



To: SPECIAL COUNCIL

Meeting Date: **2/28/2023**

Subject: Joint Brownfield Tax Increment Grant Program – Revised agreement for 130 Water Street North

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Report No.: 23-156-CD

File No.: C1101

Wards Affected: Ward 4

RECOMMENDATIONS:

THAT Report 23-156-(CD) Joint Brownfield Tax Increment Grant Program – Revised agreement for 130 Water Street North be received;

AND THAT Council approve the new agreement terms for the Joint Brownfield Tax Increment Grant for the remaining property at 130 Water Street, originally approved by Council on March 28, 2011 (the “2011 TIG Agreement”) (report CAO 2011-R11) for the properties known as 170, 150 & 130 Water Street North in the City of Cambridge;

AND THAT the total Joint Brownfield Tax Increment Grant shall not exceed the amount of \$11,626,450 with a maximum of \$4,824,961 contributed by the City of Cambridge;

AND THAT the Joint Brownfield Tax Increment Grant be reduced by any other financial assistance approved for site remediation;

AND FURTHER THAT Council authorize the Mayor and Clerk to execute a multi-party Joint Brownfield Tax Increment Agreement, and any amending agreements, with the registered owners of 130 Water Street North and the Regional Municipality of Waterloo to the satisfaction of the Chief Financial Officer and the City Solicitor.

EXECUTIVE SUMMARY:

Purpose

- This report is to seek Council approval for a new agreement based substantially on the terms in the previously approved Joint Brownfield Tax Increment Grant

(TIG) agreement from 2011, required for the redevelopment of 130 Water St North.

Key Findings

- A TIG agreement for 170, 150 & 130 Water Street North was approved by Council in 2011. The eligible amounts for 150 & 170 Water St N. (Waterscape I & II) have been paid pursuant to the 2011 TIG Agreement.
- The original agreement expires in 2028, limiting the number of annual grant payments that the development at 130 Water Street North will be eligible for. As a result, the developers of 130 Water Street North have requested a new agreement.
- The original agreement allowed additional assessment growth beyond actual remediation costs from Waterscape I and Waterscape II to be applied towards a TIG covering remediation costs at 130 Water Street North, within certain parameters. The proposed new agreement would retain this, as well as the original expiration of these available funds being 2028.
- The new agreement therefore includes up to four grant opportunities towards remediation costs at 130 Water Street North:
 - The leftover Waterscape I payments, which as per the 2011 Agreement would become eligible following completion of remediation of the lands and registration of a Record of Site Condition and would expire in 2028;
 - The leftover Waterscape II payments, that become available following completion of the first phase of development on the land also expire in 2028;
 - A TIG for the first phase of development (podium and first tower); and
 - A TIG for the second phase of development (second tower).

Financial Implications

The proposed agreement will replace the existing agreement registered on title. The applicant has requested an increase in the TIG amount based on updated proposed remediation costs, current assessed property value, as well as the projected increase in assessment value. There remains \$6,417,708 from the maximum amount of funding approved as part of the original agreement in 2011, with \$2,571,808 of this amount representing the City portion and \$3,845,900 representing the Regional portion. This original value includes 'leftover' credits from Waterscape I and II payments. The applicant has requested an increase in the total TIG amount to \$11,626,450 as well as extending the timeframe of the original TIG agreement to facilitate remediation of the contaminated lands as contemplated through the original agreement in 2011.

STRATEGIC ALIGNMENT:

- Strategic Action; or
- Core Service

Objective(s): STRONG CORES - Create an inviting downtown that connects and complements core areas and neighbourhoods where people want to live and visit

Strategic Action: Establish our core areas as attractive destinations

Program: Land Use Planning

Core Service: Re-urbanization

The proposed revised agreement will help facilitate remediation of and infill development on a vacant, contaminated site in the Galt core. The proposed development includes residential units with a mix of private ownership and rental units as well as a hotel with associated commercial uses.

BACKGROUND:

The City-Wide Brownfields Community Improvement Plan was implemented in 2010 to encourage brownfield remediation and redevelopment, including the implementation of a joint Cambridge and Regional Tax Increment Grant (TIG) program. The TIG works in such a way that eligible developments can recoup their remediation costs through an annual grant based on the development's resulting assessment growth, for a period of up to 10 years.

A Joint Brownfield TIG agreement was approved by Cambridge (March 28, 2011 - report CAO 2011-R11) and Regional (April 12, 2011 – report P-11-038/F-11-018/CR-RS-11-023) Councils in 2011 which included the properties for Waterscape I, Waterscape II and 130 Water Street North. The 2011 TIG Agreement jointly included all three parcels of land to allow additional assessment growth beyond actual remediation costs from Waterscape I and Waterscape II to be applied towards a TIG covering remediation costs at 130 Water Street North, within certain parameters.

The 2011 TIG Agreement included a clause that will see its expiry in 2028, being the fifteenth anniversary from the first grant payment. This expiration greatly limits the number of annual grant payments that the development at 130 Water Street North will be eligible for, as grant payments can only begin in the year following reassessment after completion of development. As a result, the developers of 130 Water Street North have requested a new agreement.

The planned development at 130 Water Street North includes a two-storey podium and two towers, one residential and one for hotel rooms. It is anticipated that the development will proceed in two phases, with the podium and one tower first followed by the second tower. It is not yet known which tower (whether residential or the hotel rooms) will proceed first.



