

Staff Report



Development Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: January 26, 2026

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 9

DATE OF REPORT: January 8, 2026

REPORT NO.: DSD-2025-463

SUBJECT: Brownfield Remediation Program Application - 161 Ottawa St South

RECOMMENDATION:

That the Brownfield Remediation Program Application for 161 Ottawa St South, dated June 4, 2015, be approved; and,

That in exchange for a completed and filed Record of Site Condition for the subject property, the owner(s), Jozo Ilic and Kata Ilic, 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 to be prescribed but not to exceed 10 years, 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 2015 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 \$62,960 based on the City tax increment; payable in 2026; 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 Jozo Ilic and Kata Ilic, to implement the provisions of the Brownfield Financial Incentive Program Application for 161 Ottawa St South, as outlined in the Development Services Department Report DSD-2025-463.

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 in 2026 for a maximum total payout of \$62,960.
- 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 June of 2015, the City of Kitchener and the Region of Waterloo received a joint Tax Increment Grant (TIG) application from MTE on behalf of the Owners, Jozo Ilic and Kata Ilic, regarding the remediation and redevelopment of the property municipally known as 161 Ottawa St South (See Map Attachment 1). The 0.62-acre property located on the east side of Ottawa Street South and north side of Bedford Road was an industrial tool and die manufacturer. The land has been redeveloped into a low-rise residential development consisting of 20 new residential 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); therefore this application is not grandfathered. The Application was deemed complete in May of 2024.

The Region sent a letter on January 11, 2016, requesting additional information and indicating that staff would move forward with a recommendation to their respective Councils once all the necessary site information is received. The applicant's consultant emailed the Region on October 2, 2023 and acknowledged:

"Comments were received by the Region and City in January 2016, and no additional correspondence between MTE and the Region/City was conducted. Our Client has recently completed the development and occupancy of the Site and has asked us to re-engage regarding the Brownfield Application."

There were some questions about eligibility for the RDC exemption and the outstanding items for the TIG, which were then provided in the package submitted on May 1, 2024.

Royal Assent for Bill 60 (the Fighting Delays, Building Faster Act) on November 27, 2025 reinstated the Region's ability to participate in Community Improvement Plans without revision, and therefore the Regional portion of the TIG will be subject to future consideration by Regional Council.

REPORT:

Contamination and Remediation

The Environmental Consultant for this project is MTE. As part of the brownfield re-development process MTE 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.

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 \$550,403. 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 37.9% allocated to the City of Kitchener. The City's share of the eligible Tax Incremental Grant is \$62,960. The payment can be made as the property has been redeveloped and reassessed by the Municipal Property Assessment Corporation (MPAC).

The (TIG) amount will be cost-shared between the Region of Waterloo and the City of Kitchener, as shown in Table 1. Further details regarding the Tax Increment calculation are provided in Tables 2 and 3.

Table 1: Remediation Cost Recovery

Max Eligible Remediation Cost	\$550,403
Less Region of Waterloo DC Exemption	\$0.00
Max Eligible TIG	\$177,540
Less City of Kitchener TIG	\$62,960
Less Region of Waterloo TIG if approved	\$114,580
Remaining remediation costs paid by the Developer that cannot be recovered through the Brownfield program	\$372,863

As noted above, the maximum eligible remediation cost is \$550,403. This amount, less the City Tax Incremental Grant amount of \$62,960 and the potential Region of Waterloo grant of \$114,580, results in approximately \$372,863 in remediation costs that the applicant is not eligible to recover 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 the 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. MPAC has completed their reassessment which is reflected in Table 2 below:

Table 2: Potential Assessment Increment

Assessment Value "Pre"	Assessment Value "Post"	Assessment Increment
\$263,000	\$2,292,000	\$2,029,000

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	\$1,853	\$8,149	\$6,296
Region	\$3,040	\$14,498	\$11,458
Total	\$4,893	\$22,647	\$17,754

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

It is being recommended that the City's portion of the Tax Increment Grant of \$62,960 be paid in 2026.

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:

The approval of this application will obligate The City of Kitchener to provide a maximum municipal property tax rebate of \$62,960 to be paid in the first year.

The grant amount of \$62,960 will be funded from the Brownfield Capital Grant account.

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. The Region of Waterloo will take a supplemental report forward to their council in 2026 in relation to their portion of the TIG.

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

