

Employment Land Community Improvement Plan

Presented To:	Finance and Administration Committee
Meeting Date:	March 28, 2023
Type:	Managers' Reports
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Recommended by:	General Manager of Growth and Infrastructure

Report Summary

This report provides a recommendation to undertake the required public consultation and Planning Act process to formally adopt and implement the CIP. Additionally, the report outlines the development of a draft Employment Land Community Improvement Plan (CIP) for Greater Sudbury in response to Council direction and recommendations in the City's Employment Land Strategy.

Resolution

THAT The City of Greater Sudbury directs staff to commence the required public consultation and Planning Act process to approve the proposed Employment Land Community Improvement Plan as outlined in the report entitled "Employment Land Community Improvement Plan", from the General Manager of Growth and Infrastructure, presented at the Finance and Administration Committee Meeting of March 28, 2023.

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

The Employment Land Community Improvement Plan aligns with Council's Strategic Priorities including "Business Attraction, Development and Retention" and "Economic Capacity and Investment Readiness". Specifically, goals 2.2.C, "Create plans that leverage the full capacity of the Greater Sudbury and Northern Ontario Mining Cluster to support further integration and expansion", and 4.2.D "ensuring that municipal capital project priorities appropriately consider economic impacts and the potential for private development". Further, priority 1.4 directs staff to develop an employment land strategy and community improvement plan that links infrastructure and economic development and ensures that the city has an adequate supply of serviced employment land and incentive framework in place to stimulate investment, development and job creation.

Providing incentives to develop, redevelop and intensify employment lands within Greater Sudbury is consistent with Goal 1 of the CEEP, which seeks to help sustain compact, complete communities.

The Employment Lands CIP encourages investment in the Clean Tech and Life Sciences sectors with a goal of creating a cleaner, healthier community by reducing pollution, improving air quality and water quality, which aligns with the CEEP goals.

Financial Implications

There are no financial implications associated with this report at this time. If approved, it is anticipated that an average of eight to ten projects having construction values over \$1,000,000 could be eligible for the program on an annual basis. The value of the grants will vary based on the construction value and incremental increase in municipal taxes.

If approved, all Employment Lands 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.

Traditionally, assessment growth is used to offset property tax increase in the year. If this CIP is approved, it will redirect property tax income up to 10 years to provide grants to encourage specific development.

Overall, assessment growth represents additional taxation revenue that occurs in the supplemental tax year only. Any taxation revenue generated from new development is part of the supplemental taxation in its first year. Therefore, the City does not receive additional taxation revenue in future years from new development, as the levy amount to be collected as determined from the budget process, is spread out over all properties within the City.

Summary

With the emergence of new clean-tech and battery electric vehicle sectors and the intense focus on critical minerals in Canada and around the world, Greater Sudbury is on the cusp of an unprecedented time of potential growth as the global centre for green mining expertise and innovation. The City needs new tools, incentives and policies that enable a quick response to new opportunities for Greater Sudbury to leverage its competitive advantages.

On August 9, 2022, Council provided its support and endorsement for the Employment Land Strategy (ELS) and directed staff to implement land use planning recommendations identified in the Strategy, which included developing an Employment Land Community Improvement Plan for Council's consideration in 2023.

Staff held meetings with several Ontario communities with existing industrial and employment focused CIPs to get their feedback and experience with the development of a successful plan. The consensus was that the most effective incentive is the Tax Increment Equivalent Grant (TIEG), with some municipalities indicating that they intend to drop other programs due to lack of use and administrative burden. As a minimum threshold it was recommended that projects have a construction value of at least \$1,000,000.

A scoring system is proposed, based on the best practice review, that would prioritize applications based on construction value, number of jobs created or retained, location with the strategic industrial areas, and the strategic industries of 'Clean Tech', 'Life Science' and 'Film and Television'. Under the proposed CIP, TIEGs can range from a three-year, five-year, seven-year, or 10-year span depending on the number of points accumulated. Projects from other sectors may also present opportunities for economic development and job creation and will be able to access the Employment Land CIP depending on eligibility.

To understand the projected CIP uptake, staff undertook an analysis of industrial construction permits over the last five years. While the number of completed permits and the values of those permits varies from year to year, in the past five years an average of 8 to 10 permits were issued for industrial and extractive uses that would meet the \$1M threshold. It is recommended to go with a minimum threshold of this amount to limit the number of smaller applications and associated administration of the programs, including reports to Council.

