

Subject: Brownfield Grant Application – 2 Montreal Road and 3 Selkirk Street

File Number: ACS2023-PRE-PS-0028

Report to Finance and Corporate Services Committee on 7 March 2023

and Council 22 March 2023

**Submitted on February 13, 2023 by Derrick Moodie, Director, Planning Services,
Planning, Real Estate and Economic Development**

**Contact Person: Stream Shen, Coordinator, Front Ending Agreements and
Brownfields Programs, Development Review South**

613-580-2424, 24488, stream.shen@ottawa.ca

Ward: Rideau-Vanier (12)

**Objet : Demande de participation au Programme de subvention pour la
remise en valeur des friches industrielles – 2, chemin de Montréal et 3, rue Selkirk**

Dossier : ACS2023-PRE-PS-0028

Rapport au Comité des finances et des services organisationnels

le 7 mars 2023

et au Conseil le 22 mars 2023

**Soumis le 13 février 2023 par Derrick Moodie, Directrice, Services de la
planification, Direction générale de la planification, des biens immobiliers et du
développement économique**

**Personne ressource : Stream Shen, Coordinateur, Ententes préalables et
Programme de friches industrielles Examen des demandes d'aménagement sud**

613-580-2424, 24488, stream.shen@ottawa.ca

Quartier : Rideau-Vanier (12)

REPORT RECOMMENDATIONS

That Finance and Corporate Services Committee recommend Council:

1. **Approve the Brownfield Redevelopment Grant application submitted by Riverain Developments Inc. and 2799338 Ontario Inc. (common name Main and Main), owner of the property at 2 Montreal Road and 3 Selkirk Street, for Rehabilitation Grant under the Brownfield Redevelopment Community Improvement Plan (2015), not to exceed a total of \$3,648,235 for which the grant payment period will be phased over a maximum of ten years of development, subject to the establishment of, and in accordance with, the terms and conditions of the Brownfield Redevelopment Grant Agreement; the maximum deferral of Development Charges of \$3,101,000 under the Development Charge Deferral Program; and the estimated contribution of \$817,141 towards the Municipal Leadership Strategy fund;**
2. **Delegate the authority to the General Manager, Planning, Real Estate and Economic Development, to execute a Brownfield Redevelopment Grant Agreement with Riverain Developments Inc. and 2799338 Ontario Inc., establishing the terms and conditions governing the payment of the grant for the redevelopment of 2 Montreal Road and 3 Selkirk Street, to the satisfaction of the General Manager, Planning, Real Estate and Economic Development Department, the City Solicitor and the Chief Financial Officer.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil :

1. **approuve la demande au titre du Programme de subvention pour la remise en valeur des friches industrielles soumise par Riverain Developments Inc. et 2799338 Ontario Inc. (nom usuel : Main and Main), propriétaires des biens-fonds situés au 2, chemin de Montréal et au 3, rue Selkirk, dans le cadre du Plan d'améliorations communautaires pour le réaménagement des friches industrielles (2015), pour une subvention d'un montant maximal de 3 648 235 \$ qui sera versée pendant l'aménagement en paiements échelonnés sur un maximum de 10 ans, sous réserve de l'adoption et du respect des modalités d'une entente de subvention; le report maximal des redevances d'aménagement fixé à 3 101 000 \$ conformément au Programme de report des redevances d'aménagement; et la contribution au fonds de la Stratégie municipale de leadership, estimée à 817 141 \$;**

2. **délègue au directeur général de la Planification, de l'Immobilier et du Développement économique le pouvoir de conclure une entente de subvention avec Riverain Developments Inc. et 2799338 Ontario Inc., entente qui établira les modalités de versement de la subvention pour le réaménagement du 2, chemin de Montréal et du 3, rue Selkirk, lesquelles seront approuvées par le directeur général, l'avocat général et le chef des finances.**

BACKGROUND

Brownfields are properties where past actions have resulted in actual or perceived environmental contamination and/or derelict or deteriorated buildings. They may be vacant, abandoned or underutilized. They are usually, but not exclusively, former industrial or commercial properties.

