

To: Development Services Committee

From: Warren Munro, HBA, RPP, Commissioner,
Development Services Department

Report Number: DS-22-187

Date of Report: September 7, 2022

Date of Meeting: September 12, 2022

Subject: Application under the Urban Growth Centre Community Improvement Plan and Other Requested Incentives, 135 Bruce Street, Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd.

Ward: Ward 4

File: 12-04-0234

1.0 Purpose

The purpose of this Report is to obtain City Council direction with respect to:

1. An application submitted by Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd. (“Medallion”) under the City’s Urban Growth Centre Community Improvement Plan (the “C.I.P.”) for an Increased Assessment Grant (“I.A.G.”). Medallion is requesting an I.A.G. of 50% of the applicable City taxes for 16 years, to facilitate the development of a purpose-built rental apartment building including a 22 storey tower and a 10 storey tower connected by a 3 storey podium. The development site is 1.1 hectares (2.7 ac.) in size and forms part of the northwest portion of Medallion’s land holdings at 135 Bruce Street (the “Site”).
2. A request from Medallion for the City of Oshawa to provide the following additional financial incentives in support of the redevelopment of the Site:
 - City development charges exemption;
 - Parkland dedication cash-in-lieu exemption;
 - Development application and building permit fees exemptions; and,
 - Brownfield redevelopment incentives.
3. A request from Medallion for the City of Oshawa’s cooperation to work with the Region of Durham for other Regional development incentive grants.

The proposed development of the Site as discussed in this Report represents Phase 1 of Medallion’s development proposal at 135 Bruce Street (see Attachment 1). 135 Bruce

Street is a vacant 10.7 hectare (26.5 ac.) brownfield site located in downtown Oshawa. The Site occupies the northwest corner of the 10.7 hectare (26.5 ac.) parcel of land owned by Medallion.

Zoning for Phase 1 was approved by Council on September 24, 2018. No appeals were received for the Zoning By-law Amendment and the zoning became final and binding on October 19, 2018.

Phase 1 consists of a new apartment building, including a 22 storey tower and a 10 storey tower connected by a 3 storey podium. The first tower, "Building A", is proposed to be 22 storeys in height and includes 19 studio units, 167 one-bedroom units, 106 two-bedroom units and 11 three-bedroom units (303 units in total). The second tower, "Building B", is proposed to be 10 storeys in height and includes 8 studio units, 113 one-bedroom units, 76 two-bedroom units and 9 three-bedroom units (206 units in total). Combined, the proposed Phase 1 development of the Site will result in a total of 509 units (see Attachment 3).

On July 20, 2022, Medallion applied for Site Plan Approval for Phase 1 of its development proposal at 135 Bruce Street, which is now being processed by staff.

For the purposes of this Report, the terms "proposed development" and "Site" refer to only the Phase 1 component of the overall development proposed at 135 Bruce Street (see Attachment 3).

Attachment 1 is a map showing the location of the Site and the other lands owned by Medallion which are subject to an application for approval of a draft plan of subdivision (File: S-O-2016-03) together with certain City-owned lands, and the existing zoning in the area.

Attachment 2 is a copy of the proposed draft plan of subdivision S-O-2016-03 submitted by Medallion for the overall development of 135 Bruce Street.

Attachment 3 is a copy of the site plan for Phase 1 submitted by Medallion.

Attachment 4 is a copy of a letter dated August 9, 2022 from Medallion requesting certain development incentives.

2.0 Recommendation

It is recommended that the Development Services Committee provide direction in the form of a recommendation to Council in respect to the request by Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd. for certain City-level development incentives and for the City's support in working with Medallion to secure other development incentives at the Regional level, as set out in their letter to the City dated August 9, 2022.

3.0 Executive Summary

Not applicable.

