

Municipality Of Chatham-Kent
Community Development
Planning Services

To: Mayor and Members of Council

From: Anthony Jas
Planner I, Planning Services

Date: August 26, 2020

Subject: Brownfield and Bluefield Community Improvement Plan
Tax Increment Based Grant Application
24161 Winter Line Road, Community of Dover (North Kent)

Recommendation

It is recommended that:

1. The Mayor and Clerk be authorized to execute the Brownfield and Bluefield Community Improvement Plan Tax Increment Based Grant Agreement with Rosalie Dubuque, owner of 24161 Winter Line Road, Community of Dover, to provide an annual grant equivalent to 80% of the increase in municipal property taxes for up to five (5) years, or up to the time when the total grant payments equal the total eligible program costs, whichever comes first.

Background

On April 17, 2005, Council approved the Brownfield and Bluefield Community Improvement Plan (BBCIP), which covers the entire Municipality of Chatham-Kent and provides financial incentive programs to remediate both properties where past actions have resulted in actual or perceived contamination (Brownfields) and institutional or community facilities that are no longer in use (Bluefields). A background of the four (4) BBCIP financial incentive programs and how they are implemented is included in Appendix A.

The owner of the subject property has applied for a Tax Increment Based (TIB) Grant for the redevelopment of a vacant portion of lands that were previously part of a former gas station and mixed use commercial/residential site, located at 24161 Winter Line Road in the Community of Pain Court. The applicant is proposing to redevelop these lands as two (2) 1,500 sq. m (12,375 sq. ft.) residential lots each containing a new single detached dwelling.

On August 10, 2020, the applicant received Planning Act approval from Council to sever and convey these new residential lots from 24161 Winter Line Road. Council also approved a Zoning By-law Amendment application to rezone the severed lots to facilitate the proposed development.

Environmental History

The subject site contains a mixed-use commercial/residential building with the rear half of the lot being vacant. The commercial uses that have existed over the years include retail fuel and a restaurant. In 2006, the former retail fuel use ceased and the underground storage tanks were removed from the site. The building and site have remained vacant since that time.

In 2020, the applicant retained Wood Canada Limited, an environmental consulting firm, to undertake an environmental assessment over the subject lands. A Phase 1 and Phase 2 assessment were completed. The outcome of these assessments is that the lands containing the existing building and area where the former retail fuel site was located contain contaminants that will require some form of environmental remediation prior to any change to a more sensitive use is contemplated. The remaining lands do not require environmental remediation and are suitable for a change to a more sensitive use.

Based on these findings, a Record of Site Condition (RSC No. 226916) was filed under the Environmental Site Registry on July 14, 2020, for the vacant portion of lands to facilitate new residential lots for development. As stated, these lands have since been rezoned and conditionally severed to permit the development for which the TIB Grant is being applied.

At this time, no change of use is being proposed for the portion of lands containing the mixed-use commercial/residential building. Remediation will first be required and an RSC obtained to redevelop these lands with new residential uses.

Eligible Costs

The total estimated eligible costs for the TIB Grant program are broken down below.

| Estimated Eligible Costs | |
|--|------------------------|
| Eligible Expenses | Estimated Costs |
| Phase II ESA, and Environmental Studies not covered by Municipal or other grants | \$11,875 |
| Municipal Water Service Connection | \$2,000 |
| Municipal Sanitary Sewer Service Connection | \$24,897 |
| Total Estimated Eligible Rehabilitation Costs | \$38,772 |

Comments

The BBCIP defines a Brownfield property as:

“An abandoned, vacant, derelict or underutilized commercial or industrial property where past actions have resulted in actual or perceived contamination and where there is an active potential for redevelopment.”

The BBCIP states that “for former industrial properties or bluefield sites located outside of the Downtown and Main Street Community Improvement Project Area that do not require environmental remediation ... the annual grant will be equivalent to 80% of the increase in Municipal taxes, payable for up to five years.” For properties that do require environmental remediation at the time of application, the maximum TIB Grant period is permitted for up to ten years.

The Municipality collects the increased municipal property taxes that result from the successfully completed redevelopment of the two new residential lots. The Municipality will then reimburse the property owner in the form of an annual grant equivalent to 80% of the total increase in municipal property taxes for up to five years, or up to the time when the total grant payments equal the total eligible program costs of \$38,772, whichever comes first.

The table below estimates TIB Grant payments over the grant term. Estimates are based on 2019 tax rates and the projected assessment of approximately \$396,400 after redevelopment for each lot.

| Grant Year | Total Increase in Property Taxes (Municipal Portion) | TIB Grant Rebate to Developer (80% of increase) | Percentage of Total Eligible Costs |
|-------------------------|---|--|---|
| 1 | \$9,934.30 | \$7,947.44 | 20.5% |
| 2 | \$9,934.30 | \$7,947.44 | 20.5% |
| 3 | \$9,934.30 | \$7,947.44 | 20.5% |
| 4 | \$9,934.30 | \$7,947.44 | 20.5% |
| 5 | \$9,934.30 | \$6,982.24 | 18.0% |
| Five Year Period | \$49,651.50 | \$39,737.20 | 100% |

If approved, it is estimated that the eligible costs will be repaid in the fifth and final year of the grant term when the total grant amount equals the amount of eligible costs. The tax grant will be paid out annually based on the actual taxes owing, and if the total tax revenue from the property were to increase or decrease over time, the TIB Grant amount will adjust accordingly. If the applicant fails to meet the conditions of the agreement the Municipality may cancel the agreement and require all grant payments made to that date be payable to the Municipality.

