

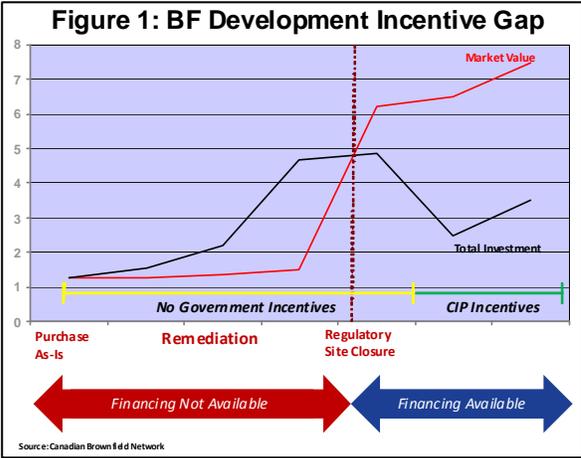
Encouraging Brownfield Redevelopment

Problem

Over 12,000 brownfield sites, representing hundreds of millions of dollars in property value and much more in economic potential sit idle across Ontario. Owners of brownfield properties must overcome tremendous financial, regulatory and legal obstacles when attempting to redevelop these sites.

This problem is compounded by the lack of start-up government support for brownfield property owners who decide to invest in remediation. While municipal/provincial incentives (Community Improvement Plans) for brownfield redevelopment exist, the funds are not available to the developer until redevelopment has been completed (see Figure 1). Similarly, financing for remediation is also not available until the process has been completed.

However, the inability of existing government programs/private sector to support the most expensive phase (remediation) of brownfield redevelopment represents a tremendous opportunity for the Government of Ontario.



Solution

To enable more brownfield redevelopment, OREA recommends that the provincial government amend Ontario Regulation 282/98 of the Assessment Act by adding a new tax class for brownfield properties that are “under remediation.” Brownfields that are classified as under remediation should pay tax rates at the same level as agricultural land or greenfields.

If adopted, the Canadian Brownfield Network (CBN) estimates that a typical brownfield property owner in Ontario would save \$201,210 over a three year development process.

Benefits

Brownfield redevelopment has a number of benefits for municipalities, the Province and Ontarians, including:

- **Job Creation:** Property development creates jobs in the construction industry. It also creates jobs in tertiary industries like finance, legal and real estate.

Table 1: Property Taxes – “Greenfield” vs. “Brownfield”

Assessed Value	Property Classification	Tax Rate	Taxes Owed (annually)	
Brownfield	\$6,250,000	Industrial Vacant	3.224607%	\$201,538
Greenfield	\$37,500	Farmland	0.262368%	\$98
Difference	\$6,212,500	---	2.962239%	\$201,210

Source: Canadian Brownfield Network

- **Community Revitalization:** Remediating brownfields rejuvenates derelict and often neglected areas.
- **Provincial Policy:** Brownfield redevelopment is in line with provincial policies (Provincial Policy Statement, Places to Grow) that encourage urban intensification instead of sprawl.
- **Infrastructure Renewal:** Brownfield redevelopment utilizes and revitalizes existing municipal infrastructure.
- **Larger Municipal Tax Base:** Property redevelopment increases local property values which leads to greater municipal tax revenues.

Implementation

Brownfields are typically older contaminated industrial properties. Often brownfields are assessed based upon values of other industrial properties resulting in property taxes that are significantly higher than any other tax class.



To enable more brownfield redevelopment, OREA recommends that the provincial government amend Ontario Regulation 282/98 under the Assessment Act by adding a new tax class for brownfield properties that are “under remediation.” Brownfields that are classified as under remediation should pay tax rates at the same level as agricultural land or greenfields.

To avoid the potential for manipulation of the new tax class, OREA recommends that brownfields be classified as “under remediation” if a Phase 1 and Phase 2 Environmental Site Assessment (ESA) has been conducted and the owner of the property can provide proof via a Qualified Person validation (as defined by ON Reg 153/04) that they are implementing a remedial strategy.

It is further recommended that a policy be developed for contaminated properties that are not “under remediation.” This policy should discourage an assessment appeal if the property is not suffering a loss in income or productivity on the site due to the contamination. In other words, simple evidence of contamination is not sufficient to warrant a reduction in the assessment, if the property can still generate market income than an assessment appeal would be denied. This would not only stop appeals from landowners of contaminated properties arguing for a decreased assessment due to the reduced market value of the property, it would also, encourage more owners to begin the remediation process or to sell to potential buyers who can.