The Brownfield Redevelopment Community Improvement Plan (BRCIP) was adopted by Council on April 25, 2007, and amended by Council on May 12, 2010, and October 14, 2015. This report is in conformance with the 2015 BRCIP.

On December 14, 2022, Council [suspended the Brownfield program](#) for any new applications or applications that have yet to be considered by City Council pending a full evaluation of the program in Q2 of 2023. However, all Brownfield applications in the Montreal Road Corridor were excluded from this suspension, which this application is a part of.

The BRCIP presents the rationale behind the redevelopment of brownfields in Ottawa, and the actions and strategies that will promote brownfield redevelopment. The BRCIP contains a comprehensive framework of incentive programs which include the Property Tax Assistance, Rehabilitation Grant, Project Feasibility Study Grant, Environmental Site Assessment Grant, Building Permit Fee Grant, and Development Charge Deferral Programs, as well as the Municipal Leadership Strategy Program.

The site is located within the [BRCIP Priority Area](#).

The purpose of this report is to bring the application before the Finance and Corporate Services Committee and Council for consideration and approval.

Coordination with the Montreal Road Community Improvement Plan

On April 13, 2022, Council approved the [Montreal Road Community Improvement Plan](#) (CIP) application by Riverain Developments Inc. for 2 Montreal Road and 29 Selkirk Street ([ACS2022-PIE-EDP-0004](#)). Council approved the Montreal Road CIP application

submitted by the applicant for a maximum grant amount of \$5,000,000 over a period of ten years through the form of tax increment equivalent grant. The uplift is calculated based on 75 percent of the post development municipal tax increase attributed to the redevelopment.

However, it is important to note that if the Montreal Road CIP is combined with any other CIP program, including the Brownfield Redevelopment CIP which the applicant is currently seeking approval on, the total grant commitment would still be limited at \$5,000,000. Therefore, if Council were to approve this application, the total eligible grant under both programs combined will remain at \$5,000,000. The approval of this application would only allow for a faster recovery of the BRCIP eligible portion of \$3,648,235 since the grant is based on 85 per cent of the uplift in property taxes post development as opposed to the 75 per cent from the Montreal Road CIP. Once the BRCIP eligible portion of the grant is generally exhausted, with the remaining amount being lower than 75 per cent of the tax increment, the remainder of the eligible grant from the Montreal Road CIP would continue to be recovered based on 75 per cent of the uplift through property taxes.

DISCUSSION

The Ottawa BRCIP specifies grants available to the development industry. The total grant from this program shall not exceed 50 per cent of the eligible cost (with the provision that eligible items 7 to 12 cannot exceed 15 per cent of the total eligible items being submitted for a grant) specific to the program for rehabilitating said lands and buildings. These items can be seen in Document 4 of this report. If the development does not proceed, no grants are paid.

The Site

The property has a lot area of approximately 1.69 hectares with frontage along Montreal Road, Montgomery Street, Selkirk Street and North River Road (see Documents 1, 2 and 8). The property's previous uses were listed as commercial. It is considered a Priority Area as defined under the BRCIP.

Proposed Redevelopment

Riverain Developments Inc. and 2799338 Ontario Inc. (common name Main and Main) is redeveloping the property at 2 Montreal Road and 3 Selkirk Street to accommodate three high-rise mixed-use buildings comprised of approximately 1,000 residential units and 2,500 square metres of commercial spaces. The related Site Plan Control application (D07-12-21-0123) has been approved under delegated authority for the first phase of development.

Brownfield Grant Application

Riverain Developments Inc. and 2799338 Ontario Inc. (common name Main and Main) filed an application under the BRCIP for the clean-up and redevelopment of 2 Montreal Road and 3 Selkirk Street.

