

Community Improvement Plan Process and Funding

Presented To:	City Council
Meeting Date:	September 14, 2021
Type:	Managers' Reports
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Recommended by:	General Manager of Growth and Infrastructure

Report Summary

This report provides recommendations regarding potential changes to the City's Community Improvement Plan (CIP) application and approval process and funding sources.

Resolutions

Resolution 1:

THAT The City of Greater Sudbury directs that all current and future Community Improvement Plan approvals for Tax Increment Equivalent Grants (TIEG) be funded the year where the municipal property taxes have been levied by the City based on the reassessed value of the property, as outlined in the report entitled "Community Improvement Plan Process and Funding", from the General Manager of Growth and Infrastructure, presented at the City Council meeting on September 14, 2021.

Resolution 2:

THAT The City of Greater Sudbury directs that the current \$460,000 annual Community Improvement Plan contribution to 2028 be reduced to a \$250,000 permanent annual allocation to the Tax Rate Stabilization Reserve – Committed to fund current and future Community Improvement Plan applications, excluding Tax Increment Equivalent Grants (TIEG), as outlined in the report entitled "Community Improvement Plan Process and Funding", from the General Manager of Growth and Infrastructure, presented at the City Council meeting on September 14, 2021.

Resolution 3:

THAT The City of Greater Sudbury directs staff to discontinue the annual Community Improvement Plan intake period and to bring forward eligible and complete applications on a case-by-case basis, as outlined in the report entitled "Community Improvement Plan Process and Funding", from the General Manager of Growth and Infrastructure, presented at the City Council meeting on September 14, 2021.

Resolution 4:

THAT The City of Greater Sudbury directs staff to prepare the necessary by-laws to delegate approvals of the Planning and Building Fee Rebate Programs and the Feasibility Program to the Director of Land Use Planning, as contemplated in the Downtown Sudbury Community Improvement Plan, and the Town Centre Community Improvement Plan, as outlined in the report entitled "Community Improvement Plan Process and

Funding”, from the General Manager of Growth and Infrastructure, presented at the City Council meeting on September 14, 2021.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

The City of Greater Sudbury, through Council's Corporate Strategic Plan (2019-2027) directs staff to prioritize Business Attraction, Development and Retention. Objective 2.4 aims to "Revitalize Town Centres, nodes and corridors with Public Investment that Supports and Leverages Private Investment.”

Financial Implications

If approved, all CIP approvals for Tax Increment Equivalent Grants (TIEG) will be funded by assessment growth the year where property taxes have been levied and the property has been reassessed. This means that a grant/transfer payment will be included in future years budgets, however the municipality will experience assessment growth to offset this incremental increase.

Also, if approved, the 2022 Budget will reflect a contribution to reserve of \$250,000 rather than a grant of \$460,000, reflecting a net reduction of \$210,000. Staff will return on an annual basis and update on CIP applications and funding.

Background

On April 6, 2021, Council passed the 2021 Budget with the following amendment:

THAT the 2021 Budget be amended to include the business case 'Fund Community Improvement Plans - 2020 Intake' as outlined on pages of 319 to 321 of the 2021 Budget Document with a 2021 net levy impact of \$0.

Subject to the following:

THAT Tax Increment Equivalent Grant Requests from 2019-2021 over \$1 million be funded following the year where the municipal property taxes have been levied by the City based on the reassessed value of the property.

THAT All non-TIEG CIP applications from the 'Fund Community Improvement Plans - 2020 Intake' Business Case be funded from prior years' CIP funding from the 2018, 2019 and 2020 Budgets.

THAT Staff be directed to prepare a Business Case on alternative approaches to fund CIP programs, including Tax Increment Equivalent Grants and the Multi-Residential Interest-Free Loans for the 2022 Budget Process;

THAT All existing and future Community Improvement Plan agreements, where work has not commenced, be limited to one extension only;

THAT Staff prepare a report annually that describes:

- A) current CIP obligations and funding
- B) expiring CIP agreements and anticipated funding implications
- C) current year CIP applications and funding implications

Overview

This report responds to direction given to staff to investigate alternative approaches to fund CIP programs in advance of the 2022 Budget process. It examines the current approval process and funding sources for CIP programs and provides options and recommendations for Council's consideration.

