Subject: Brownfields Grant Application - 70 Nicholas Street

File Number: ACS2024-PRE-PS-0048

Report to Finance and Corporate Services Committee on 2 April 2024 and Council 17 April 2024

Submitted on March 19, 2024 by Derrick Moodie, Director, Planning Services, Planning, Real Estate and Economic Development

Contact Person: Wendy Tse, Coordinator (A), Front Ending Agreements and Brownfields Programs, Planning Operations and Continuous Improvement Branch

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Ward: Rideau-Vanier (12)

Objet : Demande dans le cadre du Programme de subvention pour la remise en valeur des friches industrielles – 70, rue Nicholas

Dossier : ACS2024-PRE-PS-0048

Rapport au Comité des finances et des services organisationnels le 2 avril 2024 et au Conseil le 17 avril 2024

Soumis le 19 mars 2024 par Derrick Moodie, Directeur, Services de la planification, Direction générale de la planification, des biens immobiliers et du développement économique

Personne ressource : Wendy Tse, Coordinatrice (i) Ententes préalables et Programme de friches industrielles, Opération de planification et de l'amélioration continue

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Quartier : Rideau-Vanier (12)

REPORT RECOMMENDATIONS

That Finance and Corporate Services Committee recommend Council:

1. **Approve the application submitted by Viking Rideau Corporation, owner of the property at 70 Nicholas Street, for Rehabilitation Grant under the Brownfield Redevelopment Community Improvement Plan (2015), not to exceed a total of $1,923,909 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; and the estimated contribution of $169,280 towards the Municipal Leadership Strategy fund.**

2. **Delegate the authority to the General Manager, Planning, Infrastructure and Economic Development, to execute a Brownfield Redevelopment Grant Agreement with Viking Rideau Corporation, establishing the terms and conditions governing the payment of the grant for the redevelopment of 70 Nicholas 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. **D'approuver la demande présentée par Viking Rideau Corporation, propriétaire du bien-fonds situé au 70, rue Nicholas, pour une subvention versée en vertu du plan d'améliorations communautaires pour le réaménagement des friches industrielles (2015) n'excédant pas 1 923 909 $ au total, sur une période de versement échelonnée sur dix ans au maximum, sous réserve de l'adoption des modalités de l'entente de subvention pour la remise en valeur des friches industrielles, et conformément à celles-ci; et le versement d'une somme estimée à 169 280 $ au fonds de la stratégie municipale de leadership.**

2. **De déléguer au directeur général de planification, immobilier et développement économique le pouvoir de conclure une entente de subvention pour la remise en valeur de friches industrielles avec Viking Rideau Corporation, laquelle établira les modalités de paiement de la subvention pour le réaménagement du 70, rue Nicholas, à la satisfaction du directeur général de planification, immobilier et développement économique, de l'avocat général et de la cheffe des finances.**

BACKGROUND

Site location

70 Nicholas Street

Owner

Viking Rideau Corporation (Cadillac Fairview Corporation Ltd.)

Applicant

Karyn Munch, Paterson Group on behalf of Viking Rideau Corporation

Architect

Neuf Architect(e)s

Description of site and surroundings

The subject site is at the southeast corner of the CF Rideau Centre complex, at the southwest corner of Nicholas Street and Daly Avenue. The site is currently occupied by the former City Registry Office, a designated *Ontario Heritage Act* building, and provides access to the Rideau Centre parking lot. West of the site is the Rideau Centre parking lot and mall; to the north is the remainder of the Rideau Centre; south is the Mackenzie King Bridge; and commercial hotels, the Arts Court, and Ottawa Art Gallery are to the east across Nicholas Street.

Summary of proposed development

The development is proposed to include a 21-storey purpose-built rental apartment building with 287 residential units and ground floor retail of 2,500 feet squared. It will also include 103 vehicle parking spaces, 15 visitor parking spaces, 232 bicycle parking spaces, and 243 lockers.

- 182 one-bedroom
- 105 two-bedroom

The existing heritage building will be shifted on-site and incorporated into the commercial and lobby space.

