowledged by the MECP in 2023.

Environmental remediation costs for the 130 Water Street North site were originally estimated to be \$5,754,082 based on 2009 cost estimates included with the original 2009 TIG application. In 2022, MTE's remedial cost estimates total \$11,626,450. If the recommendations are approved by Council, eligible cost invoices must be submitted by the owner and must be approved for eligibility by City of Cambridge and Region of Waterloo staff, as a condition of final approval, prior to issuing any TIG payments.

6. Area Municipality Communication and Public/Stakeholder Engagement:

Area Municipality Communication: Regional staff have worked closely with City of Cambridge staff on reviewing this request for an updated TIG agreement and concur

with the recommendations. City of Cambridge Council considered and approved this request (City’s share of TIG) on February 28, 2023.

Public/Stakeholder Engagement: This report has been posted to the Region’s website with the agenda in advance of the Council / Committee meeting.

7. Financial Implications:

If approved, the Region’s maximum share of the joint TIG for 130 Water Street North, Cambridge is capped at \$6,801,489.00 which is approximately 58.5% (based on the Region’s portion of property taxes on the site) of the total maximum eligible remediation costs (\$11,626,450.00). This is an increase of \$2,955,589 for the Region’s maximum share of the joint TIG, as set out below:

\$Thousands	Life to date (2013-2022)	2023	2024	2025	2026	2027	2028	2029	2030	Budget Total
170 Water St (Waterscape 1)	226	-	-	-	-	-	-	-	-	226
170 Water St (Waterscape 2)	301	-	-	-	-	-	-	-	-	301
130 Water St	-	147	147	1,269	1,269	1,269	1,269	963	470	6,331
Life to date spent	\$527									
Required budget		\$147	\$147	\$1,269	\$1,269	\$1,269	\$1,269	\$963	\$470	\$6,801
2023-2032 capital program	\$527	\$652	\$534	\$534	\$534	\$534	\$534	\$286	\$238	\$3,846
Increase/(decrease) required to budget	\$0	(\$505)	(\$387)	\$735	\$735	\$735	\$735	\$677	\$232	\$2,956

The final TIG amounts may be reduced by any other brownfield financial assistance received by the Owner for eligible remediation costs. The 2011 TIG agreement contemplated assigning a portion of the increased assessment from 170 Water Street North to 130 Water Street North that could be used to offset eligible remedial costs on 130 Water Street North. It is proposed that this condition would be carried forward to the new TIG agreement, with corresponding payments related to this provision starting in 2023. The TIG payments associated with the redevelopment project on the subject lands likely won’t start before 2025, depending on the timing of completed construction and occupancy. The final TIG payment schedule will be determined when the redevelopment is completed and has been reassessed by MPAC. It is estimated that the Region’s share of the joint TIG will be paid back in 8 years of payments.

Under the funding model for joint TIGs adopted by Regional Council in 2013, the annual TIG payments would be funded from the increased tax revenue on the property occurring in the same year. In other words, the tax revenue resulting from the increased assessment following the redevelopment of a brownfield property is used to fund the annual TIG payment.

The approved Brownfield Financial Incentive Program capital budget includes a total of \$31.2 million for the 2023-2032 time period, and there is sufficient budget in 2023 for the costs as outlined in this report. Subject to Council approval of the recommendations herein, the preliminary 2024-2033 capital program will be updated to reflect the revised figures set out in the previous table.

8. Conclusion / Next Steps:

If approved, a revised tri-party Tax Increment Grant Agreement shall be executed between the Owner (Cambridge Development Inc.), the City of Cambridge, and the Region of Waterloo to implement the provisions of the draft TIG Agreement prior to any TIG payments, as well as a termination agreement for the Original TIG Agreement between the parties to that agreement.

9. Attachments:

Attachment A - Location Map

Attachment B - Development Concept Plans (Renderings)

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

Attachment D - Presentation – Brownfield Joint Tax Increment Grant Program – New Agreement for 130 Water Street North, Cambridge

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