4.0 Input From Other Sources

The following have been consulted in the preparation of this Report:

- Commissioner, Finance Services
- City Solicitor
- The Region of Durham

5.0 Analysis

5.1 Urban Growth Centre Community Improvement Plan

On May 2, 2016, City Council adopted the Urban Growth Centre C.I.P. The C.I.P. is intended to encourage economic development in the Downtown Oshawa Urban Growth Centre through a variety of grant programs. The C.I.P. was advanced owing to the identification of downtown Oshawa as an Urban Growth Centre in the Provincial Growth Plan for the Greater Golden Horseshoe.

The Urban Growth Centre C.I.P. specifies that an I.A.G. may be provided on a sliding scale for part or all of the increase in City taxes attributable to the improvement of a property located within the Urban Growth Centre Community Improvement Project Area. More specifically, an I.A.G. can be used to reimburse a property owner, on a declining basis over a 9-year period (e.g. 90% in year 1, 80% in year 2, 70% in year 3, etc.), a portion of the increased property taxes resulting from the successful development or redevelopment of a site. A grant is only paid following the completion of work, a final successful building inspection and the payment in full of property taxes for each year.

An I.A.G. is provided to the registered owner of the property or the declarant of a condominium on an annual basis. The declarant is the original developer that constructed the development. In this case, Medallion intends to own and operate the development of purpose-built rental apartments.

The I.A.G. applies to the construction/creation of residential, non-residential and mixed-use buildings that result in an increase in assessed value. Any application for an I.A.G. must be approved by Council.

The C.I.P. also specifies that the terms and conditions of any grant program and administrative procedures may be changed, altered, amended or modified by the City on a case-by-case basis.

5.2 The Requested Incentives and Staff Comments

On August 9, 2022, Medallion submitted correspondence (see Attachment 4) requesting certain development incentives, including:

- An I.A.G. of 50% of the applicable City taxes for 16 years;
- City development charges exemption;
- Parkland dedication cash-in-lieu exemption;
- Development application and building permit fees exemptions; and,

- Brownfield redevelopment incentives.

Medallion has also requested the City's cooperation in working with the Region of Durham in an effort to secure other Regional development incentives, such as the Regional Revitalization Program.

The request by Medallion for an I.A.G. of 50% of the applicable City taxes over 16 years is consistent with the I.A.G. City Council previously provided for Bond and Mary Development (Phase 2) Inc. through the approval of Report DS-18-99.

5.2.1 Increased Assessment Grant

Medallion has requested that the City provide an I.A.G. of 50% of the applicable City taxes for a 16-year period based upon an estimated post-development assessed value of \$106 million for Phase 1. The estimated total value of an I.A.G. of 50% of the City taxes for a 16-year period is \$3,893.568.

5.2.1.1 Staff Comments

The Urban Growth Centre C.I.P. includes an I.A.G. program which:

- Reimburses the property owner a portion of the City taxes attributable to the improvement and/or redevelopment of a property.
- Financially assists the property owner and serves to phase-in the impact of tax increases which would be experienced after a development opens.
- Recognizes that the development might not occur save and except for the I.A.G. and that the City and community ultimately benefit from the development and its increased assessment/tax base in later years, on-going spin-offs, etc.
- Specifies that following completion of the work, a final building inspection and the payment of all property taxes for each year, the I.A.G. would be provided on a declining basis over a nine (9) year period: 90% in year 1, 80% in year 2, 70% in year 3, etc.

The 2022 assessment of Medallion's property at 135 Bruce Street as a whole is \$11,257,000 equating to City taxes of approximately \$120,400 per year. It is important to note that the assessed value and related taxes represent the entirety of Medallion's holdings while the application for an I.A.G. is only a 1.1 hectare (2.7 ac.) portion of a 10.7 hectare (26.5 ac.) site.

Medallion estimates the post-development assessed value of the Site as \$106 million. Staff consider this to be a reasonable estimate based on other recent assessed values for this type of development.

It is estimated that based on a post-development assessed value of \$106 million, the City will realize taxes of \$667,720 per year upon completion of the proposed development on the Site based on the 2022 new multi-residential tax rate.

