

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: June 2, 2025

REPORT NO.: DSD-2025-276

SUBJECT: Brownfield Remediation Program Application – 120 Victoria St S

RECOMMENDATION:

That the Brownfield Remediation Program Application for 120 Victoria Street South, received from 114-120 Victoria Street South Inc. and Glovebox (2019) Inc. dated July 6, 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, on City taxes in an amount equal to 100% of the City of Kitchener 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 of Kitchener 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 property tax increment grant is not to exceed \$718,917.00 based on today's estimated City tax increment; payable over a 4-year period; 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. and Glovebox (2019) Inc., to implement the provisions of the Brownfield Financial Incentive Program Application for 120 Victoria Street South, as outlined in the Development Services Department Report DSD-2025-276.

REPORT HIGHLIGHTS:

- The purpose of this report is to recommend approval for the Tax Increment Grant (TIG) detailed within this report.
- The financial implications relate to the obligation of the City to pay out the Tax Increment Grant over a 4-year period for a maximum total payout of \$718,917.00.
- 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 July 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. and Glovebox (2019) Inc. regarding the remediation and redevelopment of the property municipally known as 120 Victoria Street South (See Map Attachment 1). The 0.61-acre property located on the north side of Victoria Street South and East side of Bramm Street was the historic Huck Glove factory. The land has been redeveloped into a contemporary seven-story office complex. The development encompasses approximately 145,000 square feet of commercial and retail space, combining the original 25,000-square-foot brick-and-beam structure with a new glass-clad addition. A striking triple-height atrium and glass-enclosed bridge connect the old and new sections, preserving the site's industrial character while introducing modern amenities.

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), therefore this application is grandfathered.

Earlier in 2025 the Region of Waterloo notified area municipalities and applicants asserting that they were no longer able to participate 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's portion of the TIG.

REPORT:

Contamination and Remediation

The Environmental Consultant for this project is GHD. As part of the brownfield re-development process GHD 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 (RSCs) 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 for the City of Kitchener portion without needing to amend the Community Improvement Plan as section 4.6 states “the Region may discontinue its participation in the joint TIG program at anytime without an amendment to this plan”.

Eligible Environmental Remediation Costs

City and Regional Staff (who continue to review applications) are satisfied with the documentation submitted by the applicant estimating eligible remediation costs for the site at \$1,773,532.00. This amount plus a 10% allowance grandfathered for indirect costs afforded under the joint TIG program of \$177,353.00 (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 \$1,950,885.00. 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 with approximately 36.9% (maximum \$718,917.00.) provided by the City of Kitchener. The payment can be made as the property is redeveloped and reassessed by the Municipal Property Assessment Corporation (MPAC) which is in process.

Prior to 2025, the (TIG) amount would have normally been cost-shared between the Region of Waterloo and the City of Kitchener, as shown in Table 1, but the Region of Waterloo is no longer participating 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	\$1,950,885.00
Less Region of Waterloo DC Exemption	\$0.00
Max Eligible TIG	\$1,950,885.00
Less City of Kitchener TIG	\$718,917.00
Less Region of Waterloo TIG	\$0.00
Remaining remediation costs paid by the Developer that cannot be recovered through the Brownfield program	\$1,231,968.00

As noted above, the maximum eligible TIG amount is \$1,950,885.00. This amount, less the City Tax Incremental Grant amounts result in approximately \$1,231,968.00 in remediation costs that the applicant is not eligible to recover from the Region of Waterloo and the applicant will have to absorb.

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*
\$399,623.00	\$33,710,000 (est.)	\$33,310,377 (est.)

**These values are based on estimates and will be confirmed by MPAC upon project completion which is currently in process*

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	\$1,969.32	\$230,086.59	\$228,117.27
Region	\$3,374.70	\$394,285.31	\$390,910.61
Total	\$5,344.02	\$624,371.90	\$619,027.88

***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 \$718,917.00

Table 4: TIG Payment Schedule

Year	City	Region	Total TIG
1	\$ 228,117.00	\$ 0	\$ 228,117.00
2	\$ 228,117.00	\$ 0	\$ 228,117.00
3	\$ 228,117.00	\$ 0	\$ 228,117.00
4	\$ 34,566.00	\$ 0	\$ 34,566.00
Total TIG	\$ 718,917.00	\$ 0	\$ 718,917.00

***Note: if the Region continued their involvement in the program, the applicant would have received an additional \$1,231,968.00.**

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 maximum municipal property tax rebate estimated to be \$718,917.00 paid out over 4 years upon reassessment of the completed project by MPAC which is in process.

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

