

**REPORT TO:** Mayor James M. Diodati  
and Members of Municipal Council

**SUBMITTED BY:** Planning, Building & Development

**SUBJECT:** **PBD-2017-09**  
**Program Extensions Under the Downtown, Historic**  
**Drummondville and City-Wide Community Improvement Plans**

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## **RECOMMENDATION**

That Council support a program extension for the Downtown, Historic Drummondville and City-wide Brownfields Community Improvement Plans to December 2019 as outlined in this report and that a copy of this report be forwarded to the Niagara Region.

## **EXECUTIVE SUMMARY**

The City's Downtown Community Improvement Plan (CIP), Historic Drummondville CIP and City-wide Brownfields CIP have been in place for 10 years. This report outlines staff's review of the effectiveness of the grant programs.

It is recommended that all three of the Community Improvement Plans be:

- extended to December 2019;
- the remaining funding for the Downtown CIPs be utilized for grant programs and the City's opportunity cost on the loans program;
- the Historic Drummondville CIP programs continue to be funded from an allocation in the City's annual Operating Budget;
- that changes to the incentive programs be made to focus funding towards the complete rehabilitation of commercial and residential space to create occupiable space; and
- that a comprehensive review of these Plans be coordinated with a Regional review in light of new Provincial Plans and policy updates.

## **BACKGROUND**

The City's Community Improvement Plans (CIPs) were approved and incentive programs became available to stimulate building and land improvements. The Plans provide that the incentive programs be reviewed after 10 years.

The incentive programs under the Historic Drummondville and Downtown CIPs are similar. They are summarized as:

- Commercial Building and Façade Improvement Grant
  - to provide a financial incentive in the form of a grant to promote building rehabilitation and façade improvement of commercial and mixed use buildings.
- Residential Loan
  - to promote the conversion of non-residential buildings to residential use; upgrade of existing residential buildings to meet Building Code, Fire Code and Property Standards By-law; and construction of residential units on vacant properties.
- Revitalization Grant
  - To help offset the increased property taxes that result from the rehabilitation of downtown residential and commercial properties.

The City-Wide Brownfields CIP incentive programs are summarized as:

- Environmental Study Grant
  - To help offset the costs of studies associated with Brownfields cleanup.
- Tax Assistance/Rehabilitation Grant
  - To help offset the costs of remediation on contaminated lands.

The intent of this report is to review the programs and provide options for the immediate future of the incentives under the Community Improvement Plans.

## **ANALYSIS/RATIONALE**

The incentives offered by the City through its Community Improvement Plans (CIPs) are matched by the Niagara Region under their Smarter Niagara Incentive Program (SNIP). Capitalizing on matching funds from the Region is financially advantageous to both the City and the applicants. A full review, co-ordinated with the Region, would be the most sensible approach to future Community Improvement incentives. The Region will undertake a review of their SNIP grants within the next 2 to 3 years. An overhaul of the incentive programs will also need to consider the recent changes in Provincial plans and policy direction.

It is the recommendation of City Staff that a full review be completed in tandem with the Regional view. Until then, the City programs can be extended to December 2019 with changes and refinements to clarify the purpose and intent the programs. This recommendation is based on the following analysis.

## **Review and Analysis of Incentives**

### **Commercial Building and Façade Improvement Program**

The attached Appendix A shows the number of applications submitted per year. A spatial representation of the applications is also included in Appendix B. This mapping shows that most of the applications were on lands fronting along the Plan area's main corridors - Queen Street and Main/Ferry Streets. Within both CIP areas there are numerous properties that can still benefit from the incentives to improve.

The Commercial Building and Facade Improvement Program has been the most popular program. A total of 97 applications have been completed between both the Downtown and Historic Drummondville CIPs.

Approximately 81% of all Downtown and 85% of all Historic Drummondville applications have been completed (i.e. works finished and grants paid out). The grants have been a success in stimulating private investment.

- \$730,294 in grants has resulted in an estimated \$3.9 million in private investment in the Downtown; and
- \$251,274 in grants contributed towards an estimated \$2.9 million in investments in Historic Drummondville.

As noted, the Commercial Building and Facade Improvement Program has resulted in improved structures/facades and new uses. Both areas have experienced new businesses - restaurants and retail in the Downtown and medical clinics in Drummondville. These programs should continue in order to build on the success to date.

