

Brownfields 101 Workshop

Tools and Resources: What Works for Brownfields – Planning Perspective

KILMER BROWNFIELD EQUITY FUND L.P.

CBN Conference, October 22, 2008



The Historical Barriers to brownfield redevelopment relate to finance, liability and process...

- **“Remediation Funding Gap”** – *Conventional financing is not readily available during site restoration.*
- **Potential environmental liabilities** *associated with brownfield sites affecting both owners and developers.*
- **Process uncertainty** *in environmental and planning matters – timing and outcomes unclear*



To address some of these historical barriers, various resources are now available to the development community...

RESOURCES PROVIDED BY:

**Non-Profit Organizations
Professional Associations and Networks
Provincial Government
Municipalities**

Greater assistance for those pursuing brownfield redevelopment projects

Non-Profit/Professional Associations

- **About Remediation** www.aboutremediation.com/toolbox/
 - An information resource on site remediation and brownfield redevelopment in Canada
 - ***“Brownfield Toolbox: Five Steps to Redevelopment”***
 1. **Community Readiness**
 - raise awareness/develop stakeholder working group; create land inventory
 2. **Evaluation**
 - understand market & property valuation; due diligence; develop business case
 3. **Transaction**
 - prepare Community Improvement Plan; market plan
 4. **Implementation**
 - identify developers; showcase sites; obtain proposals and begin remediation
 5. **Site Management**
 - manage and monitor project
- ***“Redevelopment Framework for Former Service Stations”***
 - Based upon existing best practices to clarify and streamline the process; Currently entering testing phase, to be launched on website early 2009 (*“Corner Gas”* session Friday October 24)

Non-Profit/Professional Associations/Federal Government

- **Canadian Brownfield Network (CBN)**

www.canadianbrownfieldsnetwork.ca/

- A national advocacy network that represents the interests of brownfield practitioners and stakeholders who want to effect change and address the barriers associated with brownfield redevelopment in Canada.

- **Federation of Canadian Municipalities (FCM) Green Municipal Fund**

www.fcm.ca

- Provides low-interest loans and grants, builds capacity, and shares knowledge to support municipal governments and their partners in developing communities that are more environmentally, socially and economically sustainable.

- **Building Canada Fund**

<http://www.buildingcanada-chantierscanada.gc.ca>

- Federal government has pledged \$8.8 billion over the next seven years to support public infrastructure owned by provincial, territorial and municipal governments and entities, as well as private industry and non-profit sector for local initiatives.
 - *Building Canada Fund – Communities Component*: Brownfield redevelopment projects in communities with populations less than 100,000 eligible for funds through an application-based process (Ontario launched program in September 2008; applications accepted now until early November).

British Columbia Provincial Resources

- **BC Ministry of Environment**
 - “*Contaminated Sites 101*” and “*Land Remediation Section*”
www.env.gov.bc.ca/epd/remediation
 - Basic information to assist municipalities & others interested in pursuing brownfield remediation
 - General and detailed contact list for parties involved in all aspects of the remediation process

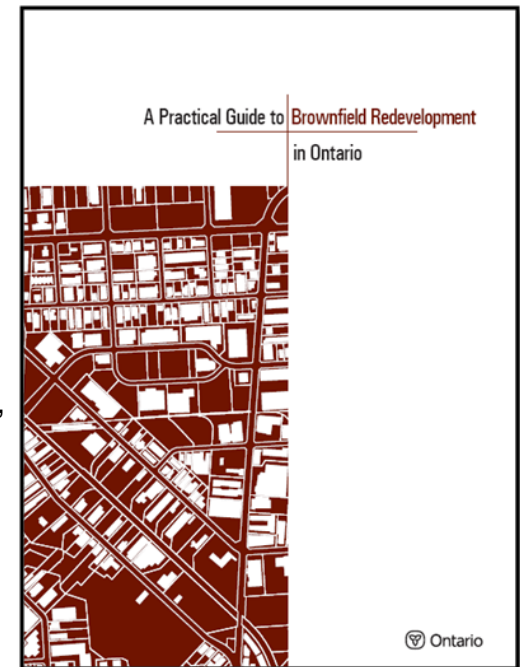
- **BC Ministry of Agriculture and Lands**
 - *BC Brownfield Renewal Strategy*
http://www.agf.gov.bc.ca/clad/ccs/brownfields/renewal_strategy.html
 - Supports commitments to reduced urban sprawl, increase affordable housing and urban densities, and create healthier communities.
 - Four streams of strategy include:
 1. Create a more effective public policy regime for liability & risk
 2. Apply strategic investment to encourage redevelopment
 3. Develop approaches to build capacity and awareness of redevelopment opportunities
 4. Lead by example by bringing Crown brownfield lands back into productive use

For more information contact:

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Ontario Provincial Resources

