

**SUBJECT: Montreal Road Community Improvement Plan Application by
Riverain Developments Inc. for 2 Montreal Road and 29 Selkirk Street**

File Number ACS2022-PIE-EDP-0004

**Report to Finance and Economic Development Committee on 5 April 2022 and
Council 13 April 2022**

**Submitted on March 25, 2022 by Don Herweyer, Director Economic Development
and Long-Range Planning / Planning, Real Estate and Economic Development
Department**

**Contact Person: Chris Cope, Economic Development Officer, Economic
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Development Department**

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Ward: RIDEAU-VANIER (12)

**OBJET : Demande de plan d'améliorations communautaires du chemin de
Montréal, présentée par Riverain Developments Inc. et visant le 2, chemin de
Montréal et 29 Chemin Selkirk**

Dossier : ACS2022-PIE-EDP-0004

**Rapport au Comité des finances et du développement économique le 5 avril 2022
et au Conseil le 13 avril 2022**

**Soumis le 25 mars 2022 par Don Herweyer, Directeur Développement économique
et Planification à long terme, Direction générale de la planification, immobilier et
développement économique**

Personne resource: Chris Cope, Agent du développement économique

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Quartier : RIDEAU-VANIER (12)

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council:

- 1. Approve the Montreal Road Community Improvement Plan Program Application submitted by Riverain Developments Inc., owner of the property at 2 Montreal Road and 29 Selkirk Street for a Community Improvement Plan grant not to exceed \$5,000,000 over a maximum period of 10 years, subject to the establishment of, and in accordance with, the terms and conditions of a Community Improvement Plan Agreement; and**
- 2. Delegate authority to the General Manager, Planning, Real Estate and Economic Development, to finalize and execute a Montreal Road Community Improvement Plan Agreement with Riverain Developments Inc. establishing the terms and conditions governing the payment of a Community Improvement Plan grant for the redevelopment of 2 Montreal Road and 29 Selkirk Street to the satisfaction of the City Manager, the City Clerk, the City Solicitor, and the City Treasurer.**

RECOMMANDATIONS DU RAPPORT

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

- 1. Approuver la demande déposée au titre du Plan d'améliorations communautaires du chemin de Montréal par Riverain Developments Inc., propriétaire du 2, chemin de Montréal et du 29, rue Selkirk, pour une subvention n'excédant pas 5 000 000 \$ sur une période maximale de dix ans, sous réserve de la conclusion d'une entente de subvention du plan d'améliorations communautaires, et conformément à ses modalités; et**
- 2. Déléguer au directeur général de Planification, Immobilier et Développement économique le pouvoir de conclure une telle entente avec Riverain Developments Inc., laquelle établira les modalités de paiement de la subvention pour le réaménagement 2, chemin de Montréal et du 29, rue Selkirk, à la satisfaction du directeur municipal, du greffier municipal et avocat général et de la trésorière municipale.**

BACKGROUND

Community Improvement Plans (CIPs) are a tool to improve the economic viability of specific commercial areas and improve quality of place through urban renewal. CIPs provide a framework by which a municipality may choose to offer financial incentives directly to property owners within a specified CIP project area under Section 28(7) of the *Planning Act*. The Montreal Road Community Improvement Plan (CIP) was adopted by Council on 12 June, 2019 ([link to staff report](#)). By-law No. 2019-213 designates the Montreal Road CIP Project Area, and By-law No. 2019-224 sets out the rationale for the Montreal Road CIP and comprehensive program details.

The principal goal of the Montreal Road CIP is to stimulate business investment, urban renewal, and property upgrades in the area. The Montreal Road CIP permits the City to provide financial incentives to property owners in the form of Tax Increment Equivalent Grants (TIEGs) that will encourage urban renewal, promote the development of cultural assets, support businesses including not-for-profits and cultural organizations, contribute to making the city an attractive and business-friendly environment, and encourage investment and expansion.

DISCUSSION

This report recommends approval of an application submitted by Riverain Developments Inc. for a Montreal Road CIP grant for property improvements. Riverain Developments Inc. is a privately held company and is the owner of the property at 2 Montreal Road and 29 Selkirk Street.

The cumulative grant is not to exceed five million dollars (\$5,000,000) over a maximum period of 10 years, subject to the establishment of, and in accordance with, the terms and conditions of a Community Improvement Plan Grant Agreement.

The Montreal Road CIP Program is a tax increment-based grant program. The entire property at 2 Montreal Road and 29 Selkirk Street is subject to re-development. The proposed, multi-phase development includes the demolition of the vintage Eastview Shopping Centre and replacement with a three-tower mixed-use residential development with commercial retail at grade and a new public park.

However, the subject of this grant application is focused only on Phase I, which will include Building A and associated at-grade retail facing Montgomery Street and Montreal Road (See Document 3).