Administratively, this program is a straightforward incentive for Staff and easy for the applicants to understand. Applications are able to be assessed quickly and payment of the grant can be made quickly once the applicants have completed the required works. Works are intended to be completed within one year of the decision of Council.

It has been found that the broad wording of the eligibility criteria has led to a number of applications of a maintenance nature rather than the rehabilitation of vacant or underutilized buildings. Also, the grants function as two program incentives: commercial improvements versus facade improvements. Consequently, a grant to beautify a building without building upgrades does not always create new usable commercial or residential space. It is suggested that wording amendments be made to the grant program as outlined in Appendix D.

### **Residential Loan Program**

The Residential Loan Program provides a 0% interest loan for the creation of new residential uses up to a maximum of \$500,000. There have been 6 applications under the Downtown CIP providing a total of 55 units. In Historic Drummondville, 2 applications have proposed a total of 215 units - 113 units in the Emerald Retirement Residence which is now near completion and the remainder in the proposed Wellness Suites which has not yet started.

The Loan Incentive has resulted in the creation of new residential units in both CIP areas. The cost to the City is the opportunity cost of not investing these funds.

The process involved in preparing, registering and administering the loan over their 7 to 10 year cycles requires a lot of staff involvement by Planning, Legal and Finance representatives. The loan agreement is a legal document which is registered on title and the duties of the applicant and City under the agreement need to be closely monitored over the term of the agreement prior to payout and repayment of the loan itself.

While time consuming, the comments received from City staff, as well as the BIAs, have been that this program has been functioning well as is and that the program be continued with the established loan cap of \$500,000 per individual property. It is recommended that this program be extended without change.

### **Revitalization Grant Program**

The Revitalization Grant Program is a tax increment based grant which has received only 8 applications in both the Downtown and Historic Drummondville CIPs over the last 10 years.

An increase in assessment as a result of a redevelopment is required for the grant to provide any assistance. The grant is paid out only when the Owner completes all works and the property has been re-assessed by MPAC.

The current application guide states that Revitalization Grants are to be registered against title. Agreements are registered on title to alert future owners to the existence of the agreement. The funds available under this grant program may be transferred to future property owners only if the City is notified and agrees to this prior to a change in ownership. A clause to this effect is included in the agreement. There is an added cost to registration and, in the past, agreements on title have caused confusion on the part of new property owners who may believe that they are entitled to the funding by virtue of purchasing the land. Within the Niagara Region there are Municipalities who chose to not register such agreements. It is the opinion of Planning staff that registration of a revitalization grant may not be necessary where there is proper wording within the agreement; and suggest that the application guide be amended to remove registration as a requirement.

## **City-Wide Brownfields Community Improvement Plan**

The Brownfields CIP includes two incentive programs: an Environment Study Grant (ESG) and a Tax Assistance/Rehabilitation Grant. The City has received 4 complete applications for the ESG contributing a total of \$26,250 towards the completion of Phase II Environmental Studies or Remediation Plans (Appendix C). The subject properties associated with the completed files have all been remediated and redeveloped. This program has been successful where applied and no changes are recommended.

Subsequent to completing their studies, brownfield properties may need to undergo substantial clean up. The Tax Assistance/Rehabilitation Grant is intended to assist during this process. The City has not received any applications for the Tax Assistance (a tax freeze during the cleanup process) to date, however, most projects have been small in scale with relatively quick clean up periods. This program is most beneficial for large scale projects involving years of clean up.

Three (3) submissions for the Rehabilitation Grant have been received by the City, however none have been paid out in full (1 expired; 1 in progress – expires in 2019; and 1 under review/preliminary).

It has been the experience of Niagara municipalities that have had similar rehabilitation grants that the reference in the program to education tax assistance (in addition to the Municipal and Regional tax assistance) has not been utilized due to several factors: it involves entering into an agreement with the Province which may take up to 1 year and the amount of tax assistance is usually relatively small, limited to 3 years. Developers are willing to forego the education tax assistance in the interest of timing. Consequently the reference to education tax assistance has been deleted in their programs.

City Planning Staff acknowledges these municipal experiences and suggest that education tax assistance be deleted from the program. There will be an associated reduction in administration costs to the City.