Finance Services estimates that the value of an I.A.G. using the City's standard Table 1 contained in Appendix 1 of the Urban Growth Centre C.I.P. (e.g. increase in pre- and post-development taxes returned to property owner on a declining basis over a 9-year period – 90% year 1, 80% year 2, etc.) would be \$2,190,132 over a 9-year period based on an estimated assessed value of approximately \$106 million and the 2022 new multi-residential tax rate. Medallion would receive a grant of \$2,190,132 and the City would retain \$2,190,132 of the property taxes attributable to the increased assessed value resulting from the development.

Finance Services further estimates that the value of the I.A.G. using the terms requested by Medallion for the Site under the C.I.P. would be \$3,893,568 over a 16-year period, based on an estimated assessed value of approximately \$106 million and the 2022 new multi-residential tax rate. In this scenario, Medallion would receive a grant of \$3,893,568 over the 16 years while the City would retain \$3,893,568 over the same period. Under this request there will be a consistent amount of taxes paid over the grant period. Compared to the declining rate methodology the City will retain more taxes in the earlier years of the 16 period and less taxes in the later years.

If Council agrees to an I.A.G. as requested by Medallion, then the grant is estimated to be \$3,893,568 over a 16 year period. In addition, all applicable taxes in any year are to be fully paid prior to the grant being paid back and that the performance criteria as set out in Section 5.3 of this Report be applied.

5.2.2 City Development Charges

Medallion has requested that the City agree to waive the payment of all City development charges for the proposed development of the Site.

5.2.2.1 Staff Comments

The City's Development Charge By-law 60-2019, as amended, specifies that no development charge shall be imposed with respect to "an Apartment Dwelling Unit or a Townhouse Dwelling Unit, except back to back Townhouses, on lands within that part of Oshawa as shown as the shaded portion of the map in Schedule "F" to this By-law." The Site is located in this area. This By-law expires on June 30, 2024.

Accordingly, given that Phase 1 is located in the shaded area identified in Schedule "F" to By-law 60-2019, as amended, this portion of the request is addressed provided a building permit is issued before the by-law expiry period and no action by Council is required.

5.2.3 Cash-in-lieu of Parkland Dedication Fees

Medallion has requested that the City agree to waive the payment of all cash-in-lieu of parkland dedication fees for the proposed development of the Site. The estimated value of the cash-in-lieu of parkland dedication fee for the Site, based on the Phase 1 proposal, is approximately \$788,950 under the current Parkland Dedication By-law 91-2007, as amended, and Council approved cash-in-lieu of parkland values.

5.2.3.1 Staff Comments

The City's Parkland Dedication By-law 91-2007, as amended, would currently apply to the development of the Site. This By-law is an important tool in ensuring that the City acquires land at no cost for the development of parks, or alternatively requires a payment in lieu of parkland dedication which the City could then use to purchase land at market value for new parks. Parkland and outdoor amenity spaces are, now more than ever, an important service to provide to the residents of Oshawa and contribute to healthy neighbourhoods. For this reason, it is not recommended that the City waive the payment of all cash-in-lieu of parkland dedication fees for the proposed development of the Site.

Staff note that, effective September 18, 2022, the City's Parkland Dedication By-law 91-2007, as amended, will be replaced by a new Parkland Dedication By-law 63-2022, as amended. However, under the new Parkland Dedication by-law, the same parkland dedication and cash-in-lieu rates and calculations as described above in Section 5.2.3 will continue to apply, resulting in the same cash-in-lieu fee of \$788,950 for the Site.

Accordingly, no action by Council is recommended.

The subject development on the Site represents the first phase of a larger development project that Medallion is proposing for their lands at 135 Bruce Street, commonly referred to as the Fittings Site. Medallion has submitted an application for approval of a draft plan of subdivision (File: S-O-2016-03) to create the future roads and development blocks on the Fittings Site. The proposed draft plan of subdivision includes a 1.006 hectare (2.5 ac.) public park, which is shown as Block 7 on the subdivision plan that forms Attachment 2 to this Report. The park block is intended to be created and conveyed as parkland dedication to the City through the registration of the draft plan of subdivision.

