



CITY OF  
ST. CATHARINES

EXCERPT OF THE MINUTES OF THE

General COMMITTEE

DATE Nov. 7, 2011 ITEM NO. 556

RATIFIED BY COUNCIL \_\_\_\_\_

**Item No.** 556

**Report from** Planning Services, Policy

**Date of Report:** October 28, 2011

**File:** 60.32.1

**Subject:** Update of Community Improvement Plan (CIP) and Related Programs

**MOVED BY COUNCILLOR ELLIOTT**

That Council receive the report respecting an update of the Community Improvement Program for information purposes; and

That staff consult with stakeholders prior to coming forward with recommended changes to the existing programs; and

Further, that staff be directed to review accessibility as a component of the Community Improvement Plan façade program and report back during the next update.

YEAS Councillors Phillips, Siscoe, Stack, Stevens, Washuta, Williamson, Burch, Dodge, Elliott, Kushner, and Mayor McMullan

NAYS

**CARRIED AS AMENDED UNANIMOUSLY**

**RECOMMENDATION**

That Council receive the report respecting an update of the Community Improvement Program for information purposes; and

That staff consult with stakeholders prior to coming forward with recommended changes to the existing programs.

**SUMMARY**

The Community Improvement Program was initiated in 2003 and has expanded to include six geographic areas including the Downtown, Hartzel-Merritton, Oakdale-Moffatt, Queenston, Western Hill and 583 Welland Avenue (see Appendix "G"). The program has been reviewed and amended as the implementation has continued. The current plan has an expiry date of December 31, 2014. This will be the last review prior to a complete program review in 2013.

This report recommends considering program changes in light of changing conditions and to manage future financial obligations. The Region is currently reviewing its programs, and this may also have an impact on the municipal programs. If possible, recommendations on program changes should not be finalized until the Region's approach is confirmed.

**BACKGROUND**

Although the Community Improvement Program began in 2003, the City has been formally involved in community improvement since the 1970s with involvement in federal and provincial programs as well as municipal financing for infrastructure



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improvements. These programs were designed to upgrade hard and soft community infrastructure but were not specifically targeted to stimulate private sector investment.

For all of the area wide CIPs, except downtown, a secondary plan and updated zoning by-law was completed before an area was designated for community improvement programs.

## REPORT

### Program History

Section 28 of the Planning Act allows municipalities that have provisions in their Official Plans relating to community improvement to designate areas as Community Improvement Project Areas. Once a plan has been prepared, a municipality may offer financial incentives to the private sector to encourage the implementation of the Community Improvement Plan.

### Program Components

The Community Improvement Plan (CIP) was developed in co-operation with the Niagara Region. The Region has agreed to generally pay 50% of the costs of the grants subject to certain specific provisions.

There are two types of programs offered in the City's CIP: grants and those paid out of new revenue (taxed based) programs. For a more detailed description of the programs and eligibility requirements, please refer to the City's approved Community Improvement Plan on the City's web site. In all cases, except the Brownfield Financial Tax Assistance Program, payments are only made after the project has been completed.

The difference in the two types of programs is that, as the name implies, outright grants are provided in the grant program whereas for the paid out of new revenue (tax based) programs, are "paid" from the increase in taxes generated by new development. The term "paid" is misleading in that the actual increase in taxes only occurs in the year of re-assessment. In subsequent years of the program, the "new" taxes are included in the City's overall tax base. This requires that funds be allocated in the CIP budget to pay these obligations. If the development had not occurred, the City's tax base would not have increased.

The grant programs include:

1. Residential Conversion and Intensification Grant Program (RCIGP) – a grant of up to \$5,000 or 15% of the cost of the conversion of vacant and/or underutilized commercial and industrial space to residential uses, whichever is less;
2. Residential Construction Grant Program (RCGP) – a grant up to \$12,500 or 15% of the construction cost new residential uses, whichever is less (minimum of 5 new dwelling units). Grants under this program are restricted to 50% of the annually approved budget;
3. Façade Improvement Grant Program (FIGP) – a grant of up to \$10,000 per property or 50% of the façade improvement. For buildings that back onto the lower level parking lot and Highway 406, the maximum grant amount is increased to \$20,000 or 50% of the costs of façade improvement if both the front and back facades are being done;
4. Brownfield Financial Tax Assistance Program (BFTAP) – provides tax cancellation from the city, regional and education (subject to Provincial approval) component of the taxes payable on a property for up to three years during the rehabilitation period. This program is the only tri-level program in the CIP and requires provincial approval for the educational component for each site. This program is for complex sites with longer rehabilitation periods. It is considered a grant to the property owner.



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There is another grant program that is done under Section 69 of the Planning Act that allows the municipality to refund normal planning and building permit fees for a property owner who is undertaking improvements to lands or buildings in accordance with one or more of other the CIP programs known as the Municipal Application Permit Fee Refund Program (MAPFRP). These grants are funded from the Community Improvement Program budget although not approved under Section 28 of the Planning Act.

