

<p>7. BROWNFIELD GRANT APPLICATION – 1040 SOMERSET STREET WEST</p> <p>DEMANDE DE PARTICIPATION AU PROGRAMME DE SUBVENTION POUR LA REMISE EN VALEUR DES FRICHES INDUSTRIELLES – 1040, RUE SOMERSET OUEST</p>

REPORT RECOMMENDATIONS

That Council:

- 1. Approve the Brownfield Redevelopment Grant application submitted by Claridge Homes (Hintonburg Yards) Inc., owner of the property at 1040 Somerset Street West, for Rehabilitation Grant under the Brownfield Redevelopment Community Improvement Plan (2010), not to exceed a total of \$1,826,415 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 \$149,943 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 Claridge Homes (Hintonburg Yards) Inc., establishing the terms and conditions governing the payment of the grant for the redevelopment of 1040 Somerset Street West, to the satisfaction of the General Manager, Planning, Real Estate and Economic Development Department, the City Solicitor and the Chief Financial Officer.**
- 3. Exempt the proposed redevelopment of 1040 Somerset Street West from paying future Municipal Development Charges up to a maximum of \$1,595,125, under Section 7(s) of the Development Charges By-law 2019-156 under the Guideline for the Development Charge Reduction Program due to Site Contamination, approved by Council March 28, 2007 and is included in the \$1,826,415 grant request as outlined in Recommendation 1.**

RECOMMANDATIONS DU RAPPORT

Que le Conseil :

- 1. Approuve la demande de participation au Programme de subvention pour la remise en valeur des friches industrielles présentée par Claridge Homes (Hintonburg Yards) Inc., propriétaire du bien-fonds situé au 1040, rue Somerset Ouest, pour une subvention versée en vertu du Plan d'améliorations communautaires pour le réaménagement des friches industrielles (2010) n'excédant pas 1 826 415 \$ 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 149 943 \$ au fonds de la Stratégie municipale de leadership;**
- 2. Délègue 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 Claridge Homes (Hintonburg Yards) Inc., laquelle établira les modalités de paiement de la subvention pour le réaménagement du 1040, rue Somerset Ouest, à la satisfaction du directeur général de Planification, Immobilier et Développement économique, de l'avocat général et de la Cheffe des finances.**
- 3. Dispense le réaménagement proposé au 1040, rue Somerset Ouest de toute redevance d'aménagement municipale à venir jusqu'à concurrence de 1 595 125 \$, conformément à l'alinéa 7(s) du Règlement municipal sur les redevances d'aménagement 2019-156 et aux lignes directrices en matière de réduction des redevances d'aménagement à cause de la contamination de l'emplacement, approuvées par le Conseil le 28 mars 2007, et de faire en sorte que cette dispense soit incluse dans la demande de subvention de 1 826 415 \$, comme le précise la recommandation 1.**

DOCUMENTATION/DOCUMENTATION

1. Acting Director's report, Planning, Real Estate and Economic Development Department, dated April 20, 2022, (ACS2022-PIE-PS-0029)

Rapport de la Directrice par intérim, Direction générale de la planification, de l'immobilier et du développement économique, daté le 20 avril 2022, (ACS2022-PIE-PS-0029)

Subject: Brownfield Grant Application – 1040 Somerset Street West

File Number: ACS2022-PIE-PS-0029

Report to Finance and Economic Development Committee on 3 May 2022

and Council 11 May 2022

**Submitted on April 20, 2022 by Lily Xu, Acting Director, Planning, Real Estate and
Economic Development**

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

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

Ward: Kitchissippi (15)

**Objet : Demande de participation au Programme de subvention pour la
remise en valeur des friches industrielles – 1040, rue Somerset Ouest**

Dossier : ACS2022-PIE-PS-0029

Rapport au Comité des finances et du développement économique

le 3 mai 2022

et au Conseil le 11 mai 2022

**Soumis le 20 avril 2022 par Lily Xu, Directrice par intérim, Direction générale de la
planification, des biens immobiliers et du développement économique**

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

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

Quartier : Kitchissippi (15)

REPORT RECOMMENDATIONS

That Finance and Economic Development Committee recommend Council:

- 1. Approve the Brownfield Redevelopment Grant application submitted by Claridge Homes (Hintonburg Yards) Inc., owner of the property at 1040 Somerset Street West, for Rehabilitation Grant under the Brownfield Redevelopment Community Improvement Plan (2010), not to exceed a total of \$1,826,415 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 \$149,943 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 Claridge Homes (Hintonburg Yards) Inc., establishing the terms and conditions governing the payment of the grant for the redevelopment of 1040 Somerset Street West, to the satisfaction of the General Manager, Planning, Real Estate and Economic Development Department, the City Solicitor and the Chief Financial Officer.**
- 3. Exempt the proposed redevelopment of 1040 Somerset Street West from paying future Municipal Development Charges up to a maximum of \$1,595,125, under Section 7(s) of the Development Charges By-law 2019-156 under the Guideline for the Development Charge Reduction Program due to Site Contamination, approved by Council March 28, 2007 and is included in the \$1,826,415 grant request as outlined in Recommendation 1.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