Strategic Basis for Employment Land Community Improvement Plan

City Council has identified the development of an Employment Land Community Improvement Plan as a priority both to attract new investment and to support the growth and expansion of existing businesses in the community.

The Employment Land Strategy received by Council in August 2022 provides key recommendations to ensure that Greater Sudbury is well positioned to be investment-ready and able to support and attract industrial, commercial and institutional development and job growth over the next 25 years. Key findings and recommendations of the ELS include:

- Confirmation that Greater Sudbury is currently well served with ample designated and zoned industrial and commercial land, both vacant and underdeveloped, to meet anticipated demand through the 2046 forecast horizon.
- It is crucial to ensure the availability of a broad range of land options in terms of location, size, land pricing, and servicing.
- The City can facilitate the development of employment lands through land use planning tools such as a community improvement plan (CIP) and amendments to the Official Plan and Zoning By-law.
- The CIP could be city-wide, with additional incentives targeting areas where the municipality has made significant investment in new services.
- Eligibility criteria could include a minimum building permit value, minimum floor area and/or minimum number of new jobs created.
- Programs could include municipal fee rebates and tax increment financing, similar to the current CIP programs offered by the City.

Municipal Best Practice Review

In order to ensure that the Employment Land CIP is reflective of best practices used across the Province, staff met with several municipalities to gain insight on successes and challenges experienced during the creation, implementation and delivery of recent employment and industrial community improvement plans. Key points of these consultations include:

- Municipalities consistently shared that the most effective form of development incentive is the Tax Increment Equivalent Grant (TIEG). Contacts also noted that the TEIG is more efficient to administer, which increases the program's responsiveness and allows business to proceed with their projects in a timely manner.
- Municipalities with longstanding CIPs are considering reducing their other incentives and eliminating Leadership in Energy and Environmental Design (LEEDS) as a scoring criterion. These incentives are considered to be cost prohibitive with limited uptake. Development standards and guidelines have also been shifting towards mandating clean and efficient building practices, making the LEEDS requirement redundant.
- The Clean Tech and Life Sciences sectors are both broadly defined, allowing more flexibility in review of applications to determine if projects qualify as part of these priority sectors. While many municipalities in higher-growth communities exclude sectors such as warehousing, where the economic benefits such as job creation may be lower, the Greater Sudbury Employment Land CIP has been developed to ensure our program is not overly restrictive and is able to be applied flexibly to ensure support for business growth. Sudbury is the logistical gateway to the rest of northern Ontario, warehousing is an important sector for the community with potential for consistent job creation. However, consistent with other municipalities, staff recommend that retail, residential and visitor accommodations be excluded at this time. Periodical program reviews will provide an opportunity make changes to these recommendations if trends change.

Appendix A includes a summary of the municipalities that were consulted and the research outcomes.

Anticipated program uptake and program administration:

While the number of completed permits and the values of those permits varies from year to year, in the past five years an average of ten permits with construction values greater than \$1,000,000 were completed for industrial uses and strategic industries. Factors that will affect the value of the TIEG include the type of structure and associated increase in assessment, and the estimated construction value.

While all other CGS community improvement plans are administered within the Planning Department, Economic Development will provide the oversight and administration of the Employment Land CIP. As part of their mandate, Economic Development have existing relationships with many local projects in the commercial, industrial and institutional sectors; the Economic Development team also pursue new investments and developments as part of the division's mandate. The Employment Land CIP is a natural extension of those business connections.

The following outlines the responsibilities and impact on existing service levels to administer the CIP.

Economic Development will:

- Administer the CIP
- Track all TIEG applications
- Track all grants, including years remaining
- Coordinate reports on results of program including economic benefits and job creation
- Coordinate with Finance to ensure all taxes are paid prior to issuing grants
- Coordinate with Building and Planning Services to ensure all approvals are in place prior to issuing grants

Finance will assist with the following items:

- Determination of the TIEG amount based on the MPAC report
- Paying out grants once the taxes have been paid in full each year
- Incorporating the impacts of the grants into the annual budget

Planning Services will:

- Undertake the required Planning Act process to approve the CIP
- Assist Economic Development with the preparation of the necessary documents and workflows to administer the program.
- Assist with review of applications from a land use and development approval standpoint.

Tax Increment Equivalent Grant Program

In September 2021, through resolution CC2021-255, Council directed that all current and future Community Improvement Plan approvals for Tax Increment Equivalent Grants (TIEG) be funded starting in the year in which the municipal property taxes have been levied by the City based on the reassessed value of the property. For an approved project, the grant/transfer payment would thus be included in future years' budgets for the duration of the TIEG grant period, but the municipality would have already experienced assessment growth to offset this incremental increase. In other words, the City would simply be repaying a portion of the taxes that it had already collected in each year of the TIEG grant period.