The Planning Act and the City's current Parkland Dedication By-law 91-2007, as amended (to be replaced by new Parkland Dedication By-law 63-2022, as amended, on September 18, 2022) provides the City the option to collect land for park or other recreational purposes ("parkland dedication") or cash-in-lieu of parkland, or a combination of both. Where cash-in-lieu of parkland dedication is accepted for residential developments, the amount paid is based on the City's approved per unit rates, or on the value of either 5% of the land or 1 hectare for every 500 units proposed based on an appraisal.

In addition, the Planning Act allows for municipalities to acquire conveyance of parkland or cash-in-lieu in areas designated as transit-oriented communities, such as the Major Transit Station Area (M.T.S.A.) surrounding the future Central Oshawa GO Station, at a rate up to 10% of the land area or the value of the land for development lands that are five hectares or less in size. For development lands that are greater than five hectares in size, parkland or cash-in-lieu can be required at a rate of up to 15% of the land area or value of the land. The portion of the proposed subdivision located south of the future John Street extension is located within the M.T.S.A. associated with the planned Central Oshawa GO Station.

Based on the parkland dedication requirements outlined above, approximately 0.91 hectares (2.25 ac.) of parkland would be required for the subdivision based on the land dedication of 5% of the land area for that portion of the site located north of the future

John Street extension and 10% of the land area for that portion of the site located south of the John Street extension. Approximately 4.18 hectares (10.3 ac.) of parkland would be required for the subdivision using the 1 hectare for every 500 units rate for calculating parkland for the lands north of the John Street Extension and 10% of the land area for the lands south of the John Street Extension.

The amount of physical parkland proposed in the draft plan of subdivision would not satisfy the parkland requirements for the subdivision based on the 1 hectare for every 500 units parkland rate, and as a result, cash-in-lieu of parkland will be collected to make up for the balance.

5.2.4 Development Application Fees and Building Permit Fees

Medallion has requested that the City agree to waive the payment of all fees for the relevant development applications and building permits for the proposed development of the Site.

5.2.4.1 Staff Comments

The General Fees and Charges By-law 13-2003, as amended, most recently amended by By-law 77-2021, does not allow for the exemption or reduction of Site Plan Application fees. Medallion has already paid the full Site Plan Application fee for the proposed Phase 1 development, in the amount of \$45,121. As a result, City staff would not refund the Site Plan Application fee.

Building Services has advised that Building By-law 33-2009, as amended, does not permit the exemption or reduction of building permit fees. Consequently, Medallion would be required to pay all building permit fees for the proposed development of the Site. The estimated building permit fees would be approximately \$650,000 for a development of the size and type proposed by Medallion for Phase 1. The exact permit fee amount would be calculated at the time of permit application and would be calculated using the fees schedule found in the City's Building By-law 33-2009, as amended.

Given that the fees collected by the City for development applications and building permits are, from the City's perspective, important budgetary components, while from a developer's perspective comprise a relatively minor component of the cost of doing business compared to other financial considerations such as increased taxes attributable to the improvement and/or redevelopment of a property, it would be appropriate to refuse this portion of the request. In the event Council chooses to waive and/or refund the development application and building permit fees as requested by Medallion, these fees would need to be recovered by the City using funds from another reserve and would ultimately be borne by the taxpayer.

Accordingly, no action by Council is recommended.

5.2.5 Brownfields Renaissance Community Improvement Plan Incentives

Medallion has requested unspecified "brownfield development incentives" which would fall under the Brownfields Renaissance Community Improvement Plan.

5.2.5.1 Staff Comments

Medallion has already received incentives under the Brownfields Renaissance Community Improvement Plan. On February 17, 2015, an application from Medallion under the City's Brownfield Renaissance Community Improvement Plan for a brownfield study grant for the Site was approved by City Council as follows:

- 50% of the cost of a supplementary Phase Two Environmental Site Assessment for soil sampling for the Site to a maximum of \$10,000; and,
- 50% of the cost of a supplementary Phase Two Environmental Site Assessment for resampling groundwater monitoring wells on the Site to a maximum of \$10,000.

