

CY BECKER BROWNFIELD GRANT

RECOMMENDATION

That Executive Committee recommend to City Council:

1. That the 2022 operating budget be adjusted to increase expenditures by \$3,765,100, offset by an equivalent transfer from the Brownfield Redevelopment Reserve, to reflect the maximum amount of the Brownfield Redevelopment Grant Funding Agreement between the City of Edmonton and Alcyone Canada Ltd. and Suburban Farms Ltd., within Urban Planning and Economy, Economic Investment Services.
2. That the Cy Becker Phase III Brownfield Redevelopment Grant Funding Agreement between the City of Edmonton and Alcyone Canada Ltd. and Suburban Farms Ltd., for an amount not to exceed \$3,765,100, excluding GST, be approved, and that the agreement be in form and content acceptable to the City Manager.

Requested Council Action	Decision Required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work as we work to achieve our strategic goals.	Urban Places		
City Plan Values	THRIVE		
City Plan Big City Move	Catalyze and Converge	Relationship to Council's Strategic Priorities	Economic Growth
Corporate Business Plan	Transforming for the Future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • Brownfield Redevelopment Strategy • Brownfield Redevelopment Grant Program • Policy C571: Brownfield Remediation and Redevelopment Support 		
Related Council Discussions	<ul style="list-style-type: none"> • N/A 		

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Executive Summary

- A Phase III Brownfield Redevelopment Grant Program (BRGP) agreement for the Cy Becker development project requires Council approval because of the budget adjustment. The agreement can only be approved with the budget in place for which approval from City Council is required given that the amount exceeds Administration's delegated authority.
- The Phase III grant is a multi-year grant to a maximum of six years.
- The value of the grant is either \$1,822,550 or \$3,765,100, with the higher amount conditional on the development achieving the Leadership in Energy and Environmental Design (LEED) Gold building standard. The applicant has indicated that they intend to pursue LEED Gold.
- The development includes three buildings consisting of commercial retail units for a total development size of 80,000 square feet.
- The estimated assessed value of the proposed development is \$30,893,500.
- Administration recommends that Council approve the grant because it aligns with existing policy and meets required eligibility criteria.

REPORT

Background

The City of Edmonton defines a brownfield as a site that is under-utilized and where past activities have caused environmental soil and/or groundwater contamination. Funding made available through the Brownfield Redevelopment Grant Program BRGP (Attachment 1) assists owners of brownfield sites by contributing financing needed to address environmental testing, remediation or exposure control costs needed for redevelopment. The program has four types of grants:

- Phase I - Historical Investigation
- Phase II - Testing
- Phase III - Remediation for Redevelopment
- Phase IV - Sustainable Remediation/Exposure Control/Interim Solution

An applicant may apply for one or more grants for different Phases per property but grants will not be issued for both Phase III and Phase IV for any one project.

The BRGP has been successful in encouraging development on underutilized lands that have been contaminated by previous uses. The program is enabled by City Policy C571 - Brownfield Remediation and Redevelopment Support. Adopted in April 2013, Policy C571 identifies a civic commitment to supporting redevelopment of brownfield sites and establishes a consistent and predictable framework for the selection, evaluation and approval of financial support for brownfield redevelopment sites. This includes using municipal tax uplift to fund Phase III grants, which support site redevelopment, not just testing or remediation. Phase III Grants approved to date include:

- North District (12820 97 Street): \$350,000 - Agreement executed on April 8, 2022

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- Southpark 4 (8122 106 Street) : \$950,000 - Agreement executed on December 2, 2021
- Raymond Block (8155 105 Street): \$950,000 - Agreement executed on December 13, 2018
- Windsor Terrace (11730 87 Avenue): \$950,000 - Agreement executed on April 4, 2017
- Fox Tower 2 (10410 102 Avenue): \$2,400,000 - Agreement executed on October 15, 2015
- Fox Towers 1 (10226 104 Avenue): \$1,800,000 - Agreement executed on Oct 14, 2014

Administration received an application for a Phase III remediation grant for the property located at 4304 167 Avenue NW, on August 18, 2021. The property meets the eligibility criteria of the program; this requires Council approval because of the budget adjustment, and the agreement can only be approved with the budget in place. Additionally, the BRGP Guide stipulates that City Council approval of a funding agreement may be required.

The property is located in the Cy Becker neighborhood and falls under the Pilot Sound Area Structure Plan and the Cy Becker Neighborhood Structure Plan. The subject site was formerly utilized as cultivated farmland. A Phase II Environmental Site Assessment (ESA) from August 2021 concluded that the site was significantly contaminated. A site inspection report from 2021 confirmed the presence of above ground fuel storage tanks, thus qualifying as a former refueling site. The applicant provided a Site Remediation Proposal from a qualified environmental professional that estimated the cost of remediation of \$3,765,100. It should be noted that the Phase II Environmental Site Assessment stated that the estimated volume of soil requiring remediation was between 10,000 cubic metres (m³) and 30,000 m³ and the cost estimate provided was based on remediating the full 30,000 m³. Administration conducted an Assessment Report and assessed the planned development, a shopping centre, at \$30,893,500.

The application is for funding to remediate the site in order to construct three commercial buildings, each consisting of multiple commercial retail units of 26,667 square feet (sq. ft.), for a total commercial development of 80,000 sq. ft.

