

Allocation of 2018 Downtown Sudbury Community Improvement Plan and Town Centre CIP Initiatives Funding

Planning Services Division

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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 certain 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 borrowing; giving a total or partial exemption from any levy, charge or fee.

Despite the general prohibition against bonusing, 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.

The municipality has developed a number of community improvement plans, including the Capreol 2018 CIP, the Town Centre Community Improvement Plan, and the former Financial Incentives for Downtown Renewal Pilot Program. And further to the recommendations of the Downtown Master Plan, the City of Greater Sudbury adopted a new Downtown Sudbury Community Improvement Plan (DSCIP) on December 13, 2016 (See Reference 1).

The overall concept of DSCIP is: to revitalize the core; increase the residential population of the downtown; create and retain employment opportunities; grow the municipal assessment base; grow the municipal property tax revenue; repair and intensify the existing urban fabric with compatible projects; take advantage of existing infrastructure; and, enhance the quality of the public realm.

The DSCIP includes various financial incentives for development and redevelopment in Downtown Sudbury, including:

- Tax Increment Equivalent Grant Program;
- Multi-Residential Interest-Free Loan Program;
- Residential Incentive Program;
- Planning and Building Fee Rebate Program;
- Façade Improvement Program; and,
- Feasibility Grant Program;

As part of the 2017 Budget process, Council examined the funding of 4 CIPs (Brownfields CIP, Town Centre CIP, Capreol 2018 CIP, and the Downtown Sudbury CIP), and passed the following resolution on December 14, 2016:

"[FA2016-43A8] THAT the [CIP] [...] be removed from the 2017 Budget, with the understanding that Council fully supports the community and town centre CIPs and that an application process is yet to be developed and that any applications submitted will come to Council for decision."

In 2017, the City launched an Expression of Interest (EOI) process to implement the DSCIP. The EOI process garnered 40 applications. 35 of these applications were deemed eligible based on DSCIP eligibility criteria and EOI requirements. One proponent withdrew his application prior to the 2018 Budget proceedings, resulting in a total monetary request of the City for the 34 applications of \$ 2,715,083 over 5 years, while the total private investment leveraged would have been \$35,218,888, representing a ratio of 1:12. Staff outlined its findings in an August 21, 2017 report to Planning Committee (See Reference 2). City Council directed staff to bring forward a business case for its consideration as part of the 2018 Budget process.

As part of the 2018 Budget process, Council examined the business case for funding the Downtown Sudbury Community Improvement Plan and passed the following resolution:

"[FA2017-36-A-4 / CC2017-358] THAT the business case for Downtown Sudbury Community Improvement Plan [...] be added to the recommended service level changes in the amount of \$600,000 subject to a corresponding reduction in the allocations to capital with a report to be brought back by staff to the Finance and Administration Committee no later than February 2018, with recommendations on the project or projects to be impacted and further that staff also bring a report regarding the allocation of the CIP funding herein."

Council also examined the business case for funding Community Infrastructure components of CIPs and passed the following resolution:

"[FA2017-36-A-17/CC2017-358] THAT the business case for Community Improvement Plans – Community Infrastructure [...] be added to the recommended service level changes in the amount of \$100,000 to be contributed to the Capital Financing Reserve Fund – Planning to provide seed funding for Town Centre CIP initiatives and funded through a reduction in the allocation to capital with a report to be brought to the Finance and Administration Committee with recommendations on the project or projects to be impacted."

Council therefore approved one-time funding of \$700,000 for Community Improvement Plans, including \$600,000 for the Downtown Sudbury Community Improvement Plan, and \$100,000 to a new fund for Community Infrastructure projects established under community improvement plans.

Staff anticipates that the \$100,000 will be used to advance community infrastructure projects such as the Whitson River Trail contemplated in the in-process Chelmsford Town

Centre Community Improvement Plan, and other community infrastructure projects to be identified in future Community Improvement Plans associated with the City's Nodes and Corridors strategy.