### **BIA Consultations**

Planning Staff provided representatives of the Downtown BIA with an outline of the CIP review in mid-November. The BIA representatives were supportive of the possible changes to the program and agreed to forward any comments they received from their group for inclusion in the report.

A presentation to the Main and Ferry BIA was made on February 7, 2017. The BIA supported the extension of the CIP and offered several ideas to be considered through future reviews of the programs.

## **FINANCIAL/STAFFING/LEGAL IMPLICATIONS**

### **Impact on Tax Assessments**

A balance of approximately \$234,000 remains in the Downtown CIP Special Purposes Reserve for CIP programs. The funding for Historic Drummondville programs is subject to annual commitment in the Operating Budget. The 2017 funding is \$65,000.

The rehabilitation and revitalization tax increment grants (including the Brownfields CIP) are based on the supplemental assessment increase due to reinvestments made under the program. The grant is calculated as a percentage of the increase in taxes due to supplemental assessment. The grant is paid on this original supplemental assessment increase, in the year that the supplement is issued, and in subsequent years as determined by the agreement.

### **Summary of Recommendations**

The following is a summary of the recommendations of Planning Staff resulting from the review and analysis of the incentive programs under the City's CIPs:

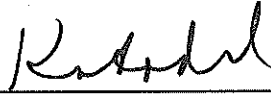
1. That the Downtown Community Improvement Plan, Historic Drummondville Community Improvement Plan and the City-Wide Brownfields Community Improvement Plan be extended to the end of 2019 or:
  - (a) Until a complete review of community Improvement Plans is completed in tandem with a review by the Niagara Region and any new plans are ready for implementation, whichever is sooner; and
  - (b) Until City or Regional funding is no longer available.
2. That the existing City budgets for the CIP programs be retained;
3. That the changes identified in Appendix D be made to the Commercial Building and Façade Improvement Plan to focus funds towards the intent and purpose of the program for rehabilitation;
4. That the Revitalization Grant agreement guideline be amended to state that registration of the agreement may be required;
5. That the education tax assistance be deleted from the City-Wide Brownfields CIP Tax Assistance Incentive Program;
6. That the extension and approved revisions take effect on the date of Council approval; and
7. That a copy of this report be forwarded to the Niagara Region.

**CITY'S STRATEGIC COMMITMENT**

The City's Community Improvement Plans contribute to the Economic Growth and Prosperity Priority of the City by providing incentives for private sector reinvestment into the City. These changes would be consistent with Council's commitment to customer service excellence and implements updates to provide stream-lined contemporary directional planning and development. It will also serve to implement Council's Strategic Priority of Organizational Efficiency and Effectiveness.

**LIST OF ATTACHMENTS**

- Appendix A –Downtown, Historic Drummondville and Brownfields CIP Review Tables
- Appendix B – Maps
- Appendix C – City-Wide Brownfields CIP-Environmental Study Grant Chart
- Appendix D – Community Improvement Plan Suggested Changes

**Recommended by:**\_\_\_\_\_  
Alex Herlovitch, Director of Planning, Building & Development**Respectfully submitted:**\_\_\_\_\_  
Ken Todd, Chief Administrative OfficerF.Berardi/A.Herlovitch:mb  
Attach.

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**APPENDIX A****DOWNTOWN CIP AND HISTORIC DRUMMONDVILLE CIP REVIEW**

Year	No. of Applications		Grant Totals	
	Downtown	Drummondville	Downtown	Drummondville
2007		8	0	\$71,951
2008	23	6	\$ 440,215	\$34,090
2009	17	10	\$ 171,943	\$83,994
2010	6	5	\$ 45,044	\$48,487
2011	10	6	\$ 122,069	\$60,273
2012	7	1	\$ 91,796	\$0
2013	15	0	\$ 89,375	\$0
2014	5	4	\$ 37,135	\$63,422
2015	2	0	\$ 4,842	\$0
2016	2	0	\$ 42,100.00	\$0

Trends				
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**➤ DOWNTOWN**

- 87 of 108 applications or 81% of all applications have been completed
- The City has granted \$730,294 towards private investments estimated at \$3.9 million (includes non-eligible works).