The applicant, subject to the Municipality's own discretion and satisfaction of conditions imposed, may assign grant payments to a subsequent owner, or retain the remaining grant payments after there has been a change in ownership.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

Has the potential to support all areas of strategic focus & critical success factors

Neutral issues (does not support negatively or positively)

Consultation

The Financial Services Division provided current property taxes assessed to several comparable residential properties in Pain Court. This information was utilized to estimate future property taxes for the subject property following their redevelopment.

Financial Implications

As discussed in the Comments section of this report, it is estimated that the Municipality will receive 80% less (approximately \$7,947.44 per year) than the full increase of municipal property taxes (approximately \$9,934.30 per year) for a period of approximately 5 years; after which full property taxes are payable. The remaining 20% (approximately \$1,986.86 per year) will be allocated to the Brownfield and Bluefield Leadership Projects Reserve.

There are no financial implications on the existing capital or operating budget.

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Attachments: Appendix A – BBCIP Financial Incentives Summary

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Appendix A – BBCIP Financial Incentives Summary

Feasibility Study Grant

Grants for 50% of the cost of a feasibility and cost study for rehabilitating and reusing brownfield and bluefield properties and buildings. The maximum grant is \$5,000 per study with a maximum of one study per property or project. Eligible feasibility studies include structural analysis, evaluation of mechanical and electrical systems, concept plans and market analyses.

Environmental Study Grant

Grants for 50% of the cost of environmental studies. Maximum grant of \$15,000 per study, maximum two studies per property of project, and maximum \$20,000 in study grants per property or project. Eligible environmental studies include:

- Phase II Environmental Site Assessments
- Remedial Work Plans
- Risk Assessments
- Risk management Plans

Rehabilitation Tax Increment Based (TIB) Grant Program

The TIB Grant provides financial incentives in the form of an annual grant for from five to ten years after remediation to help offset the costs of environmental remediation, rehabilitation, adaptive reuse and redevelopment of a brownfield or bluefield property. Requirements of the TIB Grant include:

- Applications must be made in writing prior to commencement of any environmental remediation, risk management or site rehabilitation works.
- A detailed cost estimate prepared by a bona fide contractor for all eligible rehabilitation/redevelopment works to be conducted on the property.
- The property shall be rehabilitated such that the amount of work undertaken is sufficient to result in an increase in the assessed value of the property by the Municipal Property Assessment.
- The property owner must file a Record of Site Condition (RSC) in the Environmental Site Registry.
- The improvements made to buildings and/or land shall be made pursuant to a building permit, constructed in accordance with the Ontario Building Code and all applicable zoning requirements and approvals.
- All property owners will be required to enter into a Rehabilitation TIB Grant Program Agreement with the Municipality which will specify the terms and conditions of the tax assistance and/or grant.
- All Rehabilitation TIB Grant Agreements must be approved by Municipal Council.

The program works by the Municipality collecting the increased municipal property taxes that result from the successfully completed rehabilitation/redevelopment of the property. The Municipality will then reimburse the property owner in the form of the annual grant equivalent to 80% of the increase in municipal property taxes for up to ten years, or up to the time when the total grant payments equal the total eligible program costs, whichever comes first. In no case will the total amount of grants provided for an eligible property exceed the total eligible program costs. The eligible rehabilitation costs for a TIB grant application include:

- Phase II ESAs, Remedial Work Plans, and Risk Assessment Plans not covered by the Environmental Study Grant Program or the Tax Assistance Program.
- Environmental remediation, including the costs of preparing an RSC, not covered by the Tax Assistance Program.
- Placing clean fill and grading not covered by the Tax Assistance Program.
- Installing environmental and/or engineering controls/works, as specified in the Remedial Work Plan and/or Risk Assessment/Risk Management Plan, not covered by the Tax Assistance Program.
- Environmental insurance premiums not covered by the Tax Assistance Program.
- Demolishing buildings.
- Building rehabilitation and retrofitting works.
- Constructing/upgrading off-site infrastructure, including off-site main sanitary sewers, stormwater management facilities, water services and electrical and gas utilities.

Tax Assistance Program

The Tax Assistance program provides a financial incentive in the form of a freeze or cancellation of municipal and education property taxes for up to five years during and after the remediation and redevelopment of a brownfield or bluefield property to help offset the costs of remediation. The Tax Assistance program begins while the property is still being redeveloped and is followed by the TIB Grant Program. Similar to the TIB Grant Program, the total amount of tax assistance provided for an eligible property cannot exceed the total eligible program costs. The program differs from the TIB Grant due to the following reasons:

- The tax freeze includes both municipal and educational property taxes.
- The program must be approved by the Ministry of Municipal Affairs and Housing.
- A by-law must be approved by Council and registered on title.
- The program is non transferable to subsequent owners.
- Building demolition, rehabilitation and retrofitting are eligible environmental costs.