ANALYSIS:

The new TIG agreement reflects the developer's request for an increase. The increase reflects the increased cost of remediation as well as the updated assessed property value and the projected increase in assessed value based on the proposed development. The request is for an increase of \$5,208,742 to a total of \$11,626,450, shared between the City and the Region. Specifically, the City's portion is an increase of \$2,253,153.

| | Remaining Eligible Funding from 2011 Agreement (A) | Revised Requested Potential TIG (B) | Requested Increase (B-A) |
|------------------|---|--|---------------------------------|
| City | \$2,571,808 | \$4,824,961 | \$2,253,153 |
| Region | \$3,845,900 | \$6,801,489 | \$2,955,589 |
| Total TIG | \$6,417,708 | \$11,626,450 | \$5,208,742 |

The new agreement terms are intended to allow flexibility for the phasing of the proposed development for 130 Water St N., increase the timeframe of the TIG (for the funds originally assigned to 130 Water St N.) and remove Haastown Holdings (Cambridge) Inc. as a party to the agreement as they are no longer involved with the project. The agreement would continue to allow the leftover TIG amounts from Waterscape I and Waterscape II be available to 130 Water Street North, up to the original expiration date of 2028.

The new agreement therefore includes up to four grant opportunities towards remediation costs:

- The leftover Waterscape I payments, which as per the 2011 Agreement would become eligible following completion of remediation of the lands and registration of a Record of Site Condition and would expire in 2028;
- The leftover Waterscape II payments, which as per the 2011 Agreement would become eligible following completion of the first phase of development on the land and would expire in 2028;
- A TIG for the first phase of development (podium and first tower); and
- A TIG for the second phase of development (second tower).

The agreement stipulates that the maximum amount that can be obtained through the combination of these grant opportunities is limited to the increased taxes from assessment as a result of redevelopment, the actual remediation costs, and/or the amount of funding approved by Council whichever is lower

The proposed agreement has some terms and conditions not traditionally included in standard TIG agreements to account for the complexities of the Municipal Property Assessment Corporation (MPAC) assessments associated with the multi-phased approach to development of a single site as well as the carry-forward of Waterscape I and Waterscape II payments.

EXISTING POLICY / BY-LAW:

The TIG is in accordance with the “City Wide Brownfields Community Improvement Plan for Implementation of the City of Cambridge and the Region of Waterloo’s Joint Tax Increment Grant (TIG) Program” from June 2010.

Waterscape I and II were developed in accordance with approved site plan applications SP60/06 and SP03/13. The Cambridge Mill development at 130 Water Street North received approval for Official Plan and Zoning By-law Amendments in April of 2022 and is currently in detailed design review through site plan application SP72/21.

FINANCIAL IMPACT:

Through approval of the agreement in 2011, Council agreed to a maximum of \$2,938,041 in funding for the City portion for the combined remediation and development of Waterscape I, Waterscape II and 130 Water Street North based on the proposed remediation costs, assessed property value and the projected increase in assessment value at the time. Of this amount, \$155,771 has already been paid to the developers of Waterscape I and \$210,462 to the developers of Waterscape II, leaving a balance of \$2,571,808 in funding towards 130 Water Street North.

The proposed agreement will replace the existing agreement registered on title. The new agreement would commit the City to a maximum financial impact of \$4,824,961, representing an increase of \$2,253,153 over the original 2011 Agreement. The funding for the City portion will be through the increased assessment growth realized on the property, over a maximum period of up to ten years. Typically assessment growth is utilized through the budget towards the operating costs incurred to provide services to the growing population, whereas in the case of this development it will first be applied to this financial commitment for a maximum period of ten years.

PUBLIC VALUE:

The new agreement supports environmental sustainability within the City through brownfield site remediation, and financial sustainability through encouraging intensification and development of the core. It also demonstrates collaboration by working jointly with the developers and the Region of Waterloo to support the remediation work.

ADVISORY COMMITTEE INPUT:

Not Applicable

PUBLIC INPUT:

Posted publicly as part of the report process.

INTERNAL / EXTERNAL CONSULTATION:

City of Cambridge staff from Planning, Finance and Legal have been involved with the Region of Waterloo staff in the negotiation and development of the agreement with the developer's representative.

CONCLUSION:

The proposed joint brownfield tax increment grant (TIG) agreement will facilitate remediation and development of a vacant site within the Galt Core. The revised agreement, if approved by Council, would increase the amount of funding from the City to \$4,824,961.

The proposed agreement provides the developer flexibility with phasing the development and the timeframe for the TIG. While this is not standard process for a TIG agreement, it is the opinion of staff that the unique situation warrants the recommended approach.

Accordingly, staff recommend that Council authorize the Mayor and Clerk to execute the agreement, provided it is to the satisfaction of the Chief Financial Officer and the City Solicitor.

REPORT IMPACTS:

Agreement: **Yes**

By-law: **No**

Budget Amendment: **No**

Policy: **No**

APPROVALS:

This report has gone through the appropriate workflow and has been reviewed and or approved by the following as required:

Director

Deputy City Manager

Chief Financial Officer

City Solicitor

City Manager

ATTACHMENTS:

1. 23-156CD Appendix A – Amount of Tax Increments
2. 23-156CD Appendix B – TIG Payment Schedule
3. 23-156CD Appendix C – Report CAO 2011-R11