Discussion

Source of Funding

City staff from Roads and Finance examined the cash flow of various projects with the goal of identifying monies that could be reallocated to the CIPs, while maintaining Council's capital investment goals. Pursuant to Council's decision on the 2018 Budget, staff recommends that the capital allocation for the "Barry Downe from Kingsway to Westmount" be reduced by \$360,000 (from \$700,000 to \$340,000), and the capital allocation for "Beatty Street" of \$340,000 be moved to fund these initiatives, for a total of \$700,000.

The funding for Beatty Street will be replenished from surplus of OCIF government funding from specific 2017 road capital projects with OCIF funding that were completed under budget. The Barry Downe project will proceed in 2018 for the first phase and the next phase would be shovel-ready by 2019 for completion in 2019. Therefore, the next phase of this project for additional funding will be considered in the 2019 Budget subject to the new capital budget policy, currently in development.

Expression of Interest Follow Up

Staff followed up with those applicants that had submitted an expression of interest. Of the 34 applications submitted, 27 projects are expected to proceed in 2018 (see Appendix A). The total request for funding can now be summarized as follows:

| Incentive Program | Total Amount |
|--------------------------------------|--------------------|
| Tax Increment Equivalent Grant | \$760,096 |
| Façade Improvement Grant | \$345,372 |
| Planning Fee Rebate | \$20,060 |
| Building Permit Fee Rebate | \$155,294 |
| Residential Incentive Program | \$262,400 |
| Multi-Residential Interest-Free Loan | \$690,000 |
| Feasibility Study Grant | \$35,000 |
| Total | \$2,268,222 |

Approximately 50% (13 of 27) of these 27 projects have requested more than 1 financial incentive. Given this, staff explored which programs were most critical to the success of these projects. In these instances, applicants re-confirmed their interest in all of the requested incentives.

Approximately 50% (14 of 27) of the projects are standalone façade improvement projects, representing a total grant request of \$175,122.

Recommended Allocation to the Downtown Sudbury CIP Projects

Council allocated one-time funding of \$600,000 to the Downtown Sudbury CIP projects as part of the 2018 Budget. The total monies requested for 2018 is \$2,268,222. The following outlines a series of options for Council's consideration, along with staff's recommendation with regards to the allocation of the \$600,000.

These options are based on Council's downtown revitalization objectives, as expressed in the DSCIP, which are to:

- revitalize the core;
- increase the residential population of the downtown;
- create and retain employment opportunities;
- grow the municipal assessment base;
- grow the municipal property tax revenue;
- repair and intensify the existing urban fabric with compatible projects;
- take advantage of existing infrastructure; and,
- enhance the quality of the public realm.

Option 1: Fund Façade Improvement Grants OR Residential Incentive Program

This option considers the programs as the basis for the \$600,000 allocation. Both the Tax Increment Equivalent Grant and the Multi-Residential Interest-Free Loan program requests are beyond the \$600,000 allocation and therefore do not form part of the option.

Monies required to fund both the Façade Improvement Grant and the Residential Incentive Grant is \$607,772. Council can choose one or the other, together with financial incentive requests associated with these applications.

Option 1a: Façade Improvement Grants

| Incentive Program | Total Amount |
|--------------------------------------|------------------|
| Tax Increment Equivalent Grant | \$0 |
| Façade Improvement Grant | \$345,372 |
| Planning Fee Rebate | \$20,060 |
| Building Permit Fee Rebate | \$155,294 |
| Residential Incentive Program | \$0 |
| Multi-Residential Interest-Free Loan | \$0 |
| Feasibility Study Grant | \$35,000 |
| Total | \$555,726 |

The total request for Façade Improvement Grants is \$345,372. Of all programs, the façade improvements are most likely to start and be complete within a shorter timeframe. The grant payments are made once the receipts for the work are submitted to the City for payment.