Related applications

D02-02-21-0141 – Zoning By-Law Amendment – By-law Passed September 21, 2022

D07-12-21-0197 – Site Plan Control – Approved May 23, 2023

Conditional building permits have been issued for the excavation (August 2, 2023) and partial foundation (October 26, 2023).

DISCUSSION

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 27, 2007 and amended by Council on May 12, 2010, and October 14, 2015. This report is in conformance with the 2015 BRCIP, as directed by Council on January 24, 2024.

The BRCIP presents the rationale behind the redevelopment of Brownfield 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 subject to the Brownfield Grant program and is within a Brownfield priority area based on the criteria under the BRCIP.

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

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 seven 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.

Brownfield Grant Application

Viking Rideau Corporation filed an application under the BRCIP for the clean-up and development of 70 Nicholas Street.

The Phase I and Phase II Environmental Site Assessments (ESA) were prepared for the site by Paterson Group and dated June 24, 2022. The Phase II ESA identified that the fill material at the subject site is impacted with various metals, mercury, polynuclear aromatic hydrocarbons (PAHs) and/or petroleum hydrocarbons (PHC) exceeding the Ministry of the Environment, Conservation and Parks Table 3 standards for residential land use.

Groundwater for the Phase II site was tested and the samples were in compliance with the Ontario Ministry of the Environment, Conservation and Parks (MECP) Table 3 Standards for residential land use.

This application is for the Property Tax Assistance Program, Rehabilitation Grant, Environmental Site Assessment Grant, 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 18, 2022.

Proposed Remediation

The suggested remedial action plan consists of a generic approach, where the impacted soil will be excavated and disposed of at an approved waste disposal facility during the redevelopment of the subject site. It is anticipated that the remediation work will take six months to complete.

Calculating the Brownfield Redevelopment Grant

Under the Brownfield Redevelopment Grant Program, 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 seven 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.

- **Property Tax Assistance Program**

Grants would be 100 per cent of the municipal share of the increase in property taxes that result from the redevelopment, payable annually for up to the first three years per phase of development or, up to the time when the total grant payments equal the total eligible grants (items 1-6), 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 ownership of the property cannot change within the period of this program. The anticipated maximum Property Tax Assistance Grant for this project is $1,635,323.

- **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 the remainder of the ten-year term following the Property Tax Assistance Program 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. It is anticipated that the Rehabilitation Grant will be $288,586.

- **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 $169,280 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 development is estimated at over $135 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. Once constructed, the proposed ground floor retail will also generate economic benefits.

It is estimated that over $107 million in new residential/commercial assessment would be added to the property tax assessment roll at full development. The developer's taxation consultant estimates that over $1,106,404 per year in increased municipal property can be expected at the completion of the project (2026), 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 report.

COMMENTS BY THE WARD COUNCILLOR(S)

Councillor Stéphanie Plante provided the following comment:

I fully support this project moving forward. It has been already subject to considerable delay during a housing emergency, due to the comprehensive review of the program that found:

… the conclusion is that if the brownfield funding assisted with the prompt development of projects that would not have otherwise proceeded in the same time frame by more than two years, the program is cost neutral or net positive to the City.

The brownfield redevelopment incentive programs have proven effective in promoting remediation and redevelopment of brownfield sites, which are often located in key downtown areas.

The report before Committee also finds:

The overall economic impact of the proposed development is estimated at over $135 million in direct construction value.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the report recommendations. This application is being considered under the applicable rules and criteria prior to the program pause in December 2022 in accordance with the January 24, 2024 direction from Council.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with this report.

FINANCIAL IMPLICATIONS

The maximum grant under the 2015 Brownfield Redevelopment Community Improvement Plan Program is $1,923,909. In addition, the estimated Municipal Leadership Strategy contribution is $169,280, for a total requirement of $2,093,189. Budget authority requirements will be brought forward through the annual budget process. Actual payments of the Grant will be reviewed at the end of each tax year to confirm the actual tax benefit of the development and to calculate the actual payment to the developer.

ECONOMIC IMPLICATIONS

The proposed development project can be expected to produce an overall economic benefit as a direct result of the construction. 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.

At full development, the reassessed property would be added to the property tax assessment roll and once the grant payment ends, the total tax amount would subsequently be added to the City's general revenues.