A Phase I and II Environmental Site Assessment was prepared by Paterson Group in 2019, which identified that the soil material at the subject site is impacted with benzene, toluene, ethylbenzene, xylenes, metals, polycyclic aromatic hydrocarbons, and petroleum hydrocarbons that exceeds the Ontario Ministry of the Environment, Conservation and Parks (MECP) Table 3 standards.

Groundwater on this site was tested and the benzene concentration exceeded the Ontario Ministry of the Environment, Conservation and Parks (MECP) Table 3 standards.

This application is for the Rehabilitation Grant, Project Feasibility Study Grant, Environmental Site Assessment Grant, Building Permit Fee Grant, Development Charge Deferral, and Municipal Leadership Strategy Programs.

The required documents that are to be submitted to the City as part of a Brownfield Redevelopment Grant Program application are described in Document 3. Staff reviewed the submissions and deemed the application to be complete as of August 29, 2022.

Proposed Remediation

The suggested remedial action plan consists of a combination of a generic and risk assessment approach where the impacted soil will be disposed of at an approved waste disposal facility. Groundwater treatment will be completed using a portable treatment system on site by means of granular activated carbon or alternatively, impacted groundwater can be removed by a licensed pumping constructor for off-site disposal. It is anticipated that the remediation work will take four to six to complete and followed by approximately 12 months of monitoring.

Calculating the Brownfield Redevelopment Grant

Under the BRCIP, the applicant is required to submit various technical documents to determine eligibility as well as the costs eligible for the Grant. The BRCIP specifies that the total grant be capped at 50 per cent of the total eligible costs (with the provision that eligible items 7 to 12 cannot exceed 15 per cent of the total eligible items being submitted for a grant). A breakdown of the eligible costs is shown in Document 4 and the calculation of the grant is shown in Document 5.

- **Rehabilitation Grant**

Grants would be capped at 85 per cent of the municipal share of the increase in property taxes that result from the redevelopment, payable annually for up to ten years or up to the time when the total grant payments equal the total eligible grants, whichever comes first. The City will only pay the annual grant after the property taxes have been paid in full each year and all terms and conditions specified in the registered legal agreement between the City and the applicant have been met. The anticipated maximum Rehabilitation Grant for this project is \$3,648,235.

- **Development Charge Deferral Program**

Under the Development Charge Deferral Program, the owner of the property is eligible for a 50 per cent deferment of eligible items costs towards development charges (items 1 to 7, see Document 4), by entering into a Deferral Agreement with a preferred annual interest charge of the issued index interest rate with the City of Ottawa. The term of the agreement would be subject to a maximum of either two years after issuance of a building permit or three years after the approval by the Council of the BRCIP application by the developer, whichever one occurs first, at which time the payment of the Development Charge deferred amount, plus interest, would be made by the developer. This amount eligible for deferral is \$3,101,000 (subject to all terms and conditions specified in the registered legal agreement between the City and the applicant being met).

Under the Development Charges By-law 2019-156, Collection Procedures, Section 13 (2), the ability to enter an agreement between the City of Ottawa and the owner is established, and the City Treasurer is assigned to collect the applicable development charges.

Under the Delegated Authority By-law 2020-360, the City Solicitor has delegated authority to enter into an agreement with the owner for a Deferral of Development Charges.

- **Municipal Leadership Strategy Program**

As part of the Brownfield Grant Program, a Municipal Leadership Strategy is a general program of municipal property acquisition, investment and involvement in pilot projects with the private sector to remediate and rehabilitate brownfield sites in Ottawa. The program is funded from 15 per cent of the municipal share of the increase in property taxes that resulted from the redevelopment that is retained by the City as a result of properties participating in the Rehabilitation Grant Program and is placed into a Municipal Leadership Account. This account will function as a revolving fund. The allocation of 15 per cent of the tax increment that is retained by the City to the Municipal Leadership Account will end when the Rehabilitation Grant Program ends. At that time, the City may return funds remaining in the Municipal Leadership Account to general revenues or continue to utilize these funds for Leadership activities until the Municipal Leadership Account is exhausted. The anticipated funding under this program for this site is estimated at \$817,141 and collection will commence after the first taxation year after the final Property Tax Assistance payment of the new development occurs.