The community would experience organic growth as the change in assessment will still occur, 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. Thus, the City would be able to anticipate the timing of the future assessment increases.

Tax increment grants postpone, for a set period, the available gains for the City resulting from tax revenue increases. Once the TIEG period ends, the redevelopment benefits the City directly through increased tax revenue. During and after the TIEG period, the City also benefits through the creation of employment and “spin-off” economic benefits in the community. Additionally, TIEGs allow developers to recover a portion of their development costs over a set time period which encourages development that may not have occurred without the incentive.

Scoring criteria analysis

Through consultation, other municipalities identified that construction values and/or building footprint are integral to their evaluation criteria in applying CIP incentives to projects. Staff propose a similar approach in developing the Greater Sudbury Employment Land CIP criteria.

After extensive review of industrial, commercial and institutional (ICI) building permits issued between 2016 and 2022 staff have determined that there was not a consistent correlation between building cost and building size. Additionally, during this period, statistics indicated considerable company growth and expansion occurred through interior alterations to existing structures, which maximized, but did not increase, square footage.

The Employment Land program eligibility therefore includes a minimum threshold of \$1 million in construction value for proposed projects, whether an interior alteration project or new build. This will demonstrate the City’s support for growth and expansion of existing companies in the community while also helping to attract new investment. This threshold is also important to ensure the City is providing maximum benefit and “concierge” service for these high-value projects.

Considering the evolving changes to inflation and other external factors, staff will undertake an annual review and potentially update opportunities for the CIP program as projects are submitted and trends emerge.

General Criteria:

Projects must 1) have a minimum construction value of \$1,000,000 and 2) be eligible for an Industrial or strategic industry building permit.

The thresholds selected for point value used to score eligible projects is based on current building permit data, municipal best practice review and recent discussions between the economic development department and the development community.

Jobs Created or Retained:

Additional square footage and redevelopment do not necessarily result in the creation of new jobs, which are known to grow local economies. As such, applications will score additional points based on the number of permanent full-time jobs created or retained. Jobs associated with the project construction will not be included.

Strategic Areas:

Projects may be eligible for additional points if they are planned within the eight strategic industrial areas identified across the city due to the density of industrial activities and capacity to accommodate new industrial growth (see Appendix B). The areas are as follows:

- Fielding Road/Duhamel Road
- LaSalle/Elisabella
- National Street
- Maley East
- Coniston
- Kingsway
- Ceasar Road
- Valley East Industrial Park

Strategic Industries:

The Employment Land CIP provides an incentive to encourage industrial uses in particular. It is proposed that additional points be allocated to strategic industries that the City intends to incentivize through this CIP. Additional points will be allocated for Clean Tech and Life Sciences Projects as well as Film and Television related projects.

These sectors have been identified as strategic industries as they have demonstrated strong growth and significant economic benefits for the community with potential for further expansion and investment attraction.

- **Clean-tech:** With over 300 companies working in the sector, Greater Sudbury is recognized as a global centre for innovation in the mining supply and services; these companies are leading the world's transition to the electrification of mining and battery-electric vehicles. The Employment Land CIP will support ongoing expansion of existing companies and attract new business to the cluster.
- **Life Sciences:** Greater Sudbury's life sciences sector includes HSN as an active research hospital, the HSN Research Institute, the Institute for Clinical Evaluative Studies (ICES) and over 700 SMEs working in the sector. The Employment Land CIP will further strengthen the potential of this cluster to attract new investment and support growth.
- **Film & Television:** Over more than a decade, Greater Sudbury's film and television sector has resulted in economic impacts of over \$200 million and created over 4,000 jobs. There is growing need for dedicated and purpose-built infrastructure to support the sector and the Employment Land CIP will be an important tool. In recognition of this sector potential, at the December 13, 2022 meeting of Council, direction was provided" to develop an Employment Land Community Improvement Plan, a program which provides a vehicle for municipal support for projects advancing job creation and economic benefits for the community such as the Freshwater Production Studios;" and that "City Council supports the Freshwater Production Studios project as a candidate for the Employment Land CIP now in development".

Projects from other sectors may also present opportunities for economic development and job creation and will be able to access the Employment Land CIP depending on eligibility.