- 1. Approuver la demande de participation au Programme de subvention pour la remise en valeur des friches industrielles présentée par Claridge Homes**

(Hintonburg Yards) Inc., propriétaire du bien-fonds situé au 1040, rue Somerset Ouest, pour une subvention versée en vertu du Plan d'améliorations communautaires pour le réaménagement des friches industrielles (2010) n'excédant pas 1 826 415 \$ 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 149 943 \$ au fonds de la Stratégie municipale de leadership;

- 2. 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 Claridge Homes (Hintonburg Yards) Inc., laquelle établira les modalités de paiement de la subvention pour le réaménagement du 1040, rue Somerset Ouest, à la satisfaction du directeur général de Planification, Immobilier et Développement économique, de l'avocat général et de la Cheffe des finances.**
- 3. Dispenser le réaménagement proposé au 1040, rue Somerset Ouest de toute redevance d'aménagement municipale à venir jusqu'à concurrence de 1 595 125 \$, conformément à l'alinéa 7(s) du Règlement municipal sur les redevances d'aménagement 2019-156 et aux lignes directrices en matière de réduction des redevances d'aménagement à cause de la contamination de l'emplacement, approuvées par le Conseil le 28 mars 2007, et de faire en sorte que cette dispense soit incluse dans la demande de subvention de 1 826 415 \$, comme le précise la recommandation 1.**

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 2010 BRCIP. It falls under the 2010 BRCIP because it is captured by the transition clause within the 2015 BRCIP report to Council ([ACS2015-PAI-PGM-0152](#)) which states that in stream applications deemed complete or where formal Brownfield pre-consultation has taken place on an application on or before September 2015 be considered on the basis of the Brownfield Policy in place at the time. The formal application for 1040 Somerset BRCIP was submitted on August 6, 2015, and therefore, captured under the 2010 BRCIP.

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

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

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 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 1,344 square metres with approximately 20 metres frontage along Somerset Street West and 45 metres frontage along Breezehill Avenue North (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

Claridge Homes (Hintonburg Yards) Inc. is redeveloping the property at 1040 Somerset Street West to accommodate a 30-storey mixed-use building with 262 units, first floor

commercial retail spaces and 145 parking spaces. The related Site Plan Control application (D07-12-13-0124) is currently under review.

Brownfield Grant Application

Claridge Homes (Hintonburg Yards) Inc. filed an application under the BRCIP for the clean-up and redevelopment of 1040 Somerset Street West.

A Phase I and II Environmental Site Assessment was prepared by Paterson Group Inc. in 2015 and subsequently updated in 2020, which identified that the fill material at the subject site is impacted with polycyclic aromatic hydrocarbons, petroleum hydrocarbons and metal contaminants that exceeds the Ontario Ministry of the Environment, Conservation and Parks (MECP) Table 3.

Groundwater on this site was tested and the samples identified petroleum hydrocarbon, acenaphthylene and chloroform concentrations 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 Reduction, 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 April 29, 2021.

Proposed Remediation

The suggested remedial action plan consists of a generic approach where contaminated soil will be removed from site and disposed off at a licensed landfill. A portable groundwater treatment system will be installed to treat on-site accumulated groundwater by means of granular activated carbon. Water proofing membrane will be installed along the foundation walls and will act as a barrier to prevent re-contamination of the site from potential off-site sources of groundwater contamination. It is anticipated that the remediation work will take three to four months to complete, the groundwater remediation may take up to 12 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. 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 50 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 \$231,290.

- **Development Charge Reduction Program**

Under the Development Charge Reduction Due to Site Contamination Program, the owner of the property is eligible for a 50 per cent reduction of eligible items costs towards development charges (items 1 to 7, see Document 4). This program allows the owner to receive a credit at the time of application for building permits, subject to all terms and conditions specified in the registered legal agreement between the City and the applicant have been met. The anticipated maximum development charges credit is \$1,595,125.

- **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 \$149,943 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 \$96 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 \$94 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 \$1,150,000 per year in increased municipal property and education taxes 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 application

CONSULTATION

There was no public consultation for this report.

COMMENTS BY THE WARD COUNCILLOR

Councillor Leiper is aware of the recommendations in this report.

LEGAL IMPLICATIONS

There are no legal implications associated with implementing the recommendations within this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report

FINANCIAL IMPLICATIONS

The maximum grant under the 2010 Brownfield Redevelopment Community Improvement Plan Program is \$1,826,415, including Development Charge exemptions estimated to be \$1,595,125. In addition, the estimated Municipal Leadership Strategy contribution is \$149,943, for a total requirement of \$1,976,358.