SPL Consultants Limited submitted an invoice dated July 31, 2015 totaling \$25,350 for Supplementary Phase Two Environmental Site Assessment work and \$6,000 for water sampling. Accordingly, a grant was provided to Medallion in December 2015 in the amount of \$13,000, based on 50% of \$23,350 (to a \$10,000 maximum) and 50% of \$6,000. It is important to note that Medallion has already received notice from the Ministry of the Environment, Conservation and Parks of its acceptance of Medallion's Risk Assessment relating to the Site in accordance with Ontario Regulation 153/04, and therefore is ineligible for further incentives.

Accordingly, as Medallion has already received incentives and did not specify any further requests, no action by Council is recommended.

5.2.6 Region of Durham Incentives

Medallion has requested that the City work with the Region of Durham and Medallion to secure other Regional development incentive grants.

5.2.6.1 Staff Comments

The City could authorize the Mayor and Chair of the Development Services Committee to prepare a letter of support to the Region requesting that the project receive funding under the Region's Revitalization Program.

5.3 Consideration and Format for Council Resolution

In making its decision on the requested incentives, the Development Services Committee and Council should consider, amongst other matters, the following:

- The affordability of the requested incentives.
- That, as a prerequisite, Medallion be required to enter into an agreement with the City to ensure certain performance criteria are met (e.g. no incentives provided or paid unless and until the project is finished to the City's satisfaction, accessibility plan, completion date, etc.).

To assist the Development Services Committee, the following format can be used by the Committee in preparing a recommendation to Council in respect to the request by Medallion for financial incentives for 135 Bruce Street:

1. That, pursuant to Report DS-22-187 dated September 7, 2022, Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd. be provided the following in respect to its proposed Phase 1 development of an apartment building at 135 Bruce Street under the City's Urban Growth Centre Community Improvement Plan:
 - (a) An Increased Assessment Grant of 50% per year for 16 years totaling an upset limit of \$3,893,568 over the 16-year period. This value may change over the 16-year grant period to ensure the grant total is achieved based on Municipal Property Assessment Corporation's final assessment.
2. That the City enter into an agreement with Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd. setting out performance criteria related to the approval of the Increased Assessment Grant under the City's Urban Growth Centre C.I.P. including, but not limited to:
 - (a) The building must have the foundation completed by October 31, 2024 to the satisfaction of the Chief Building Official;
 - (b) The project must be completed and available for first occupancy by December 31, 2026 to the satisfaction of the Chief Building Official;
 - (c) The Director of Planning Services must approve an Accessibility Plan, with input from the Oshawa Accessibility Advisory Committee, and this Plan must be implemented and maintained;
 - (d) The property, including any building, must be maintained in accordance with the Property Standards By-law and the Ontario Building Code during the period of the Grant;
 - (e) Medallion shall continuously comply with any City agreement and City by-laws;
 - (f) That any Increased Assessment Grant will only be provided to Medallion after all applicable City taxes have been paid by the property owner;
 - (g) The building architecture is to be designed to the satisfaction of the Director of Planning Services;
 - (h) Where possible, the owner shall use local trades and suppliers. The owner must agree to a notification program to make local trades and suppliers aware of the project and allow them an opportunity to bid on the project; and,
 - (i) Any other appropriate criteria considered advisable by the City Solicitor and Commissioner of Development Services.

3. That the Commissioner of Development Services be authorized to execute any agreement(s) with the owner to implement Parts 1 and 2 above in a form and content satisfactory to the Commissioner of Development Services and City Solicitor.
4. That the Mayor and Chair of Development Services Committee be authorized to write a letter to the Region of Durham to request support for this project under the Regional Revitalization Program and that if successful the Mayor and Clerk be authorized to execute an agreement with the Region, as appropriate, in a form and content acceptable to the Commissioner of Development Services and City Solicitor.
5. That the portions of the request by Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd. for financial incentives related to cash-in-lieu of parkland dedication, development application fees, building permit fees and unspecified brownfield development incentives made in their letter dated August 9, 2022 be denied.