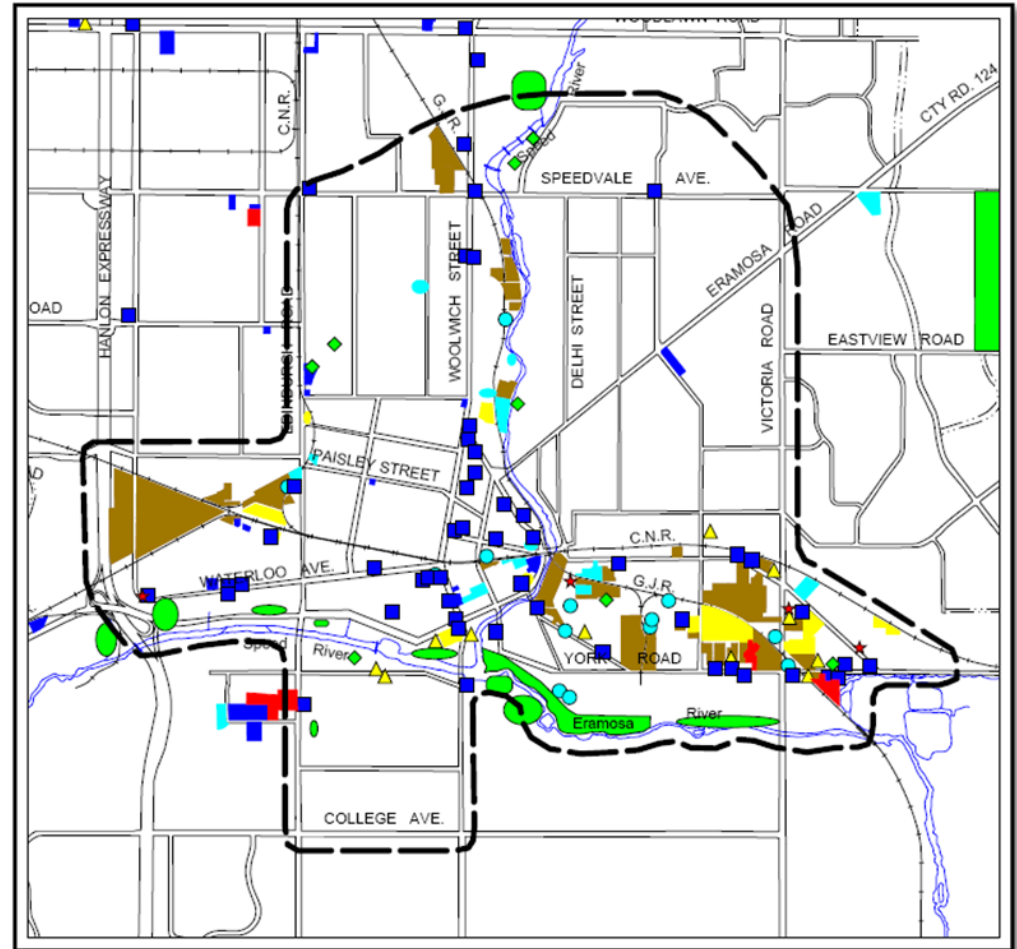
- **Ontario Ministry of Municipal Affairs** – Publications and resources for public and private sector stakeholders, including:
 - “*Community Improvement Planning Handbook*” - More detailed information to help users understand Ontario’s brownfield redevelopment process
 - “*A Practical Guide to Brownfield Redevelopment in Ontario*” - Basic information to assist municipalities & others interested in community improvement planning under Section 28 of the Ontario Planning Act
 - **Brownfields Ontario Update:** e-subscription with updates regarding provincial action on brownfields (land-use planning, financing, new initiatives and programs, and environmental protection)
 - “*Developing Brownfields – Information for Realtors*” – by the Canadian Real Estate Association, available at www.mah.gov.on.ca/AssetFactory.aspx?did=5248
 - Visit www.ontario.ca/brownfields



Municipal Resources: Examples from Ontario

- **Personnel**
 - Brownfield Experts:
 - Economic Development
 - Planning

- **Locational**
 - Potential sites
 - General area of potential redevelopment
 - Specific sites/locations



Source: City of Guelph Brownfield CIP, Figure 3 "Potential Brownfield Sites"

Municipal Resources – Typical incentives covered by CIPs

- **Financial (similar products in other jurisdictions)**
 - Community Improvement Plans (CIPs), which can cover the following costs:
 - Phase 1 and 2 Environmental Site Assessments
 - Remedial work plans; Risk Assessments
 - Disposal of contaminated soil
 - Placing of clean fill and grading site
 - Building demolition
 - Installing environmental and/or engineering controls/works
 - Environmental insurance premiums
 - Leadership in Energy & Environmental Design (LEED) program components
 - Upgrading on site and off site infrastructure (hard services)
 - Interim financing related to eligible costs
 - Legal fees