Phase I will be comprised of a 22-storey rental apartment building with 271 residential units (20 studio units, 166 1-bed units, 85 2-bed units) and a podium consisting of approximately 1,826 square metres (19,656 square feet) of ground floor commercial retail space. The commercial units have been designed to attract small to mid size tenants, which could include pharmacy, convenience retail, cafes, restaurants, personal service etc., but it is currently too early to gain firm commitments from prospective retailers.

This phase of the proposed development also includes the addition of public space along Montreal Road, which will be integrated with the public parkette planned at the corner of Montreal Road and North River Road. This combined space totals approximately 930 square metres (10,000 square feet) of useable open space for community gathering and pedestrian pass thru. The parkette will include a public art installation which will be added as part of the Montreal Road Revitalization Project in 2022.

The proposed CIP grant will be funded through the anticipated cumulative increase of \$12,535,489 in the municipal portion of the property taxes that will result from the completed first phase of the redevelopment over the first 10 years.

The tax increment grant will not be paid in advance but will be directly tied to the amount of development actually completed on the property and the corresponding increase in property tax contribution to the City. If the development does not proceed, then no grant would be paid.

Following Council's enactment in June 2019 of the By-law adopting the Montreal Road Community Improvement Plan, representatives of the applicant met with City staff in October 2019 to learn more about the CIP program. These initial meetings were held prior to the applicant's acquisition of the property.

The proposed scale of the full project is ambitious for Vanier as average market rent is slightly below other areas of the city. In addition, the applicant proposes to commence construction while market rents have yet to fully stabilize, and construction costs are grossly inflated due to the current pandemic. The estimated total cost for the project at full build is approximately \$279,570,000, unusually large for the neighbourhood and the applicant will also invest in a new a new public park.

The applicant believes that sufficient market demand exists in Vanier for a new multi-residential development, but the viability of the project relies on financial feasibility.

This project requires careful planning of pre-development costs, project phasing, building materials and construction methods in order for a project of this magnitude to remain viable.

The availability of the CIP grant incentive, when applied to the financial underwriting of the project, assisted the applicant in validating both the purchase of the land and corporate approval of the current development plan to proceed to construction.

The eventual increase in the Municipal portion of the property taxes for the entire development at completion is estimated to be approximately \$49,700,000 over a 10-year grant period (see Document 2.).

Grant Calculation for Phase I: Montreal Road CIP grants are calculated based on 75 per cent of the annual increase in the Municipal portion of the property taxes. The estimated increase in the Municipal portion of Property Taxes, after completion of demolition of the existing site structure and construction of Phase I, is estimated to be approximately \$1,253,549 (average) per year and \$12,535,489 cumulatively over the 10-year grant period (See Document 1.). This amount represents an approximate order of magnitude based on estimated future assessed value and taxation rates. The maximum grant amount set out in the Montreal Road CIP is \$5,000,000 and it is expected that this project will reach this threshold in the sixth-year post-completion of Phase I.

The applicant may also apply for benefits under the City's Brownfield Redevelopment Community Improvement Plan. This is permitted in the CIP, but the cumulative grant total from all City programs may not exceed \$5,000,000.

The final amount of the CIP grant will be based on an actual revised assessment and then-current taxation rates, following completion of Phase I and post-development reassessment provided by the Municipal Property Assessment Corporation (MPAC).

The grant will not be paid in advance but will be directly tied to the amount of development actually completed on the property and the corresponding increase in property tax contribution to the City. If the development does not proceed, then no grant would be paid. The applicant is required to submit a request to Economic Development for payment under the CIP, accompanied by a copy of an updated post-construction MPAC assessment notice and evidence of payment of property taxes in the new post-development amount.

The property qualifies as an eligible Montreal Road CIP project, as it is located within the area identified as the Montreal Road CIP Area as described in By-law No. 2019-213 and satisfies all requirements of By-law No. 2019-224 that sets out the Montreal Road CIP program requirements

FINANCIAL IMPLICATIONS

The maximum grant under the Montreal Road Community Improvement Grant Program is \$5,000,000 over a maximum period of ten years. The grant will be directly tied to the amount of development completed on the property and the corresponding increase in property tax contribution to the City. Budget authority requirements will be brought forward through the annual budget process.

LEGAL IMPLICATIONS

There are no legal impediments to adopting the recommendations in this report. As noted in the recommendations and disposition, Legal Services will prepare a finalize the agreement to govern the provision of the Community Improvement Plan grant.

COMMENTS BY THE WARD COUNCILLOR

Councillor Mathieu Fleury is aware of the application related to this report.

CONSULTATION

There was no public consultation for this report.

ACCESSIBILITY IMPACTS

Staff will ensure that any applicable accessibility standards are adhered to during the execution of the projects and initiatives identified in this report. This will involve consulting with the appropriate staff within the City.