Economic Benefits to the Community

The overall economic impact of the proposed residential development is estimated at over \$276 million in direct construction value. During the development of the site, direct and indirect economic benefits to the local economy will be experienced as a result of site remediation, the construction period through payroll, purchased material supplies, services, and equipment rentals.

Over \$510 million in new residential/commercial assessment is projected to be added to the property tax assessment roll at full development. The developer's taxation consultant estimates that over \$1.56 million per year in increased municipal property and education taxes can be expected at the completion on the phase 1 of the project (2025), after the brownfield grant ends, which would subsequently go to the City's general revenues (see Document 6).

RURAL IMPLICATIONS

There are no rural implications associated with this application

CONSULTATION

There was no public consultation for this report.

COMMENTS BY THE WARD COUNCILLOR(S)

Councillor Plante had the following comments: "I support this request based upon its merits as described in the report."

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report

FINANCIAL IMPLICATIONS

The maximum grant under the 2015 Brownfield Redevelopment Community Improvement Plan Program is \$3,648,235. In addition, the estimated Municipal Leadership Strategy contribution is \$817,141, for a total requirement of \$4,465,376. If approved, coordination with the Montreal Road CIP is required with recovery of the Brownfield Redevelopment Community Improvement Plan Program first, up to the maximum \$3,648,235. Budget authority requirements will be brought forward through the annual budget process. Development Charges of \$3,101,000 are eligible for deferral under the Development Charge Deferral Program. Deferred DCs would be subject to interest.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

ENVIRONMENTAL IMPLICATIONS

The approval of this grant will assist with the redevelopment of this brownfield property and ensure that this contaminated site is properly remediated prior to development. A Record of Site Condition will be required as per the funding agreement. Brownfield redevelopment is identified as a key strategy for promoting reinvestment in existing urban areas and for reducing the need to expand into greenfield sites. The remediation and redevelopment of brownfield sites assist in meeting the Environmental Strategy's goal of clean air, water and earth.

SUPPORTING DOCUMENTATION

- Document 1** Location Map
- Document 2** Aerial View
- Document 3** Brownfield Redevelopment Grant Application Requirements
- Document 4** Brownfield Redevelopment Grant - Eligible Costs
- Document 5** Calculating the Brownfield Redevelopment Grant

Document 6 Estimated Future City Property Tax Increment and Annual Municipal Grant Payable

Document 7 Payment Option Scenario

Document 8 Site Plan

DISPOSITION

Legal Services, Innovative Client Services Department to prepare the Brownfield Rehabilitation Grant Agreement.

Planning, Real Estate and Economic Development Department and Finance Department, Revenue Branch to develop a general administrative approach to implement the Brownfield Redevelopment Financial Incentive Program and more specifically for this application.

Planning, Real Estate and Economic Development Department to notify the applicant of Council's decision.

Document 1 – Location Map



		<p>LOCATION MAP / PLAN DE LOCALISATION BROWNFIELDS REDEVELOPMENT PROGRAM / PROGRAMME DE RÉAMÉNAGEMENT DES FRICHES INDUSTRIELLES</p> <div style="display: flex; align-items: center; justify-content: center; margin-top: 20px;"> <div style="border: 2px solid black; width: 40px; height: 20px; margin-right: 10px;"></div> <p>2 chemin de Montreal Road, 3 rue Selkirk Street</p> </div> <div style="text-align: right; margin-top: 20px;">  <small>NOT TO SCALE</small> </div>
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Document 2 – Aerial View