All Development Charge Credits provided to the developer through the BRCIP will be repaid through the Provisions for Development Charge Exemptions (funded by General Revenues) into the Development Charge Funds, as per Section 7(t) of the Development Charges By-law 2014-229, under the Guideline for the Development Charge Reduction due to Site Contamination Program, approved by Council June 11, 2014.

Budget authority requirement for the \$1,976,358 will be brought forward through the annual budget process.

Actual payments of the Rehabilitation 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 and the actual contribution to the Municipal Leadership Strategy fund.

Actual Development Charge exemptions will be reviewed at the end of each year to confirm the amount of the credits prior to transferring funds from the Provision for Development Charge Exemptions to the Development Charge Funds.

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.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- Economic Growth and Diversification
- Environmental Stewardship

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



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REVISION / RÉVISION - 2017 /04 / 06

LOCATION MAP / PLAN DE LOCALISATION



1040 rue Somerset St. O. / W.



NOT TO SCALE

Document 2 – Aerial View

Address: 1040 Somerset Street West



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 – 1040 Somerset Street West

	Eligible Items	Estimate Cost
1	Environmental studies, Remedial Work Plan and Risk Assessment not covered by Environmental Site Assessment Grant Program	\$85,500
2	Environmental Remediation including the cost of preparing a Record of Site Condition	\$3,078,900
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	\$25,850
	Sub-Total Costs eligible for 50% of DC reduction program	\$3,190,250
8	Cost of Feasibility Study	\$0
9	30% of Building Permit Fee	\$110,000
10	Building demolition costs	\$289,580
11	Building rehabilitation costs	\$0
12	50% of the upgrading costs for on-site infrastructure including water services, sanitary sewers and stormwater management facilities	\$63,000

	Total costs eligible for Rehabilitation Grant and DC reduction	\$3,652,830
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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.

Table 2 – Total eligible costs

1	Total eligible Costs - from Document 4	\$3,652,830
2	Total capping at 50 per cent of line 1	\$1,826,415
3	Total of Redevelopment Grant Payable	\$1,826,415

The land is located within a priority area. This location is therefore eligible for the Rehabilitation Grant equivalent to 50 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 1040 Somerset Street West is \$1,383,000, classified as commercial tax class. Recent property taxes are broken down as follows:

Table 3 – Recent (2021 tax year) Property Taxes

Municipal Property Tax portion	\$24,448
Education Property Tax portion	\$12,170
Total Pre-Project Property Taxes	\$36,618

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 \$96 million (based on an effective valuation date of 2026). The estimated taxes (Municipal and Education) to be generated from full build-out is as shown in Table 4.

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

Tax Class	Estimated assessment (2026)	Estimated Municipal Tax (2026)	Estimated Education Tax (2026)	Estimated Total Tax (2026)
Residential and commercial	\$96,186,000	\$1,026,613	\$165,826	\$1,193,211

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Document 7 – Payment Option Scenario

Project Address: 1040 Somerset Street West

Project #	Year	Calendar Year (from report)	Calendar Year (expected payout)	Existing Municipal Property Tax portion	Estimated Municipal Property Tax portion	Municipal Tax Increment	DC Reduction	Rehab Grant (50% of property tax increase)	BML Revolving Fund	Max contribution	Cumulative Grant Amount
	1	2026	2027	\$ 26,993	\$ 1,026,613	\$999,620	\$ 1,595,125	\$ 231,290	\$ 149,943	\$1,826,415	\$1,826,415
	2	2027	2028	\$ 27,533	\$ 1,047,145	\$1,019,612				\$0	\$1,826,415
	3	2028	2029	\$ 28,084	\$ 1,068,088	\$1,040,005				\$0	\$1,826,415
	4	2029	2030	\$ 28,645	\$ 1,089,450	\$1,060,805				\$0	\$1,826,415
	5	2030	2031	\$ 29,218	\$ 1,111,239	\$1,082,021				\$0	\$1,826,415
	6	2031	2032	\$ 29,802	\$ 1,133,464	\$1,103,661				\$0	\$1,826,415
	7	2032	2033	\$ 30,399	\$ 1,156,133	\$1,125,734				\$0	\$1,826,415
	8	2033	2034	\$ 31,006	\$ 1,179,256	\$1,148,249				\$0	\$1,826,415
	9	2034	2035	\$ 31,627	\$ 1,202,841	\$1,171,214				\$0	\$1,826,415
	10	2035	2036	\$ 32,259	\$ 1,226,898	\$1,194,638				\$0	\$1,826,415
	Total			\$295,566	\$11,241,126	\$10,945,560	\$1,595,125	\$231,290	\$149,943	\$1,826,415	

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 50 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.

Document 8 – Site Plan