The addition of points scored under each category will result in the application qualifying for a three-year, five-year, seven-year or ten- year TIEG provided that a minimum of eight points are accumulated.

City Leadership Activities:

In addition to providing the TIEG program for private developments, the CIP also enables the City to undertake studies and works to further advance the recommendations of the Employment Land Strategy. Specifically, the proposed CIP states that the City of Greater Sudbury may utilize the full range of actions permitted under Section 28 of the Planning Act and other provincial legislation to implement the Municipal Leadership Actions within the Community Improvement Project Area, including:

- i) acquisition, holding, clearance, grading or other preparation of land for community improvement;
- ii) construct, repair, rehabilitate or improve buildings on land acquired or held by it in conformity with the community improvement plan; and
- iii) sell, lease, or otherwise dispose of any land and buildings acquired or held by it in conformity with the community improvement plan.

Legislative Background

Under the Municipal Act, 2001, municipalities are prohibited from directly or indirectly assisting any manufacturing business or other industrial or commercial enterprises through the granting of financial incentives (generally called "bonusing"). Prohibited actions include giving or lending money, or municipal property; leasing or selling any municipal property at below fair market value; guaranteeing loans; giving a total or partial exemption from any levy, charge or fee.

However, the Province enables municipalities to designate community improvement project areas and to develop community improvement plans under Section 28 of the Planning Act. These plans allow municipalities to focus public attention on local priorities and municipal initiatives; target areas in transition or in need of repair, rehabilitation and redevelopment; facilitate and encourage community change in a coordinated manner; and stimulate private sector investment through municipal incentive-based programs. CIPs are an important tool to encourage job creation through the attraction of new businesses and/or the expansion of existing businesses, supporting economic development in the City.

The City has developed a number of financial incentives through its various community improvement plans. These financial incentives are available to any proponent within the community improvement project areas. These CIPs include the following:

- Brownfield Strategy and Community Improvement Plan (adopted in 2011);
- Strategic Core Areas Community Improvement Plan (adopted in 2022);
- Affordable Housing Community Improvement Plan (adopted in 2018).

On May 2, 2019 Council passed resolution FA2019-30 (ratified through resolution CC2019-154), “That the City of Greater Sudbury direct staff to prepare a report on the scope and schedule to undertake an Employment Land Strategy and Community Improvement Plan”.

The need for a CIP that targets employment growth was further echoed through the Economic Recovery report to Finance and Administration Committee on November 17, 2020. Action Item 7 of the report called for the review of existing CIPs to “potentially refocus programs to other priorities (e.g., accessibility, energy efficiency, succession planning, etc.).” The action item also included the development of “new CIPs to focus on industrial development and job creation”, reflecting the direction received in 2019 (See Reference 3). This element was pending the finalization of the Employment Land Strategy. CIPs with these subject matters would conform to the City’s Official Plan, as required per the Planning Act.

Recommendations and Next Steps

Staff recommends commencing the public consultation and Planning Act process to approve the new Employment Land CIP (See Appendix C).

The key next steps will include:

- Circulation of the draft Employment Land CIP to the Ministry of Municipal Affairs and Housing for its provincial review.
- Undertaking a public engagement process to obtain feedback on the new draft Employment Land CIP. This process would include targeted consultation with the local development and business communities, at least two public open houses and a public hearing as required by the Planning Act and the Official Plan, in addition to virtual open houses and the City’s Over-To-You website and social media resources;
- Summarizing comments received and preparation a final Employment Land CIP;
- Presenting the final Employment Land CIP to Council for adoption in late Q2 2023

Resources Cited

1. “Community Improvement Plan Process and Funding”, report presented at the September 14, 2021 Council Meeting <https://pub-greatersudbury.escrimemeetings.com/filestream.ashx?DocumentId=41791>
2. “Employment Land Strategy”, report presented at the August 9, 2022 Finance and Administration Committee <https://pub-greatersudbury.escrimemeetings.com/filestream.ashx?DocumentId=47318>

3. "Economic Recovery Action Items", report presented at the November 17, 2020 Finance and Administration Committee <https://pub-greatersudbury.escribemeetings.com/filestream.ashx?documentid=38651>
4. "Development Charges and Planning Policies", report presented at the May 2, 2019 Finance and Administration Committee <https://pub-greatersudbury.escribemeetings.com/filestream.ashx?documentid=3395>
5. "Freshwater Production Studio Opportunity for Municipal Support", report presented at the December 13, 2022 Council meeting. <https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=48211>