Assuming Leadership in Energy and Environmental Design (LEED) Gold certification or higher is achieved in the redevelopment of the property, the maximum total grant amount is the lesser of either:

- 100 per cent of City of Edmonton approved remediation costs; or
- The sum of six consecutive years of municipal tax uplift, as calculated by the City Assessor.

Once grant payment requirements and approvals are satisfied, the City will enter into a funding agreement with the applicant for up to 100 per cent (or up to 50 per cent if LEED Gold certification or higher is not achieved) of the City-approved remediation costs. Grant funding is payable in up to six annual consecutive payments, generally paid once per year, and each annual grant payment shall not at any time exceed the actual municipal tax uplift for the applicable taxation year. Annual grant payments will generally commence in October in the year after the issuance of an occupancy permit for the redevelopment of the property or by a predetermined date to be determined in consultation with the applicant but at the sole discretion of the City. A sample of a Phase III Brownfield Redevelopment Grant Funding Agreement is provided in Attachment 2.

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Recommendation

A funding commitment letter has been provided to the applicant, conditional on City Council approval. Administration recommends approval of the Brownfield Redevelopment Grant Funding Agreement. The grant amount will adhere to the following formula, with the maximum total grant amount ultimately subject to the municipal tax uplift limitations above:

1. \$3,765,100, or less, if LEED Gold certification is obtained for the property, including but not limited to all buildings on the property; or
2. \$1,822,550, or less (50 per cent of the estimate of \$3,765,100 if LEED Gold certification is not acquired as outlined in point number 1 above).

A City Council decision to approve the budget adjustment and subsequent funding for the maximum potential liability of \$3,765,100 is required.

Budget/Financial Implications

The City will incur a liability for the maximum funding amount of \$3,765,100 if City Council approves the budget adjustment and grant agreement. The grant expense is interim-financed through the Brownfield Redevelopment Reserve. The reserve is eventually replenished (funded) through the anticipated municipal tax uplift realized from the redevelopment over the six years, as described in Attachment 3. Grant payments made to the developer over the maximum six year grant agreement period are reflected as reductions to the liability up to the maximum annual property tax uplift from the redevelopment.

A budget adjustment is required to recognize the grant expense in 2022, with an offsetting transfer from the Brownfield Redevelopment Reserve, with no impact to the tax-levy. Each subsequent year, the budget will be adjusted to reflect the municipal tax uplift being transferred to the reserve (i.e. replenishing the reserve).

Legal Implications

The funding commitment letter does not become binding until City Council approves the budget adjustments and the subsequent requested maximum grant funding amount. The agreement, which cannot be signed for the requested amount of grant funding without Administration obtaining City Council's approval, does not become binding until it is signed by all parties.

Community Insights

Administration has received feedback on previous grant programs from its economic development partners who support entrepreneurs. Through listening to Edmontonians and various grant applicants and recipients, Administration has gathered insights that grants can be useful in smaller amounts to address an immediate need, and larger, longer-term amounts better support development growth over time. Grants can also be used to leverage other funding or financing for commercial projects, such as loans.

Specific to the BRGP, a study conducted at the MacEwan School of Business on behalf of Administration, "City of Edmonton Brownfield Remediation Grant Program: A Summary of results from industry analysis and interviews with Private Sector stakeholders" (2017 and 2022),

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interviewed developers, landowners and other private sector stakeholders. The study examined benefits of brownfield remediation and redevelopment in the City of Edmonton. The participants interviewed in the study: a) strongly supported the BRGP initiative and b) provided positive feedback and high satisfaction levels with the BRGP approval and the grant payment mechanism. All applications surveyed agreed that the BRGP program was fair to access, easy to interpret and professionally administered, all the applicants agreed that the program's expectations were reasonable and fair.

All recipients surveyed agreed that BRGP improved access to financing and the overall business case of the remediation project materially, making a significant difference in the project being a financial success. Respondents noted that because of their positive experience with the program so far, they will be open in the future to or already are considering other developments in Edmonton based on brownfield remediation.

If LEED Gold certification is obtained for the property, it will support what Administration has heard through The City Plan engagement - that Edmontonians support a low carbon future.

GBA+

The grant program has been used to assist in the development of affordable housing (e.g. Stadium Manor) and encourages sustainable remediation practices and green building standards (LEED). Brownfield redevelopment also has a positive impact on surrounding communities by reducing the number of vacant, derelict lots that may negatively impact the neighbourhood; contributing to community vitality and pride; and by contributing to better health outcomes for nearby residents by reducing exposure to potentially harmful environmental factors.

Barriers to accessing the BRGP may include:

- Brownfield grants require the applicant to pay for the testing and remediation themselves before they are reimbursed, so the barrier to access increases as the grant amount increases.
- The intensity of application and technical requirements may also create barriers, especially to people who speak English as a second language.
- Awareness is also a factor in equitable access to the grant. Specific communication activities may need to be undertaken to raise awareness for unique groups.

These potential barriers are mitigated by the fact that this program is targeted to property owners that typically have the means to invest in their properties, and by the program manager being available to work with individual applicants during the application process in order to support their diverse needs.

ATTACHMENTS

1. Brownfield Redevelopment Grant Program
2. Phase III Brownfield Redevelopment Grant Funding Agreement
3. Financial Summary