ECONOMIC IMPLICATIONS

The proposed, multi-phase development includes the demolition of the vintage Eastview Shopping Centre and replacement with a three-tower mixed-use residential development with commercial retail at grade and a new public park.

At completion, there will be 2,421 square metres (26,058 sq. ft.) of ground floor commercial retail space within the ground floor podium of Towers A and B (Phases I and II). Street front retail is proposed along Montreal Road and wrapping around

Montgomery Street, with units designed to attract small to mid size tenants to create a vibrant and pedestrian friendly commercial node entering Vanier from the west.

The proposed development, at full build-out, will add an estimated 1,500 new residents to Vanier, which will strengthen the customer base to support both existing businesses and attract new business tenants to the project. The economic prosperity of all retail and commercial businesses in Vanier will benefit from the additional resident population this development will provide.

The current leasing plan proposes commercial spaces capable of being leased in various sizes and varying retail depths to attract both small service-based retail and larger floorplates to cater to mid-sized urban commercial users such as cafes, restaurants, pharmacy, and small grocers. The proposed ground floor retail is considered a significant value driver for the future residential tenants and therefore careful consideration will be given by the applicant to tenant procurement and mix.

The retail spaces are designed to ensure they remain flexible for a variety of potential end users, including patio spaces along Montreal Road and Selkirk Street, service corridors and parking availability, both onsite and along the street edge of Montgomery Street. There will be approximately 559 parking spaces for tenants and visitors on site at completion.

The economic impact of the proposed redevelopment related to direct construction costs for Phase I are estimated at approximately \$84,000,000, providing direct and indirect benefits to the city. As the project reaches full build-out, this impact will increase many times over.

Phase I of the development will itself be a significant generator of jobs with approximately 200 to 250 full time equivalent jobs including various design, construction and engineering jobs required to design and construct the project over a four-year period.

City permits and fees for Phase I are estimated at approximately \$5,900,000 comprised of: Building Permit Fees \$386,000, Development Charges \$5,450,000, and Site Plan Application Fee \$60,000.

The retail component of the project is expected to support approximately 30-40 new full time equivalent jobs and operation of the entire complex at completion is expected to require approximately 15 new operations staff.

The Municipal portion of property taxes is currently \$212,346 (2021). During the 10-year post-development grant period, the Municipal portion of property taxes will increase by an average of \$1,253,549 per year resulting in a 10-year post-development aggregate increase in the Municipal portion of the property taxes of approximately \$12,535,489.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications to implementing the recommendations of this report.

RURAL IMPLICATIONS

There are no rural implications to implementing the recommendations of this report.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- **Economic Growth and Diversification:** Encourage economic growth and diversification by supporting business investment and expansion, talent attraction and retention, and branding Ottawa as a place to be.
- **Thriving Communities:** Promote safety, culture, social and physical well-being for our residents.

SUPPORTING DOCUMENTATION

Document 1 Property Tax Increase and Grant Calculations, Phase I

Document 2 Property Tax Increase Details, Complete Project

Document 3 Site Plan and Perspective View, Phase I

DISPOSITION

Legal Services, Innovative Client Services Department will prepare the Montreal Road CIP Grant Agreement between Riverain Developments Inc. and the City.

The Planning, Real Estate and Economic Development Department and the Finance Department, Revenue Branch will develop a general administrative approach to implement the Montreal Road CIP Financial Incentive Program for this application.

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

Document 1 – Property Tax Increase and Grant Calculations, Phase I

Phase 1 - Phased In		Tax Code	Estimated Mun. Taxes Unimproved (2022)	Estimated Combined Assessment Post Development	Tax Code	Blended Taxation rate (Municipal Portion)	Estimated Municipal Taxes Post-Development (2022)	Δ Increase in Municipal Taxes	CIP grant based on 75% of Δ
Base Year Pre-Development	Year	CT ST CX	\$212,346	\$123,431,000	XT NT	1.05660%	\$1,304,175		
1 - Grant Start	2024		\$225,343	\$108,263,158		1.26559%	\$1,370,166	\$1,144,823	\$858,617
2	2025		\$229,850	\$113,319,105		1.23330%	\$1,397,569	\$1,167,719	\$875,789
3	2026		\$234,447	\$118,375,053		1.20424%	\$1,425,521	\$1,191,074	\$893,306
4	2027		\$239,136	\$123,431,000		1.17801%	\$1,454,031	\$1,214,895	\$911,171
5	2028		\$243,919			1.20157%	\$1,483,112	\$1,239,193	\$929,395
6	2029		\$248,797			1.22560%	\$1,512,774	\$1,263,977	\$531,722
7	2030		\$253,773			1.25011%	\$1,543,029	\$1,289,256	\$0
8	2031		\$258,849			1.27512%	\$1,573,890	\$1,315,041	\$0
9	2032		\$264,026			1.30062%	\$1,605,368	\$1,341,342	\$0
10	2033		\$269,306			1.32663%	\$1,637,475	\$1,368,169	\$0
							\$15,002,934	\$12,535,489	\$5,000,000