6.0 Financial Implications

Once the grant is complete, the City will realize increased taxation revenue of approximately \$667,720 per year for the project based on the 2022 new multi-residential tax rate. This does not include additional tax revenue that will be achieved once the balance of the lands at 135 Bruce Street are developed.

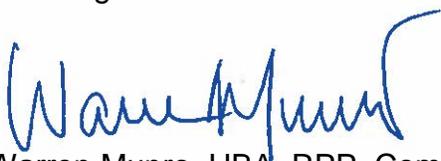
The increase in the budget to fund the grant will be more than offset over time by the increased taxation revenue received from the development.

7.0 Relationship to the Oshawa Strategic Plan

This Report advances the Economic Prosperity and Financial Stewardship goal of the Oshawa Strategic Plan.



Tom Goodeve, M.Sc.Pl., MCIP, RPP, Director,
Planning Services



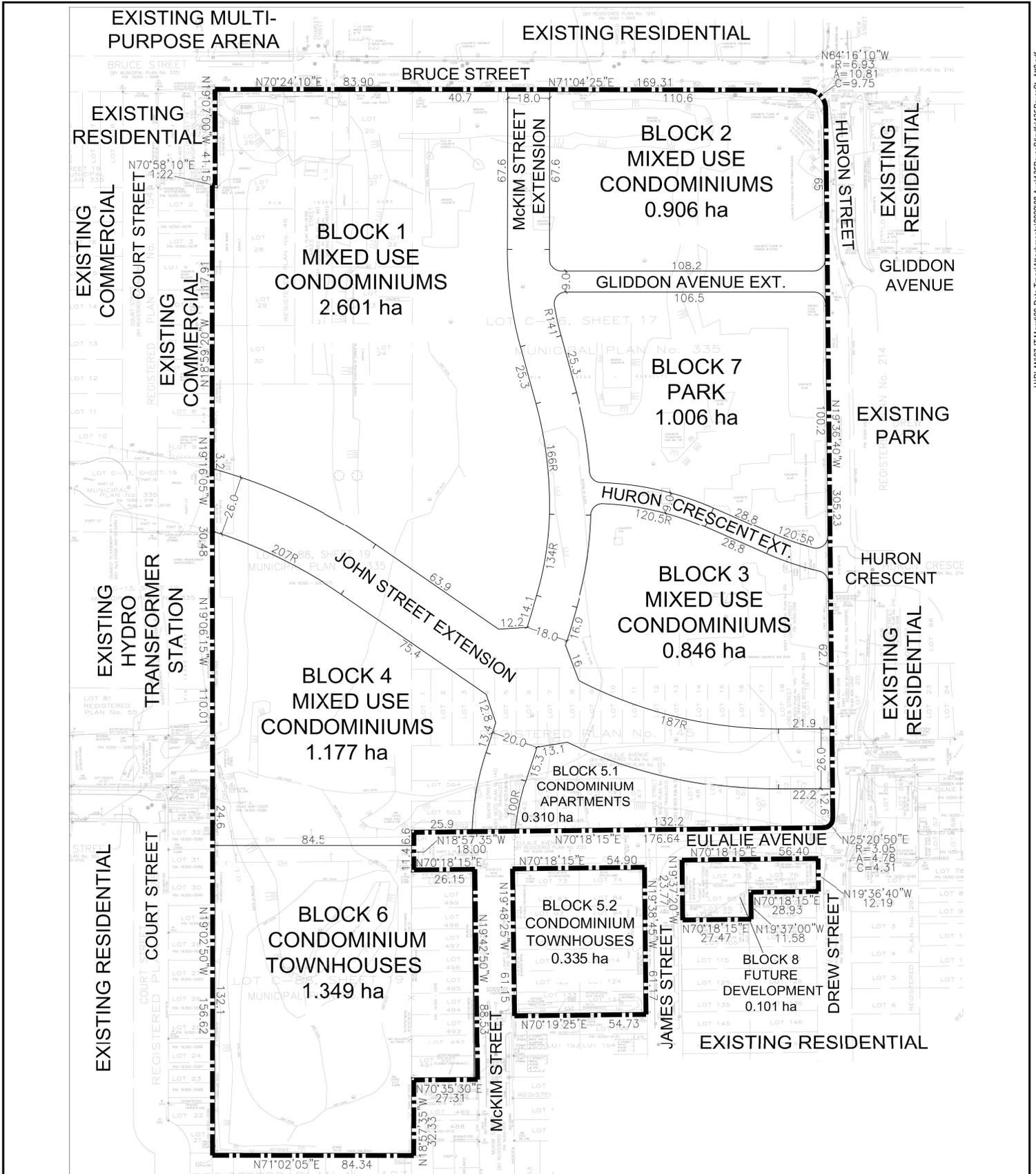
Warren Munro, HBA, RPP, Commissioner,
Development Services Department