**➤ HISTORIC DRUMMONDVILLE**

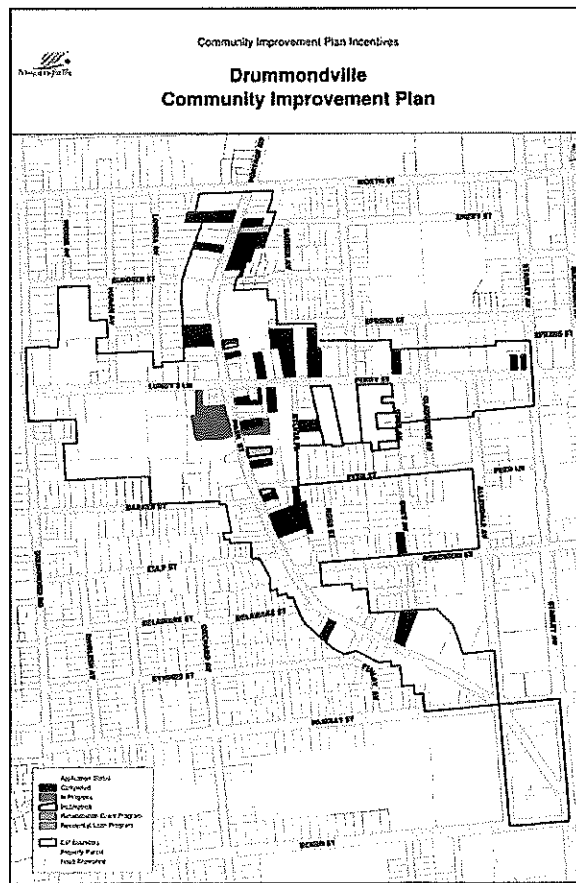
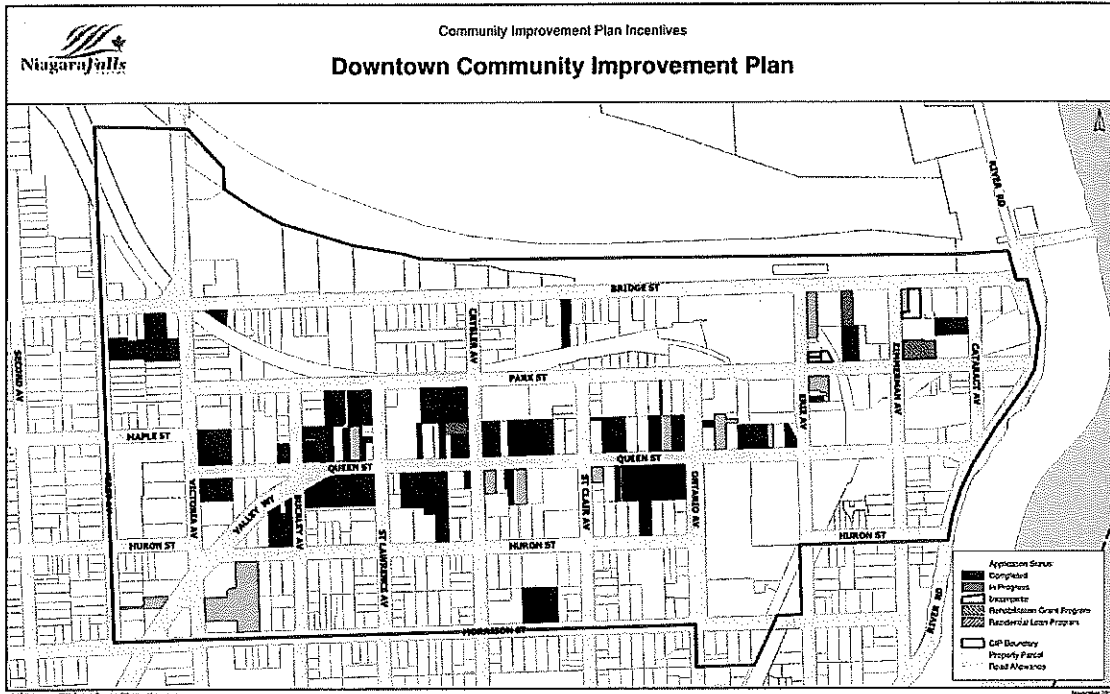
- 44 of 51 applications or 86% of all applications have been completed
- The City has granted \$251,274 towards private investments estimated at \$2.9 million (includes non-eligible works)

