

Staff Report



Development Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: June 16, 2025

SUBMITTED BY: Rosa Bustamante, Director Planning, Housing Policy 519-783-8929

PREPARED BY: Scott Van Schyndel, Real Estate Specialist, 519-783-8950

WARD(S) INVOLVED: Ward 10

DATE OF REPORT: May 9, 2025

REPORT NO.: DSD-2025-275

SUBJECT: Brownfield Remediation Program Application – 108 Garment St

RECOMMENDATION:

That the Brownfield Remediation Program Application for 108 Garment St, received from 114-120 Victoria Street South Inc. dated November, 2018, be approved; and,

That in exchange for a completed and filed Record of Site Condition for the subject property, the owner will be provided a tax incremental grant on the redevelopment of the property in the form of a rebate issued on a proportionate basis, annually for a period not to exceed 4 years, on City taxes in an amount equal to 100% of the City of Kitchener's portion of the Tax Increment; and,

That the City Tax Increment be defined as the difference between the City of Kitchener portion of real property taxes for the 2018 taxation year and the new City portion of real property taxes levied as a result of a new assessment by the Municipal Property Assessment Corporation (MPAC) following completion of the project as compensation for the remediation of the above subject lands; and,

That the City of Kitchener property tax grant is not to exceed \$913,268.00 based on current estimated City tax increment; payable in equal portions over a 3-year period and the remaining balance in the fourth year; and,

That the Region of Waterloo Brownfield Coordinator be circulated a copy of any decision made by Kitchener City Council regarding this Application; and further, That the Mayor and Clerk be authorized to execute an Agreement, subject to the satisfaction of the City Solicitor, with 114-120 Victoria Street South Inc., to implement the provisions of the Brownfield Financial Incentive Program Application for 108 Garment Street, as outlined in the Development Services Department Report DSD-2025-275.

REPORT HIGHLIGHTS:

- The purpose of this report is to recommend approval for the Tax Increment Grant (TIG) for the City of Kitchener portion as detailed within this report.
- The financial implications relate to the obligation of the City of Kitchener to pay out the Tax Increment Grant over a period of 4 years for a total payout not to exceed \$913,268.00.
- Community engagement included the report being posted to the City's website with the agenda in advance of the committee meeting.
- This report supports the delivery of core services.

BACKGROUND:

In November of 2018, the City of Kitchener and Region of Waterloo received a joint Tax Increment Grant (TIG) application from GHD on behalf of 114-120 Victoria Street South Inc. regarding the remediation and redevelopment of the property municipally known as 108 Garment Street (See Map Attachment 1). The 0.53-acre property located on the north side of Garment Street and East side of Bramm Street was historically used for industrial purposes. The land has been redeveloped into a 268,286 sq. ft. modern 27 storey residential building containing 319 condominium units.

Corresponding changes to the City's Brownfield Financial Incentive Program were subsequently approved by Council on November 22, 2021. The review resulted in the removal of the 10% allowance for indirect costs. This change in the program is effective for complete applications received after the date of Council approval (November 22, 2021), accordingly this application has been grandfathered.

Earlier in 2025 the Region of Waterloo notified area municipalities and applicants that they were no longer participating in the Brownfield Program effective January 1, 2025 for applications that had not been approved by Regional Council as of this date. This report is only subject to the City of Kitchener's portion of the TIG.

REPORT:

Contamination and Remediation

The Environmental Consultant for this project conducted Phase One and Phase Two Environmental Site Assessments (ESA) followed by a Risk Assessment. The comprehensive testing on the property identified contamination in the soil and groundwater. All environmental assessments and remediation activities proceeded in accordance with Ontario Regulation 153/04 (as amended), which concluded with a Record of Site Condition (RSC) for the property.

The site remediation activities included a combination of Risk Assessment to develop property specific standards and remediation of remaining exceedances in the soil and groundwater. This work has been completed.

The City of Kitchener can continue to participate in the Joint Tax Incremental Grant without needing to amend the Community Improvement Plan as section 4.6 states “the Region may discontinue it’s participation in the joint TIG program at anytime without an amendment to this plan”.

Eligible Environmental Remediation Costs

City and Regional staff are satisfied with the documentation submitted by the applicant estimating eligible remediation costs for the site at \$2,252,998.00. This amount plus a grandfathered 10% allowance for indirect costs afforded under the joint TIG program of \$225,299.00 (which is eligible as the application was received prior to Council amending the policy eliminating indirect costs on November 22, 2021), results in a maximum eligible joint TIG of \$2,478,287.00. The TIG will no longer be cost-shared between the Region and the City of Kitchener. Grant proportions determined by the City of Kitchener’s share of the municipal taxes levied on the property in the year the application was submitted was approximately 36.9% (maximum \$913,268.00.). The payment can be made as the property has been redeveloped and has been reassessed by the Municipal Property Assessment Corporation (MPAC).