The report recommends changes to the funding of CIPs that would see the Tax Increment Equivalent Grant applications funded following the year where the municipal property taxes have been levied by the City based on the reassessed value of the property.

The report also recommends that Non TIEG CIP programs be funded from the Tax Rate Stabilization Reserve – Committed.

Finally the report recommends that should the above changes be approved, that the current annual application intake process be abandoned and replaced with a continuous intake, where complete applications are brought forward for Council consideration as they are received.

The above would be a departure from the current process where TIEGS (and other CIP programs) are considered as Business Cases in the annual budget process and, depending on the value, cash flowed over multiple years.

Overall Funding

As part of the 2019 Budget, Council had set aside \$460,000 for ten years to fund the 2018 CIP Intake projects. Now that Council has decided, through the 2021 Budget process, to fund the applicable 2019 TIEG requests in the year following the reassessment of the improved property, there is approximately \$380,000/year that is uncommitted.

Council further directed staff to fund all non-TIEG CIP applications from the 'Fund Community Improvement Plans - 2020 Intake' Business Case from the 2018, 2019 and 2020 CIP Budgets. The total non-TIEG CIP applications from 2020 totaled \$710,691.30.

The total uncommitted funds for the 2018, 2019 and 2020 CIP budgets currently sit at \$1,070,821.49. This includes the 2020 Intake approvals, but excludes the \$900,000 anticipated from the Greater Sudbury Community Development Corporation (GSCDC) from 2022-2028. Should Council approve the recommendations of this report, the GSCDC contributions would no longer be required and any existing CIP funds would be transferred to the Tax Rate Stabilization Reserve – Committed.

Given the above Council direction and the resulting \$1M in uncommitted CIP funds, staff recommends that the \$460,000 base budget allocation to the year 2028 be reduced to \$250,000 annual funding.

Alternative approaches to fund Community Improvement Programs

Council directed staff to prepare a Business Case on alternative approaches to fund CIP programs, including Tax Increment Equivalent Grants and the Multi-Residential Interest-Free Loans for the 2022 Budget Process. This report responds to this direction from Council and the following section outlines each grant program along with the current approval process and funding options.

Tax Increment Equivalent Grants (TIEG)

To encourage the development and redevelopment of eligible properties, Council may provide grants equivalent to the incremental increase in municipal property tax assessment and revenue resulting from property improvements such as, but not limited to, new construction.

There are two separate TIEG programs. The standard TIEG grants back 100% of the increase in municipal tax assessment in years 1 through 3, and 50% of the same increase in years 4 and 5.

The second TIEG grants back 100% of the tax increment in years 1 through 4, and 50% of the tax increment in years 5 through 10. This "Super TIEG" is where a development is proposed on vacant property, includes ground-level retail, above-ground residential, and structured parking.

Current Approach

Council established an annual intake deadline of June 30 for CIP projects. Applications are received and evaluated by staff and brought forward to Council for acceptance and direction to prepare a business case for consideration in the annual budget process. In past years, the total TIEG request was either fully or partially funded via the budget process.

There are advantages to this process as the City would not have any unfunded liabilities as future TIEG obligations are cash flowed over a specified period. Should the City continue with the model of cash flowing TIEG applications based on the annual intake request, the City will experience the future assessment growth with no additional funds required on the levy as the tax rebate for the TIEG is already incorporated into the budget.

One disadvantage to the current process is that the City starts to set funds aside immediately while the development (and increase in assessment) may take a few years to be realized.

Alternative Approach A: Fund all current and future TIEG approvals following the year where the municipal property taxes are assessed and paid in full

As noted above, Council decided to fund Tax Increment Equivalent Grant Requests from 2019-2021 over \$1 million following the year where the municipal property taxes have been levied by the City based on the reassessed value of the property.