Address: 2 Montreal Road and 3 Selkirk Street



Document 3 – Brownfield Redevelopment Grant Application Requirements

A Brownfield Redevelopment Grant Program guide was prepared as part of the administration of the Brownfield Financial Incentives Program. This program guide provides the detailed requirements to an applicant in order to file a complete application with the City for consideration of financial assistance under this grant program. The applicant is required to submit various technical documents to determine eligibility and costs eligible for the rehabilitation grant. The following documents are required:

- All environmental studies (Phase I ESA, Phase II ESA and Remedial Action Plan);
- Detailed work plan and cost estimate prepared by a qualified person (as defined by the *Environmental Protection Act* and Ontario Regulation 153/04, as amended), for all eligible environmental remediation and risk assessment/risk management works;
- A cost estimate provided by a bona fide contractor for eligible rehabilitation/redevelopment and demolition costs;
- A set of detailed architectural/design and/or construction drawings; and
- An estimated post-project assessment value prepared by a private sector property tax consultant.

The applicant (registered owner) or agent acting on behalf of the registered owner is required to fully complete the application including all required signatures and complete the sworn declaration.

Document 4 – Brownfield Redevelopment Grant – Eligible Costs

Table 1 – Eligible Cost and Estimated Cost – 2 Montreal Road and 3 Selkirk Street

	Eligible Items	Estimate Cost
1	Environmental studies, Remedial Work Plan and Risk Assessment not covered by Environmental Site Assessment Grant Program	\$310,000
2	Environmental Remediation including the cost of preparing a Record of Site Condition	\$5,767,000
3	Placing clean fill and grading	\$75,000
4	Installing environmental and/or engineering controls/works as specified in the Remedial Work Plan and/or Risk Assessment	\$0
5	Monitoring, maintaining and operating environmental and engineering controls/works as specified in the Remedial Work Plan and/or Risk Assessment	\$50,000
6	Environmental Insurance Premiums	\$0
7	Leadership Program	\$0
	Sub-Total Costs eligible for 50% of DC deferral program	\$6,202,000
8	Cost of Feasibility Study	\$10,000
9	30% of Building Permit Fee	\$95,000
10	50% Building demolition costs	\$600,000
11	50% Building rehabilitation costs	\$0
12	50% of the upgrading costs for on-site infrastructure including water services, sanitary sewers and stormwater management facilities	\$425,000
	Sub-total 7 to 12 - Actuals	\$1,130,000
	Items 7 to 12 maximum amount allowable based on 15% of total	\$1,094,471
	Total costs eligible for Rehabilitation Grant	\$7,296,471

Document 5 – Calculating the Brownfield Redevelopment Grant

The Ottawa Brownfield Redevelopment Community Improvement Plan (BRCIP) specifies that the total of all grants shall not exceed 50 per cent of the cost of rehabilitating said lands and buildings (with the provision that eligible items 7 to 12 cannot exceed 15 per cent of the total eligible items being submitted for grant). *

Table 2 – Total eligible costs

1	Total eligible Costs - from Document 4	\$7,296,471
2	Total capping at 50 per cent of line 1	\$3,648,235
3	Total of Redevelopment Grant Payable	\$3,648,235

The land is located within a priority area. This location is therefore eligible for the Rehabilitation Grant equivalent to 85 per cent of the municipal property tax increase that results from the redevelopment, payable annually for up to ten years.

Document 6 – Estimated Future City Property Tax Increment and Annual Municipal Grant Payable

Recent (2021 tax year) Value Assessment on the property at 2 Montreal Road and 3 Selkirk Street is \$12,663,000, classified as commercial tax class. Recent property taxes are broken down as follows for phase 1 portion of the property:

Table 3 – Recent (2021 tax year) Property Taxes

Municipal Property Tax portion	\$75,851
Education Property Tax portion	\$39,499
Total Pre-Project Property Taxes	\$115,350

Based on a post-project assessment valuation prepared by Cushman and Wakefield, as submitted as part of the application, it is estimated that once the entire project is complete, the proposed development could have a post-project assessment value of \$510 million (based on an effective valuation date of 2025). The estimated taxes (Municipal and Education) to be generated from phase 1 portion is as shown in Table 4.