➤ **Municipal Resources – Typical incentives covered by CIPs**

• **Financial**

- CIPs provide financial incentives through rebates or reductions of:
 - Building permit fees
 - Development Charge (Local, Regional, and/or Educational)
 - Planning applications and legal fees
 - Landfill tipping fees
 - Parkland dedication
 - Realty tax freeze during rehabilitation works
 - Realty tax rebate, commonly referred to Tax Increment Grant/Tax Increment Financing (TIG/TIF) after redevelopment

Municipal Resources – Tax Increment Grant/Financing (TIG/TIF)

- **How does TIG/TIF work?**

- Calculate increment between pre- and post-redevelopment realty taxes (increase due to increase in assessed property value)
- A percentage of this increment is rebated to developer over a pre-determined time period (ie. 100% of increment over 10 year period)
- Cannot receive amount greater than total eligible remediation costs (ie. Remediation costs = \$1M, therefore maximum possible rebate = \$1M)

Example

Property taxes post-redevelopment	\$600,000
Property taxes pre-redevelopment	<u>\$400,000</u>
Tax Increment	\$200,000



Rebate = 100% of tax increment/year

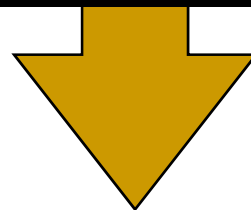
\$200,000 tax rebate/year for 10 yrs

Tax Increment Grant (TIG) Time Value Attrition

10 YEAR TIME FRAME

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$200k	\$200k	\$200k	\$200k	\$200k	\$200k	\$200k	\$200k	\$200k	\$200k

TOTAL REALTY TAX CREDITS	NPV OF CREDITS @ 10% (net present value)
<i>10 x \$200,000 = \$2,000,000</i>	<i>Present Value = \$1,228,913</i>



40% Value Loss Due to Time Value of Money...

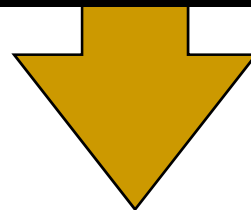
Significant Value Loss... Difficult to “Monetize”

Tax Increment Grant (TIG) Time Value Attrition

5 YEAR TIME FRAME

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$400k	\$400k	\$400k	\$400k	\$400k	--	--	--	--	--

TOTAL REALTY TAX CREDITS	NPV OF CREDITS @ 10% (net present value)
<i>5 x \$400,000 = \$2,000,000</i>	<i>Present Value = \$1,516,315</i>



24% Value Loss Due to Time Value of Money...

At least it's a start... a 25% improvement over the 10-year plan

Rebate Comparison – Industrial Land Use

Assume 80,000 sq. ft building

	<i>Development Charges</i>	<i>Building Permit</i>	<i>Realty Taxes/Year</i>
<i>Big City</i>	\$487k	\$57k	\$150k
<i>Small City</i>	NONE	\$83k	\$101k

Industrial Land Use - Assume \$2 million eligible for incentives

Year →	1	2	3	4	5	6	7	8	9	10	11	12	13
<i>Big City</i>	-	-	\$545k	\$150k	\$135k	\$120k	\$105k	\$90k	\$75k	\$60k	\$45k	\$30k	\$15k
<i>Small City</i>	-	-	\$83k	\$101k	\$91k	\$81k	\$71k	\$61k	\$51k	\$40k	\$30k	\$20k	\$10k

TOTAL CREDITS REALIZED	NPV OF CREDITS @ 10% (net present value)
<i>Big City: \$1,370,000</i>	<i>Present Value = \$830,059</i>
<i>Small City: \$639,000</i>	<i>Present Value = \$346,026</i>

Rebate Comparison – Retail Land Use

Assume 80,000 sq. ft building

	Development Charges	Building Permit	Realty Taxes/Year
Big City	\$487k	\$100k	\$646k
Small City	\$54k	\$83k	\$377k

Retail Land Use - Assume \$2 million eligible for incentives

Year →	1	2	3	4	5	6	7	8	9	10	11	12
Big City	-	-	\$588k	-	\$646k	\$581k	\$185k	-	-	-	-	-
Small City	-	-	\$137k	-	\$377k	\$339k	\$302k	\$264k	\$226k	\$189k	\$151k	\$15k

TOTAL CREDITS REALIZED	NPV OF CREDITS @ 10% (net present value)
Big City: \$2,000,000	Present Value = \$1,265,782
Small City: \$2,000,000	Present Value = \$1,028,144

Concluding Remarks

- **Next Five Years**
 - **Increased pressure for brownfield redevelopment**
 - **Need to:**
 - **Improve the impact of time on incentives**
 - **Incentify land uses equally**
 - **Provide more centralized coordination between municipalities to share best practices**

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