Prior to 2025, this amount (TIG) would have normally been cost-shared between the Region of Waterloo and the City of Kitchener, as shown in Table 1, however the Region of Waterloo has asserted that it is no longer able to participate in the Brownfield program. Further details regarding the Tax Increment calculation are provided in Tables 2 to 4.

Table 1: Remediation Cost Recovery

| | |
|--|-----------------------|
| Max Eligible Remediation Cost | \$2,478,287.00 |
| Less Region of Waterloo DC Exemption | \$0.00 |
| Max Eligible TIG | \$2,478,287.00 |
| Less City of Kitchener TIG | \$913,268.00 |
| Less Region of Waterloo TIG | \$0.00 |
| | |
| Remaining remediation costs paid by the Developer that cannot be recovered through the Brownfield program | \$1,565,019.00 |

As noted above, the maximum eligible TIG amount is \$2,478,287.00. This amount, less the City Tax Incremental Grant amounts result in approximately \$1,565,019.00 in remediation costs that the applicant is not eligible to recover from the Region of Waterloo and must be absorbed by the developer.

As a condition of final approval of eligible costs, invoices are submitted by the applicant and approved for eligibility by City of Kitchener and Regional Staff which has occurred.

Pre-remediation Assessment and Taxes vs Post Redevelopment Assessment and Taxes

The anticipated joint Tax Increment Grant payments and schedule are determined for each application based on the following steps:

The first step includes a calculation of the anticipated assessment increment. This is

based on the pre-remediation MPAC assessment value(s) and the estimated post-remediation and redevelopment assessment value(s) for the development as provided by the Applicant (Table 2).

Table 2: Potential Assessment Increment

| Assessment Value "Pre" | Assessment Value "Post"* | Assessment Increment* |
|------------------------|--------------------------|------------------------|
| \$388,685.00 | \$81,509,000.00 (est.) | \$81,120,315.00 (est.) |

*These values are based on estimates and will be confirmed by MPAC.

Secondly, the anticipated assessment increment is then used to calculate the expected annual increase in municipal taxes (Region and City) that would be generated by the remediation and redevelopment of the property, referred to as the 'tax increment' (Table 3). The City's Tax Increment represents the annual TIG payment amount.

Table 3: Anticipated Tax Increment

| Area Municipality | Municipal Taxes "Pre"* | Municipal Taxes "Post"* | Total Tax Increment* |
|-------------------|------------------------|-------------------------|----------------------|
| City | \$2,587.59 | \$285,301.06 | \$282,713.47 |
| Region | \$4,434.20 | \$488,904.02 | \$484,469.83 |
| Total | \$7,021.79 | \$774,205.09 | \$767,183.30 |

*Tax amounts do not include the education portion of annual taxes levied as the School Boards do not participate in the program.

The annual Tax Increment Grant payments (City portion) would last 4 years, allowable under the program as shown in Table 4

The total City portion of the Tax Increment Grant is \$913,268.00

Table 4: TIG Payment Schedule

| Year | City | Region | Total TIG |
|-----------|---------------|--------|---------------|
| 1 | \$ 282,713.00 | \$ 0 | \$ 282,713.00 |
| 2 | \$ 282,713.00 | \$ 0 | \$ 282,713.00 |
| 3 | \$ 282,713.00 | \$ 0 | \$ 282,713.00 |
| 4 | \$ 65,129.00 | \$ 0 | \$ 65,129.00 |
| Total TIG | \$ 913,268.00 | \$ 0 | \$ 913,268.00 |

Note: if the Region continued their involvement in the program, the applicant would have received an additional \$1,565,019.00.

STRATEGIC PLAN ALIGNMENT:

The recommendation of this report supports the achievement of the city's strategic vision through the delivery of core service.

FINANCIAL IMPLICATIONS:

Capital Budget – The recommendation has no impact on the Capital Budget.

Operating Budget – The recommendation has no impact on the Operating Budget.

The approval of this application will obligate The City of Kitchener to provide a municipal property tax rebate up to \$913,268.00 paid out over 4 years based upon the reassessment of the completed project by MPAC which has occurred.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

This Application has not been circulated to the public. Staff would note that this approval applies only to the City of Kitchener portion of the proposed Tax Incremental Grant. Should the Region of Waterloo continue their participation, they would take a supplemental report forward to their council.

CONCLUSION:

Regional Staff and The Brownfield Steering Committee (consisting of the City's Real Estate Specialist, Director of Revenue, City Solicitor, and Director of Planning and Housing Policy) reviewed the application and are satisfied that the application meets the eligibility and application requirements. Staff support acceptance within the terms and conditions of the Region of Waterloo – City of Kitchener Brownfield Remediation Program.

PREVIOUS REPORTS/AUTHORITIES:

There are no previous reports/authorities related to this matter.

APPROVED BY: Justin Readman, General Manager, Development Services

ATTACHMENTS: Appendix 1 - Locational Map

Appendix 1 - Locational Map