Title: Proposed Draft Plan of Subdivision
 Subject: Application under the Urban Growth Centre Community Improvement Plan and Other Requested Incentives, 135 Bruce Street, Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd.

Item: DS-22-187
 Attachment 2

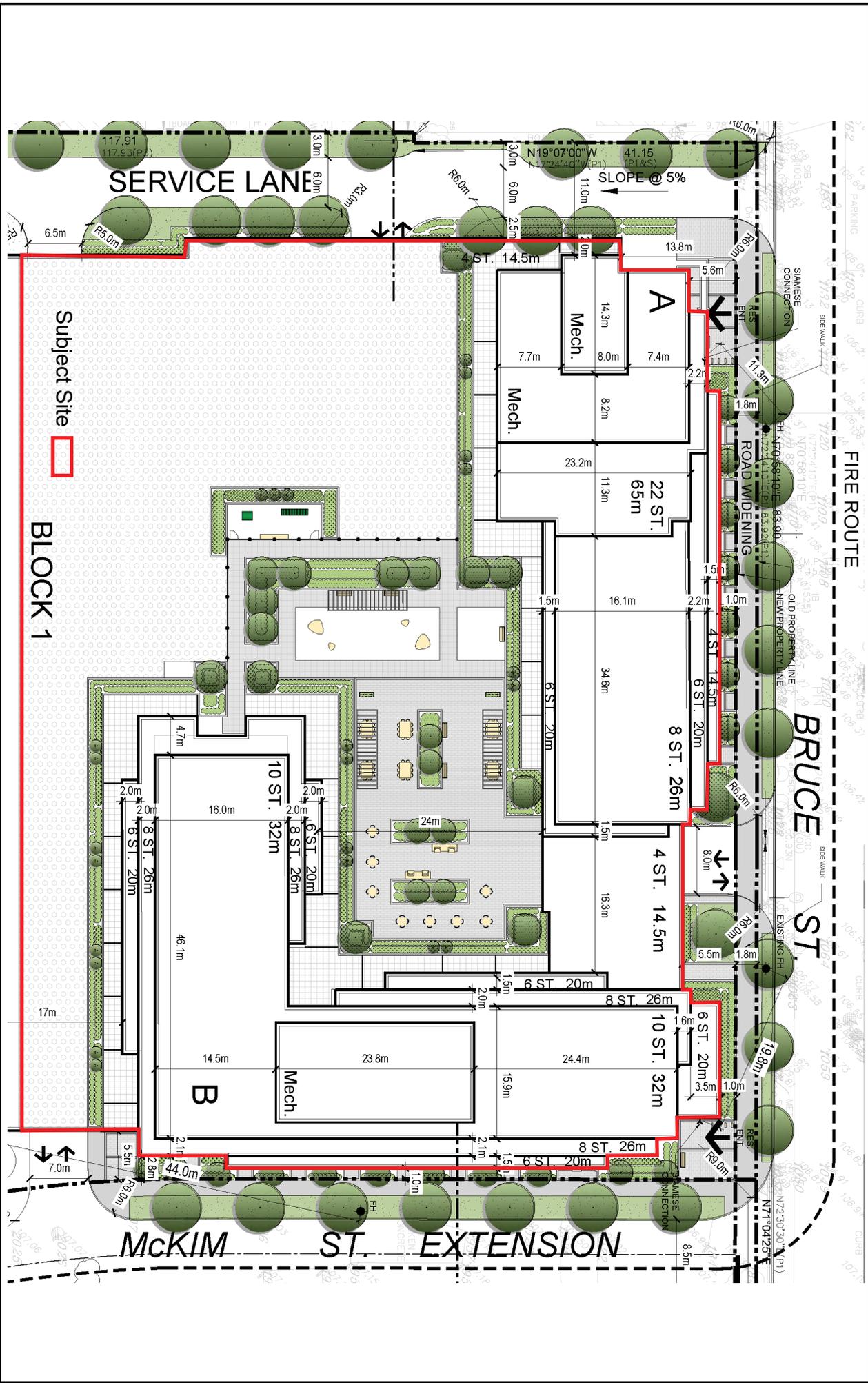
Address: 135 Bruce Street
 Ward: Ward 4
 File: 12-04-0234

