



Subject: 174 Mitchell Street – Brownfield CIP Agreement

To: Council

From: Office of the Chief Administrative Officer

Report Number: 2024-127

Meeting Date: September 10, 2024

Recommendation:

That Chief Administrative Office Report 2024-127 be received; and

That the by-law attached as Appendix B, being a by-law to enter into the Brownfield Community Improvement Plan Tax Assistance Program Agreement with 2866403 Ontario Inc. for 174 Mitchell Street be approved.

That the by-law attached as Appendix B, being a by-law to enter into the Agreement with 2866403 Ontario Inc. for a Tax Increment-Based Grant in the Brownfield Community Improvement Project Area under the Comprehensive Community Improvement Plan (CIP), be approved.

Purpose:

The purpose of this report is to provide Council with a recommendation regarding an application for a Brownfield Tax Assistance Program (TAP) and a Brownfield Tax Increment Grant (TIG) under the Comprehensive CIP submitted by 2866403 Ontario Inc. for 174 Mitchell Street in Port Colborne, as depicted in Appendix A

Background:

Since 2008, Council has adopted and implemented six Community Improvement Plans (CIPs) for various project areas throughout the City. On November 28, 2023, Council approved a new Comprehensive CIP that consolidates all CIPs into one document.

2866403 Ontario Inc. (Ajay Kahoon) has applied for a TAP and TIG in the Brownfield CIPA under the Comprehensive CIP for 174 Mitchell Street. The TAP provides a 5-year tax increase cancellation and the TIG is a 10-year grant for 100% of the increase in

municipal taxes that result from property rehabilitation and improvements. The grant payment is based on the actual post-project assessed value as determined by the Municipal Property Assessment Corporation (MPAC). The applicant also has the option to opt into the Development Charge Grant (DCG) Program which is equal to 100% of the City DC payable. The applicant must be approved for a Brownfield TIG to be eligible. The total amount to be payable between the DCG and TIG will not exceed the approved remediation costs.

A condition of approving the application for tax assistance is that the owner is required to enter into an agreement with the City. The agreement requires that the applicant develop the subject property in accordance with the City's objectives and required information in the CIP Program Guides.

While many of the CIP programs can be approved through the authority delegated to staff, any application for tax assistance must go through Council for approval. The CIP Review Team has met and recommended that this application be brought forward to Council for approval.

Discussion:

The owner of 174 Michell Street has submitted a proposal to rehabilitate and further develop a purpose-built rental apartment building with 12 units. This project is in direct alignment with the City's strategic plan, aiming to increase housing options by introducing new rental housing stock on the City's east side.

Currently, the property generates \$2,561 in property tax to the City and \$1,912 to Niagara Region annually, based on 2024 tax rates. Upon project completion, the anticipated City property tax is estimated to increase to \$7,709, with the Region's taxes expected to be \$5,729 annually.

The TAP is in addition to the TIG and the TIG is capped at the estimated amount of remediation costs. This remediation, which must be eligible costs under the Brownfield CIP are estimated to be \$1,150,000.

New rental housing units on the east aligns with the objectives of the CIP and the City's strategic plan, aiming to enhance housing stock, density, and walkability to local restaurants and shopping.

The agreements are comprehensive, outlining the City's expectations for the owner to meet eligibility requirements for the tax increment grant. Key provisions include:

- The annual grant is based on the actual post-project MPAC assessed value;
- The City must be satisfied, at its discretion, that the owner has completed property improvements in accordance with the proposed plans;

- The City must be satisfied with its review of all documentation submitted to support the actual cost of works incurred by the owner, including third-party review if required by the City at the owner's cost;
 - Payments are repayable by the owner if the City determines that conditions set out in the Application or Agreement have not been met;
 - The grant may be reduced by the amount of any tax arrears on the property; and
 - Specific preconditions for the annual grant must be met to the satisfaction of the City.
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Internal Consultations:

The application and the agreements have been reviewed by the City's CIP Review Team comprised of staff from Building, Economic Development, and Planning. The TIG calculations were verified by the Finance Department. The CIP agreements are based on template agreements prepared by the City's CIP Consultant and reviewed by the City Solicitor.

Financial Implications:

As per the agreements attached, Schedule B indicates that the amount of the TIG over a 10-year period is estimated to be \$91,867 combined between the City and Region based on 2024 tax rates and the current estimated post-construction assessed value.

As noted above, the property currently generates \$2,561 in annual City property taxes and \$1,912 in Regional property taxes based on 2024 tax rates. Upon completion of the project the new estimated amount of City property tax will be \$7,709 and \$5,729 per year for the Niagara Region. Following the 10-year period, the City will receive the full property tax value.

The total amount of the combined DCG and TIG will not exceed the total estimated amount of remediation, estimated to be up to \$1,150,000.

It is important to note that the property owner is responsible for the upfront costs associated with the redevelopment and is required to cover the increased taxes resulting from the higher assessed value. Additional details are provided in Appendix C.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillars of the strategic plan:

- Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
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Conclusion:

Staff recommend that Council approve the CIP application by 2866403 Ontario Inc. to assist with the re-development of the property and construction of a 12-unit residential purpose-built rental building at 174 Mitchell Street. If approved, the DCG and TIG would return 100% of the approved remediation costs over 10-years. Following the 10-year period, the City and Region will receive the full property tax value.

As a condition of approval, the owner is required to enter into agreements with the City that outlines obligations of the owner to satisfy the eligibility requirements of the City's CIP programs.

Appendices:

- a. Property Map
- b. By-law and Brownfield CIPA Comprehensive CIP TIG Agreement
- c. Brownfield CIPA Comprehensive CIP TAP Agreement
- d. Brownfield CIPA Comprehensive CIP DCG Agreement
- e. TIG Calculation

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.