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.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- A city that is green and resilient
- A city with a diversified and prosperous economy
- A city that has affordable housing and more liveable for all

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

CONCLUSION

The Planning, Real Estate and Economic Development Department recommend approval of the application. It is consistent with the intent of the Brownfields Redevelopment CIP (2015).

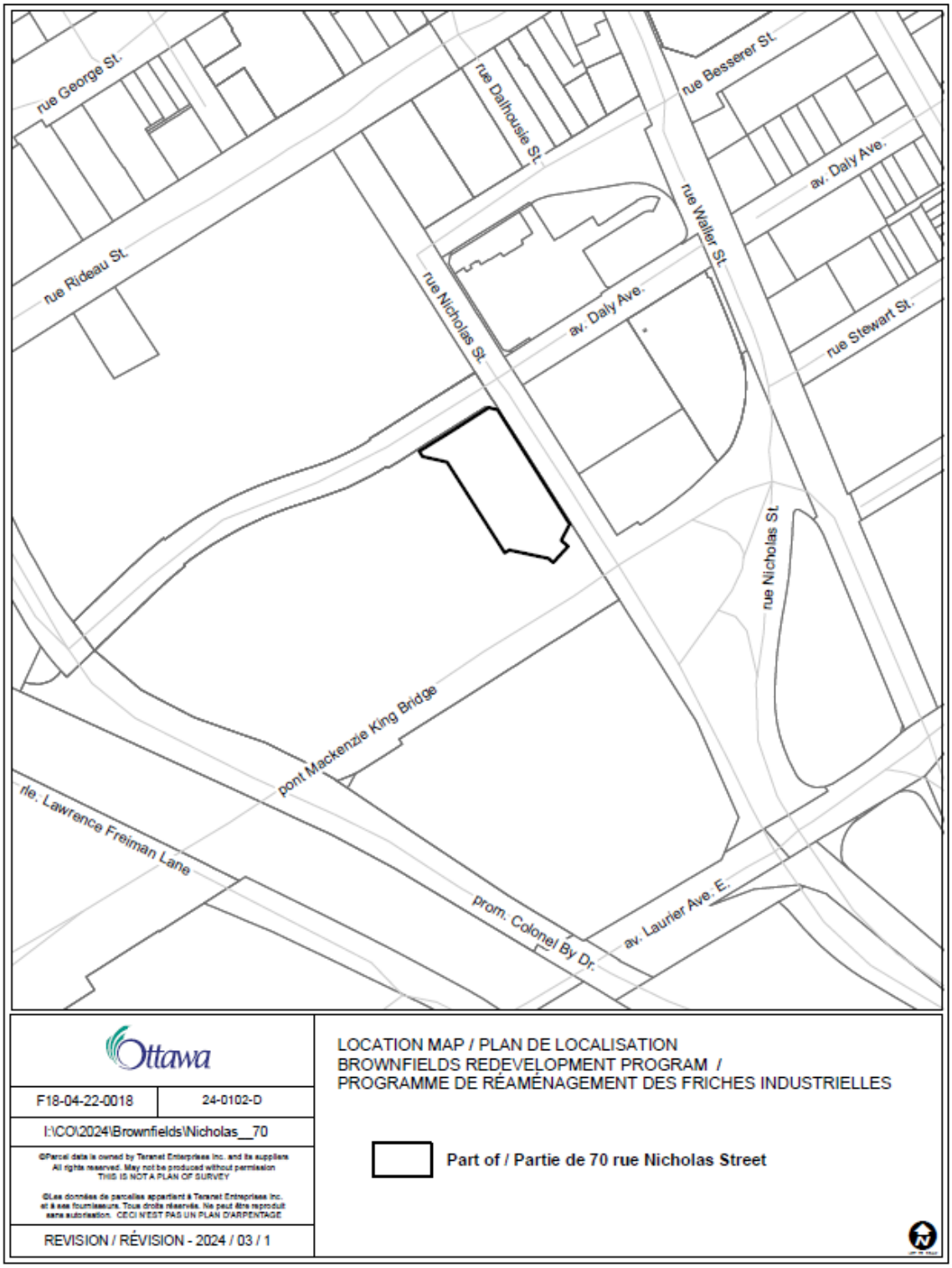
DISPOSITION

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 - 70 Nicholas Street



Document 2 – Aerial View - 70 Nicholas 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 Items and Estimated Cost – 70 Nicholas Street