City of Oshawa
 Development Services Department



Title: Site Plan for Phase 1 Submitted by Medallion
 Subject: Application under the Urban Growth Centre Community Improvement Plan and Other Requested Incentives,
 Address: 135 Bruce Street, Medallion Developments Inc. operating as 135 Bruce Street Developments Ltd.
 Ward: Ward 4
 File: 12-04-0234

City of Oshawa
 Development Services Department



970 Lawrence Ave. W., Suite 304, Toronto, Ontario M6A 3B6 Tel: 416-256-3900

August 9,2022

Mr. Warren Munro
Commissioner, Development Services
City of Oshawa
50 Centre Street South
Oshawa, ON L1H 3Z7

Dear Mr. Munro,

RE: Urban Growth Centre Community Improvement Plan- Increased Assessment Grant Application and request for other Development Incentives for 135 Bruce Street, Oshawa, Ontario

Based on our on-going discussions and additional evaluation of the development incentives for 135 Bruce street, we are writing to advise that we are amending our original application for the Increase Assessment Grant Program.

Our original request under the Increased Assessment Grant application was for an alternative grant schedule of 100% of the applicable City taxes for 10 years. However, after further financial analysis, we are now respectfully requesting an Increased Assessment Grant of 50% of the applicable City taxes for 16 years based upon a post development assessment value of \$106 million for the project. This alternative grant schedule has previously been accepted by the City of Oshawa under the same grant program for other projects in the City.

To reiterate our submission letter dated August 20,2020 and report by Altus Group, if 135 Bruce Street is redeveloped, the ongoing government revenues and economic benefits are significant for the City of Oshawa as well as the Region of Durham. In addition to the positive economic impacts, redeveloping these lands would positively shape and revitalize the City's core.

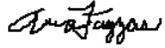
To summarize, we are respectfully requesting the following development incentives which are consistent with what has been approved the City previously on other projects;

- 1) Increased Assessment Grant of 50% of the applicable City taxes for 16 years
- 2) City development charges exemption;
- 3) Parkland dedication cash-in-lieu exemption;
- 4) development application and Building permit fees exemptions
- 5) Brownfield redevelopment incentives
- 6) The City will work with the Region of Durham for other regional development Incentive grants

We appreciate the collaborative approach the City has taken on this application and we look forward to a response to our revised request on the Increased Assessment Grant and other incentives.

Sincerely,

Medallion Developments Inc.

A handwritten signature in black ink, appearing to read "Anna Fagyas".

Anna Fagyas

*cc: Meaghan Harrington, Manager Policy
Laura Moebis, Principal Planner*

encl.