Table 4 – Estimated Annual Post-Project Municipal/Education Property Taxes

Tax Class	Estimated assessment (2025)	Estimated Municipal Tax (2025)	Estimated Education Tax (2025)	Estimated Total Tax (2025)
Residential and Commercial	\$510,600,000	\$1,397,569	\$285,526	\$1,683,095

Document 7 – Payment Option Scenario

Project Address: 2 Montreal and 3 Selkirk

Project #	Year	Calendar Year (from report)	Calendar Year (expected payout)	Existing Municipal Property Tax portion	Estimated Municipal Property Tax portion	Municipal Tax Increment	Rehab Grant (85% of property tax increase)	BML Revolving Fund	Max contribution	Additional Revenue to City	Cumulative Grant Amount
	1	2024	2025	\$ 74,364	\$ 74,364	\$0	\$ 0	\$ 0	\$0	\$0	\$0
	2	2025	2026	\$ 75,851	\$ 1,397,569	\$1,321,718	\$ 1,123,460	\$ 198,258	\$1,123,460	\$198,258	\$1,123,461
	3	2026	2027	\$ 77,368	\$ 1,425,520	\$1,348,152	\$ 1,145,930	\$ 202,223	\$1,145,930	\$202,223	\$2,269,390
	4	2027	2028	\$ 78,915	\$ 1,454,031	\$1,375,115	\$ 1,168,848	\$ 206,267	\$1,168,848	\$206,267	\$3,438,238
	5	2028	2029	\$ 80,494	\$ 1,483,111	\$1,402,618	\$ 209,997	\$ 210,393	\$209,997	\$1,192,621	\$3,648,235
	6	2029	2030	\$ 82,104	\$ 1,512,774	\$1,430,670	\$ -	\$ -	\$0	\$1,430,670	\$3,648,235
	7	2030	2031	\$ 83,746	\$ 1,543,029	\$1,459,283	\$ -	\$ -	\$0	\$1,459,283	\$3,648,235
	8	2031	2032	\$ 85,421	\$ 1,573,890	\$1,488,469	\$ -	\$ -	\$0	\$1,488,469	\$3,648,235
	9	2032	2033	\$ 87,129	\$ 1,605,367	\$1,518,239	\$ -	\$ -	\$0	\$1,518,239	\$3,648,235
	10	2033	2034	\$ 88,872	\$ 1,637,475	\$1,548,603	\$ -	\$ -	\$0	\$1,548,603	\$3,648,235
	Total			\$814,262	\$13,707,130	\$12,892,868	\$3,648,235	\$817,141	\$3,648,235	\$9,244,633	

It is important to note that the tax increment is only an estimate and provides guidance on the order of magnitude of the possible payment under the assumption that the project would be completed, reassessed and taxes levied and paid in this period. The tax rates and all of the assessment valuation parameters are held constant for illustration purposes. In practice the assessed value would likely increase reflecting increasing property values. As well, there would likely be some increase in the annual municipal levy during the projection period.

The administration of the Brownfield Redevelopment grant program would require that any grants to be paid be based on actual Municipal Property Assessment Corporation (MPAC) property assessment (including any resolution of appeals) of improved properties. The prevailing tax rate would be applied and only after taxes are paid in full for one year and only when the City is satisfied that all terms and conditions have been met as specified in the legal agreement between the City and the applicant would a tax rebate be issued. This rebate would be capped at 85 per cent of the municipal share of the increase in property taxes over the pre-project municipal property taxes paid.

In the administration of this grant each row would be calculated every year based on the new assessment, tax rate, taxes paid and actual municipal tax increment to establish the actual grant payment.