	Eligible Items	**Estimated Cost**
1	Environmental studies, Remedial Work Plan and Risk Assessment not covered by Environmental Site Assessment Grant Program	$49,774
2	Environmental Remediation including the cost of preparing a Record of Site Condition	$3,220,872
3	Placing clean fill and grading	$0
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	$0
6	Environmental Insurance Premiums	$0
7	Leadership Program	$0
	Sub-Total Costs eligible for 50% of DC deferral program	**$3,270,646**
8	Cost of Feasibility Study	$0
9	30% of Building Permit Fee (only eligible in priority area)	$98,735
10	50% Building demolition costs	$0
11	50% Building rehabilitation costs	$2,628,125
12	50% of the upgrading costs for on-site infrastructure including water services, sanitary sewers and stormwater management facilities	$0
	Sub-total 7 to 12 - Actuals	**$2,726,860**
	Items 7 to 12 maximum amount allowable based on 15% of total	**$577,173**
	Total costs eligible for Redevelopment Grant	**$3,847,819**

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	$3,847,819
2	Total capping at 50 per cent of line 1	$1,923,909
3	Total of Redevelopment Grant Payable	**$1,923,909**

The Property Tax Assistance Program provides the equivalent of 100 per cent of the municipal property tax increase for the first three years. Any unused portion is eligible for the Rehabilitation Grant. As 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 the remainder of the ten year term.

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

Recent (2016) Value Assessment on the property at 70 Nicholas Street is $2,543,000, classified as commercial tax class (XT):

Table 3 – Recent (2021 tax year) Property Taxes

Municipal Property Tax portion	$44,954
Education Property Tax portion	$22,378
Total Pre-Project Property Taxes	$67,332

It is noted that a special BIA charge of $1,666 was applied but does not form part of the tax levy.

Based on a post-project assessment valuation prepared by Altus Group, 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 $107 million (based on an effective valuation date of 2023).

The Estimated Annual Post-Project Municipal Property Taxes on the new tax classes of New Multi-Residential (NT) and New Commercial (XT) based on the estimated assessment is estimated to be **$1,156,037** in 2026.