The advantage to this approach is that the City does not have to set funds aside right away for a development that may take some years to be realized. A disadvantage of this approach is that should the development proceed and the reassessment take place, the City would have unfunded liabilities in future years to fund approved TIEG agreements. However, in this scenario, the City would be receiving additional assessment from the improved property.

Should the City alter the way it funds these programs, such as the TIEG portion only being budgeted starting in the year when that rebate is provided, the City would have to anticipate future tax levy increases. The City would experience inorganic growth as the change in assessment will still incur, and the City would still be required to increase the levy in order to budget for the rebate. With large development projects, however, there is typically a 12 to 24 month period from building permit issuance to project completion and reassessment, meaning that the City would be able to anticipate the timing of the future increases in advance.

Existing TIEG approvals from past years equal \$9,991,516.59, spread over a number of projects and years. Council's recent decision to fund those TIEG requests over \$1M differently resulted in \$8,879,252 in future (unfunded) commitments (for the Brewer Lofts and the Le Ledo Projects). Staff recommends that all current and future TIEG approvals be treated in the same fashion. The remaining \$1,112,264.59 (i.e. the \$9.99M - \$8.87M noted above) would therefore become future (unfunded) TIEG commitments. Any unspent funds resulting from this decision would be transferred to the Tax Rate Stabilization Reserve - Committed, excluding TIEGS. For 2022, this amount is estimated to be approximately \$277,000 (exclusive of the \$1M in uncommitted funds noted above).

Alternative Approach B: Discontinue Tax Increment Equivalent Grant Program

Council can direct staff to stop accepting Tax Increment Equivalent Grant applications. Given the ability of this program to leverage redevelopment in strategic locations, this option is not recommended at this time.

Multi-Residential Interest-Free Loan Program

The loan program provides interest-free loans of up to 25% of the project costs, to a maximum of \$250,000 to property owners who undertake:

- a) The creation of a new multiple dwelling upon vacant land or parking areas; and/or,
- b) A building addition containing at least four new dwelling units; and/or
- c) The conversion of existing commercial, industrial, institutional space into a multiple dwelling.

The loan portions are advanced in three stages, upon completion of 60%, 80%, and substantial completion of the project. Loan repayments start six months following the substantial completion advance. Repayment of loans are on a monthly basis, with the monthly amount to be calculated based on five-year amortization period. Full repayment may be made at any time without penalty.

Current Approach

The approval process is identical to the TIEG and other CIP programs and uses the same annual intake period. Council currently funds 100% of the program based on the applications received in any given year. For example, if an applicant gets approval for a \$100,000 loan, the total \$100,000 is included in the budget.

Alternative Approach A: Use Tax Rate Stabilization Reserve

Staff recommends that the City fund the loan program from the Tax Rate Stabilization Reserve - Committed. If this approach is approved by Council, the loan repayments would return as contributions to the reserve. The costs associated with this approach would be the lost investment revenue while the loan is being paid back.

Alternative Approach B: Discontinue Multi-Residential Interest-Free Loan Program

The City can discontinue the loan program in its entirety. To date, the City has received and approved one CIP loan request in Downtown Sudbury, which resulted in the creation of 20 new dwelling units. As with the TIEG program, the loan program has the ability to facilitate redevelopment in strategic areas and as a result, staff do not recommend discontinuing it at this time.

Façade Improvement Grants, Planning and Building Fee Rebate Program, Per-Door Grant, and Feasibility Study Grant

The Façade Improvement Grant program provides grants to owners or tenants who rehabilitate and improve façades (including signs and lighting) of buildings within the Community Improvement Project Area. The purpose of the program is to achieve aesthetic improvements to the streetscapes. The grants pay up to 50% of eligible costs, up to \$15,000, whichever is lesser.

The Planning and Building Permit Fee Rebate Programs rebates fees for Planning Act and Ontario Building Code applications associated with improvements to eligible properties. These include: Zoning By-law Amendments; Minor Variances; Site Plan Control; Subdivisions; Consents; Demolition Permits; Building Permits; and, Occupancy Permits. The Planning Fee Rebate Grant is paid when the subsequent building permit is issued, and the Building Fee Rebate Grant is paid when occupancy is granted.