Notes/Assumptions

- Assumes 1/3 of land value apportioned to Phase 1
- Grant payout would not commence until Phase 1 was assessed by MPAC and taxes paid for first year
- Assumes Completion of Phase 1 effective Jan 1, 2024, and pre-development Municipal taxes set at that year
- Combined Post- Assessment Values from 2024-2027 reflects full values based on est. value for Phase 1 only
- Blended tax rate calculated based on fully phased-in value

Document 2 – Property Tax Increase Details, Complete Project

All Phases Full Value		Tax Code	Estimated Mun. Taxes Unimproved (2022)	Estimated Combined Assessment Post Development	Tax Code	Blended Taxation rate (Municipal Portion)	Est Municipal Taxes Post-Development (2022)	Δ Increase in Municipal Taxes
Base Year Pre-Development	Year	CT ST CX	\$212,346	\$123,431,000	XT NT	1.05660%	\$1,304,175	
1 - Grant Start	2024		\$74,364	\$108,263,158		1.26559%	\$1,370,166	\$1,295,802
2	2025		\$223,091			1.08312%	\$4,628,671	\$4,405,581
3	2026		\$223,091			1.10478%	\$4,721,245	\$4,498,154
4	2027		\$223,091			1.12688%	\$4,815,670	\$4,592,579
5	2028		\$223,091			1.14941%	\$4,911,983	\$4,688,892
6	2029		\$223,091			1.17240%	\$5,010,223	\$4,787,132
7	2030		\$223,091			1.19585%	\$5,110,427	\$4,887,337
8	2031		\$223,091			1.21977%	\$5,212,636	\$4,989,545
9	2032		\$223,091			1.24416%	\$5,316,888	\$5,093,798
10	2033		\$223,091			1.26905%	\$5,423,226	\$5,200,136
							\$49,688,883	\$47,457,976

Document 3 - Site Plan and Perspective View, Phase 1

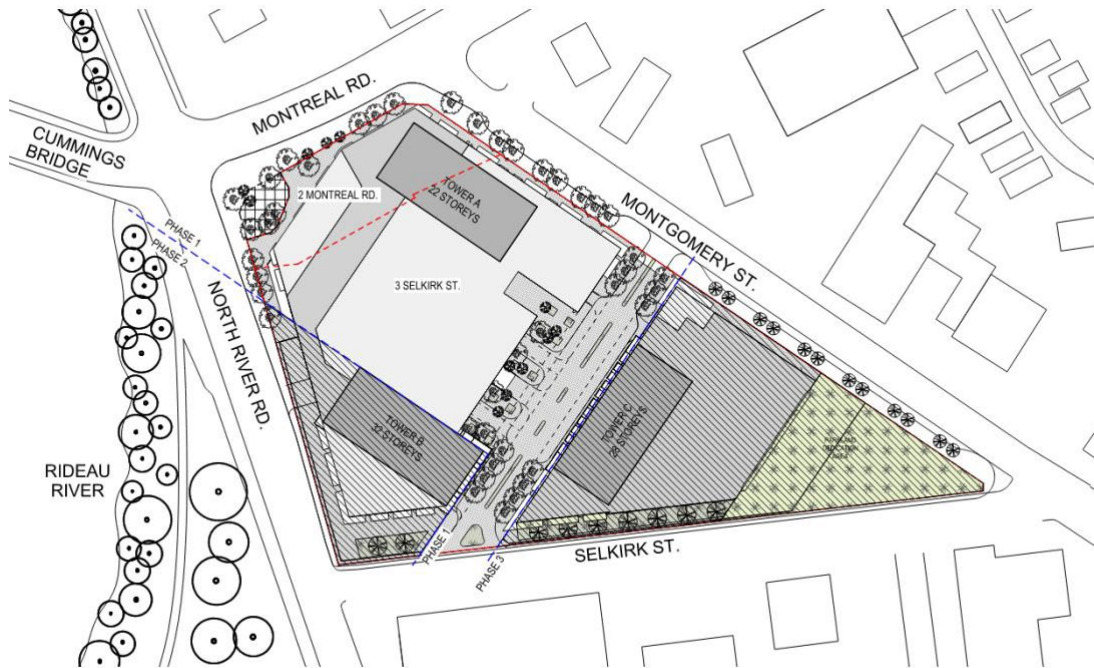


Figure 1: Context Plan prepared by HOK, dated August 9th, 2021



Figure 19: Perspective View from North River and Montreal Road, HOK (Phase 1)