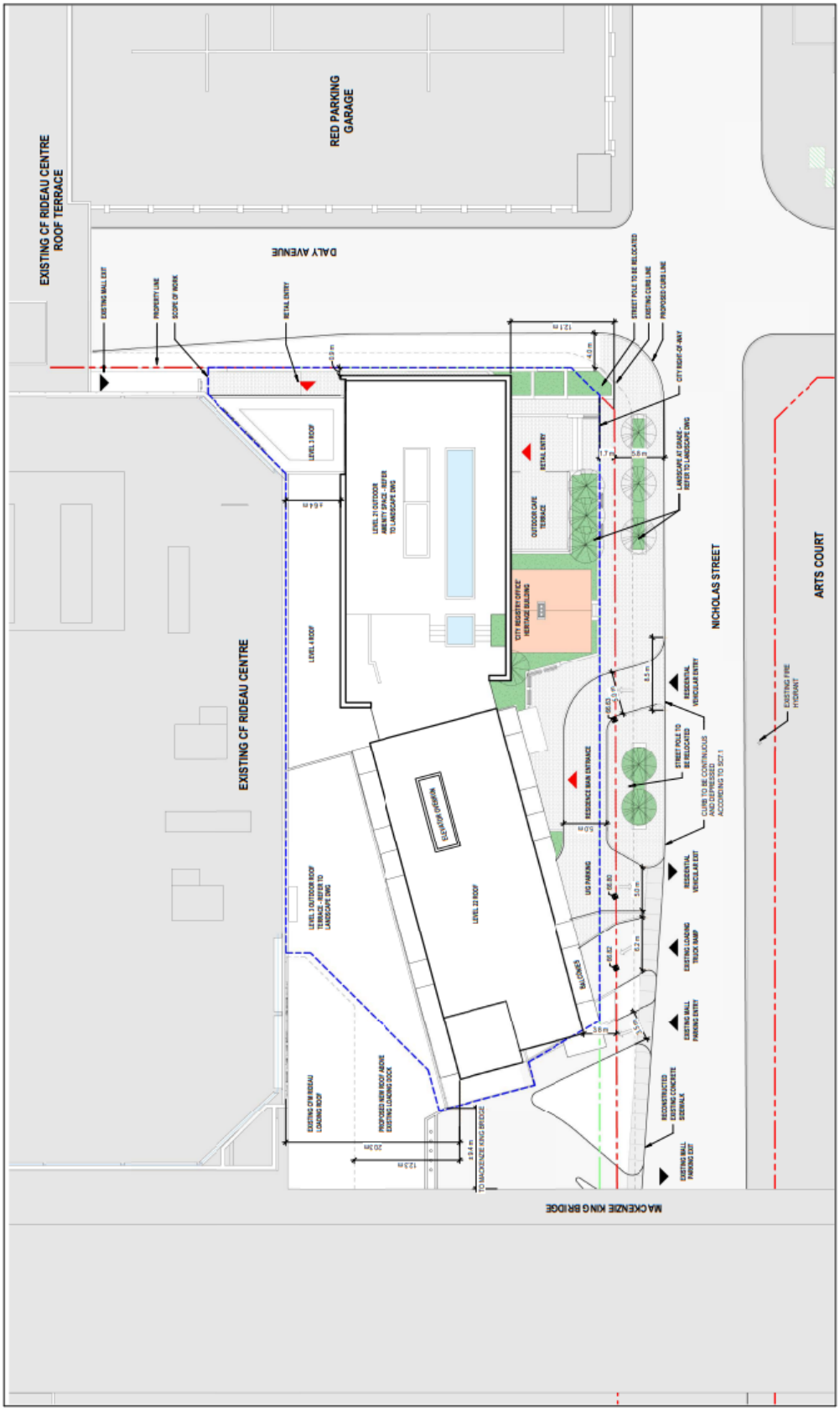
Document 7 – Payment Option Scenario

Project Address: 70 Nicholas

Project #	Year	Calendar Year (from report)	Calendar Year (expected payout)	Existing Municipal Property Tax portion	Estimated Municipal Property Tax portion	Municipal Tax Increment	Property Tax Assistance	Rehab Grant (85% increment)	BML Revolving Fund	Maximum Contribution	Additional Revenue to City	Cumulative Grant Amount
	1	2024	2025	$47,706	$47,706	$0	$0	$0	$0	$0	$0	$0
	2	2025	2026	$48,660	$566,685	$518,025	$518,025	$0	$0	$518,025	$0	$518,025
	3	2026	2027	$49,633	$1,156,037	$1,106,404	$1,106,404	$0	$0	$1,106,404	$0	$1,624,429
	4	2027	2028	$50,626	$1,179,158	$1,128,532	$10,894	$288,586	$169,280	$299,481	$829,051	$1,923,909
	5	2028	2029	$51,638	$1,202,741	$1,151,103		$0	$0	$0	$1,151,103	$0
	6	2029	2030	$52,671	$1,226,796	$1,174,125		$0	$0	$0	$1,174,125	$0
	7	2030	2031	$53,725	$1,251,332	$1,197,607		$0	$0	$0	$1,197,607	$0
	8	2031	2032	$54,799	$1,276,359	$1,221,560		$0	$0	$0	$1,221,560	$0
	9	2032	2033	$55,895	$1,301,886	$1,245,991		$0	$0	$0	$1,245,991	$0
	10	2033	2034	$57,013	$1,327,924	$1,270,911		$0	$0	$0	$1,270,911	$0
	Total			**$522,366**	**$10,536,624**	**$10,014,258**	**$1,635,323**	**$288,586**	**$169,280**	**$1,923,909**	**$8,090,348**	

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 100 per cent of the municipal share of the increase in property taxes over the pre-project municipal property taxes paid for the first three years and 85 per cent thereafter for the remainder of the term.

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.

Document 8 – Site Plan