\*Note: funding was not available for the Historic Drummondville Program between 2012-2013



### APPENDIX B

### SPATIAL ANALYSIS OF GRANT APPLICATIONS



## APPENDIX C

## CITY-WIDE BROWNFIELDS CIP

## ENVIRONMENTAL STUDY GRANT

Year	City grant	Regional contribution to Grant	Status
2006	\$10,000	\$5,000	Completed
2007	\$12,500	\$6,250	Completed
2015	\$11,793	\$5,000	Completed
2016	-	-	Not eligible
2016	\$20,000	\$10,000	underway
	\$43,043	\$26,250	

## APPENDIX D Suggested CIP Amendments and Implications

### Commercial Building and Façade Improvement Program

Recommended change	Implication
Applications be filed simultaneously for façade and building improvement	<ul style="list-style-type: none"> <li>The exterior will be beautified at same time as building mechanicals are upgraded.</li> </ul>
Limit applications to one application per property	<p>Applicants wishing to maximize their grant opportunity will need to improve both the building and façade concurrently thereby creating commercial and/or residential ready spaces</p> <p><i>Proposed wording:</i></p> <ul style="list-style-type: none"> <li>add the following paragraph to item 6. What are the maximum grant amounts?:</li> </ul> <p><i>“Grants are offered on a one time basis per property and shall be issued upon completion of all approved works (i.e. façade and building components as approved).”</i></p>
State that grants will be advanced when construction is complete and the entire building can be occupied	<p>To ensure that the incentives given result in a fully rehabilitated structure, modify item 10) “When will the grant funds be advanced?” to read:</p> <p>The grant will be advanced in full when:</p> <ul style="list-style-type: none"> <li>A Grant agreement has been signed, executed and registered on title;</li> <li>Construction is complete;</li> <li>The building has been inspected by municipal staff <i>and has been deemed to be suitable for occupancy</i>; and,</li> <li>The applicant provides proof that all contractors have been paid.</li> </ul>
Require a minimum private investment of \$10,000 in eligible works	<p>A minimum investment requirement would eliminate those applications where the administration costs at both the local and regional level exceed the cost of the grant</p> <p><i>Proposed wording:</i></p> <ul style="list-style-type: none"> <li>add the following paragraph to item “6. What are the maximum grant amounts?”:</li> </ul> <p><i>“The minimum investment in eligible works by the applicant for the building and façade improvement shall be \$10,000”</i></p> <ul style="list-style-type: none"> <li>add the following paragraph to item “7. What conditions must be met to be eligible for a grant?”:</li> </ul> <p><i>“The applicant will be required to submit at least two cost estimate from bona fie contractors <u>not affiliated with the Owner/applicants</u>”</i></p>

<p>Specifically exclude maintenance related works like painting (independent of façade surface improvement) and signage from eligible works</p>	<p>Grant funds would be directed towards creating new usable spaces and not maintenance of existing spaces or replaceable elements</p>
	<p><i>Proposed wording:</i></p> <ul style="list-style-type: none"> <li>• <i>add "the repair or replacement of façade surfaces back to their original material"</i></li> <li>• <i>amend as follows: façade painting and cleaning/treatments <u>not including painting</u></i></li> <li>• <i>delete "installation/improvement of signage (as permitted by the sign bylaw)"</i></li> </ul>
<p>Release committed funds in expired applications and require new applications under the revised incentive guidelines. Limit extensions of approvals to a one time, 1 year basis.</p>	<p>Funds would be available for those applicants who wish to improve their property now rather than reserved for future improvements through extensions</p> <hr/> <p><i>Proposed wording to General Program Requirements.</i></p> <ul style="list-style-type: none"> <li>• <i>Add "Grant money approved for a project shall not be held in a reserved state beyond the defined dates of the agreement"</i></li> </ul>

Tax Assistance Program

Amendment	Implication
<p>Eliminate the 3 year tax freeze of education taxes within the Tax Assistance Program which involves entering into an agreement with the Province. The amount of tax assistance for the education tax portion is relatively small (and limited to 3 years) and often developers are willing to forego the amount in the interest of timing.</p>	<p>Removing the education tax portion will speed up the grant process – entering into an agreement with the Province may take up to 1 year. A reduction in administration costs.</p>