Option 1b: Residential Incentive Program

| Incentive Program | Total Amount |
|--------------------------------------|---------------------|
| Tax Increment Equivalent Grant | \$0 |
| Façade Improvement Grant | \$0 |
| Planning Fee Rebate | \$20,060 |
| Building Permit Fee Rebate | \$155,294 |
| Residential Incentive Program | \$262,400 |
| Multi-Residential Interest-Free Loan | \$0 |
| Feasibility Study Grant | \$35,000 |
| Total | \$472,754 |

Option 1a (Façade Improvement) would help revitalize the core and enhance the quality of the public realm. Option 1b (Residential Incentive Program) would help revitalize the core, increase the residential population of the downtown, grow the municipal assessment base, grow the municipal property tax revenue, take advantage of existing infrastructure, and enhance the quality of the public realm.

An additional benefit of approving option 1a or 1b is that the approved funding is less than the budget direction.

Should option 1a or 1b be selected, Staff would enter into the necessary agreements with the applicants of the EOI period.

Option 2 – Fund Façade Improvement Grants AND Residential Incentive Program

Option 2 allows Council to fund the Façade Improvement Program (\$345,372) and the Residential Incentive Grant (\$262,400) for a total of \$607,772. This is staff's recommended option as it achieves a larger portion of City Council's revitalization objectives.

The amount requested is only slightly above the investment target established by Council during the 2018 budget process. If all of the applications proceed, the difference in funding could be drawn from another existing CIP.

Notwithstanding the recent re-confirmation of interest in proceeding, if this option is approved by Council, some projects may not proceed, bringing the actual investment below the planned investment.

Option 3: Fund Tax Increment Equivalent Grants

The total request for Tax Increment Equivalent Grants (TIEG) is estimated at \$760,096. TIEG is provided once reassessment occurs and once the taxes on the property are paid in full. In practice, this means that the first TIEG payments, if approved, would happen in 2019.

Should this option be approved by Council, staff recommends that a business case for the remaining TIEG funding (\$160,096) be prepared and considered as part of the 2019 budget process.

Staff estimates that the TIEG program could be budgeted in the following fashion and may be presented as a business case for consideration in the 2019 Budget:

| Year | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| TOTAL TIEG | \$190,024 | \$190,024 | \$190,024 | \$95,012 | \$95,012 |

Option 3 would help revitalize the core, increase the residential population of the downtown, create and retain employment opportunities, grow the municipal assessment base, grow the municipal property tax revenue, repair and intensify the existing urban fabric with compatible projects; take advantage of existing infrastructure, and enhance the quality of the public realm.

Further Recommendation

Annual Intake of Community Improvement Plan Applications

City Council has expressed an interest to continue to receive applications under the Downtown Sudbury CIP, the Town Centre CIP, and the Brownfield Strategy and CIP, on an ongoing basis, and to consider the cumulative impact of these requests during annual budget processes. Given this, staff recommends that new applications to the City's Community Improvement Programs be accepted until June 30 of each year (or the preceding Friday if that date falls on a weekend). This would add certainty to the process, and would allow the City to consider these applications and to bring financial requests forward through the annual budget exercise. The City could also more appropriately market and better communicate the incentive programs with an annual deadline date.

SUMMARY

Council approved two business cases including \$600,000 for the Downtown Sudbury Community Improvement Plan (CIP), and \$100,000 for the Town Centre CIP Initiatives, as part of the 2018 Budget. This report identifies the source of the funding, and provides options as to how the CIP monies can be allocated in 2018.

References

1. Downtown Sudbury Community Improvement Plan:
<https://www.greatersudbury.ca/play/downtown-sudbury/the-downtown-sudbury-master-plan/downtown-community-improvement-plan/community-improvement-plan/>
2. "Downtown Sudbury Community Improvement Plan: Results of Expression of Interest Period", report presented August 21, 2017

<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&lang=en&id=1112&itemid=13444>