The Per-Door Grant Program provides grants of \$10 per sq foot of newly-created habitable residential space, or \$20,000 per dwelling unit, whichever is lesser. Payment is made only upon the occupancy permit being issued.

The Feasibility Grant Program provides financial assistance for feasibility studies, building renovation design, and business plans. The grant is up to a maximum of \$5,000. Fifty percent of the grant approved under this program is paid to the applicant following submission of the final completed study, and the remaining 50% is paid to the applicant upon the building being available for occupancy.

Current Approach

The process for these grants is the same as the TIEG where applications are received by an annual intake period, analyzed by staff, and brought forward to the annual budget process.

A disadvantage to the intake approach is that early or late applicants have to wait out the process. For example, applicants in October would have to wait until the following June, and the subsequent budget process, to know whether they have been approved for a façade improvement project.

Alternative Approach A1 – Use Tax Rate Stabilization Reserve

Staff recommends that the City fund CIP programs other than the TIEG from the Tax Rate Stabilization Reserve - Committed. The advantage of this approach is that while Council would still review and approve the applications, the funding would no longer be subject to the annual budget process and instead be subject to the funding available in the Tax Rate Stabilization Reserve - Committed.

Alternative Approach A2 – Delegate Some Approvals to Staff

Both the Town Centre Community Improvement Plan and the Downtown Sudbury Community Improvement Plan contemplate that the approvals of the Planning and Building Fee Rebate Program, and the Feasibility Grant Program, would be delegated to staff. Should Council approve the use of the Tax Rate Stabilization Reserve – Committed as a funding source staff recommends that the approval of the above-noted programs be delegated to staff. This would get the grants to the prospective applicants sooner and would help facilitate economic development in our community, with Council approval still being required for the larger grant program applications.

Alternative Approach B - Discontinue Certain Grant Programs

Council can direct staff to stop accepting all or certain grant applications. Since the adoption of the adoption of the Downtown Sudbury Community Improvement Plan, the City has approved requests by grant type:

- TIEG - \$10M - 3 requests
- Tax Assistance Program (from the Brownfield CIP) - \$155k - 2 requests
- Facade Improvement - \$610K - 45 requests
- Planning Fee Rebate - \$20K - 4 requests
- Building Permit Fee Rebate - \$220K - 8 requests
- Per Door Grant - \$620K - 7 requests
- Feasibility Study Grant - \$15k - 3 requests
- Loan - \$250K - 1 request
- TOTAL - \$12M

The Downtown Sudbury Community Improvement Plan states that the Per-Door grant program “will be retired 3 years after the adoption of this plan. Council may extend its initial implementation.” Staff recommends that the Per-Door grant program be continued as this program has incentivized a number of new units that have now or are about to come online (e.g. 124 Cedar (20 units), 311 Elm (16 units), 185 Lorne (50 Units), etc.)

All other programs continue to be popular and have generated significant private investment in the Downtown and Town Centres and, as a result, staff recommend that they be continued at this time.

Elimination of the Intake Period

Should a Council approve the use of the Tax Rate Stabilization Reserve – Committed to fund all current and future CIP programs other than the TIEG and should Council approve the alternate funding plan for all current and future TIEG approvals, staff would then further recommend the elimination of the current annual intake period of June 30. This would be replaced with an ongoing application process whereby complete applications are brought forward for Council approval (where not delegated to staff) on a case by case basis and the funding source would be the Tax Rate Stabilization Reserve - Committed. Changing the current process would help expedite approvals, help stimulate investment in the downtown and town centres. Should this approach be taken, staff would bring forward the applications on an as-come basis, and will continue to provide annual reports on CIP applications and funding.

Review of Current CIP Programs and Performance Indicators

Staff will be reviewing the current CIP programs as part of the upcoming work plan. This work will include developing a report for Council's consideration for potentially adding or altering programs in support of a post COVID 19 economic recovery and will also include identifying performance targets for the CIPs and measuring and reporting on outcomes.