The taxed based programs include:

1. Brownfield Tax Increment Based Incentive Grant Program (BTIGP) – provides for the return of 80% of the increased municipal taxes for 10 years generated by the new development on a brownfield site up to the maximum of the total eligible costs as defined in the CIP;
2. Tax Increment Based Incentive Grant Program (TIGP) – provides on a declining scale starting at 90% in Year 1 to 10% in Year 9 of the increased municipal taxes for a 9 year period generated by new development of a non-brownfield site within an approved CIPA. The amount returned to the applicant cannot exceed the total eligible costs as defined in the CIP.

For the tax based programs, the applicant must enter into an agreement with the City to implement the conditions of the programs in the CIP. Prior to the issuance of any cheque, the City verifies that all requirements of the program have been met to date. Also, the applicant cannot apply retroactively for work undertaken unless specifically authorized by City Council.

The programs outlined above are all available in the Downtown, Queenston and the Hartzel-Merritton CIPAs. For the other three CIPAs, there is a more limited range of programs available based on the characteristics of the area. For more details on this, please refer to pages 30 and 31 of the approved CIP which is available on the City's web site.

As the programs have evolved, there has been greater emphasis on the tax programs and lesser emphasis on the grant programs.

### **Program Objectives**

Six program objectives were identified when the CIP program was initiated:

1. Stimulate investment in public and private lands;
2. Encourage private/public partnerships;
3. Encourage residential development/redevelopment;
4. Stimulate the redevelopment of vacant and underutilized properties;
5. Enhance the physical appearance of the project area; and
6. Incorporate smart growth principles in all development/redevelopment projects.

More particularly, the programs are designed to promote development in areas that have been identified as being strategic for the City. The focus on downtown residential development ties directly to the City's planning documents and Council priorities for downtown revitalization. The emphasis on brownfield redevelopment is related directly to the City's planning documents, the new environmental sustainability plan and Council priorities. The façade program is aimed at improving the esthetic on the City's main roads in the community improvement areas and particularly the downtown.

### **Program Results**

Appendix "H" provides a listing of all project commitments under the CIP programs as of October, 2011.



As would be anticipated under a new program, there was period of almost three years between the initial program approval and the first payments. Since 2006, approximately \$1,246,000 of City funds have been paid or authorized by Council.

**CITY EXPENDITURES BY PROGRAM  
2004-2011\***

Type of Program	Program Name	Expenditure
Grant	Residential Conversion and Intensification Grant Program (RCIGP)	\$653,700
Grant	Residential Construction Grant Program (RCGP)	\$172,900
Grant	Façade Improvement Grant Program (FIGP)	\$141,200
Grant	Brownfield Financial Tax Assistance Program (BFTAP)	\$ 7,800
Grant	Municipal Application and Permit Fees Refund Program (MAPFRP)	\$214,500
Tax	Brownfield Tax Increment Based Incentive Grant Program (BTIGP)	\$ 0
Tax	Tax Increment Based Incentive Grant Program (TIGP)	\$ 55,900

\*Includes all approved expenditures to October 2011 and unpaid applications that are known. Amounts in the above table have been rounded.

For the two residential grant programs, approvals totaled approximately \$826,600. A total of 145 units were constructed under the RCIGP and 61 units under the RCGP. The total value of construction for these projects was approximately \$16.4 million.

For the façade program, a total of 14 projects have been completed and there are four other projects that have been approved but not paid out. Ten of the 14 projects that have been paid out are located in the downtown and all four of the projects in process are in the downtown. The total value of construction for these projects was approximately \$645,000.

The only project approved under the BFTAP is 583 Welland Avenue. This is a program that is not likely to be used very often. This program is administratively time consuming to implement.

There are a total of 33 projects that have or will receive assistance under the MAPFRP (26 have been paid out and 7 are in process).

No funds have been expended under the BTIGP. It is anticipated that funding will begin in 2012/2013 for approved projects.

The only site currently receiving funding under the TIGP is the former 26 Abbott Street. Under this program, the future payments for these properties decline by 10% per year until in the tenth year when there are no payments. This program illustrates the "problem" that, although the return of taxes is covered by the new taxes generated on the site, from an accounting position, the new taxes are new taxes for only one year and then rolled into the base taxes for the City.

**Financial Position**

Council has committed \$3,257,500 to date to cover the program expenditures. When the future payments for the TIGP and BFTAP are included that will be paid over the next 10 years, the City's current commitment is \$149,400 short. However, when applications that are likely to be submitted in the future are considered, this shortfall grows to almost \$5.4 million dollars. This is the minimum amount that must be budgeted over the next 13 years or approximately \$410,000 per year. In addition, there is likely another \$400,000 to \$600,000 per year to cover other projects. This is within the \$750,000 to



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\$1,000,000 estimate that was originally provided to Council when the program began in 2004. In the past, staff have been budgeting less based on immediate need.

### Framework for Change

Since the CIP was first approved, the Provincial policy framework supporting infilling has been refined and reinforced by changes in the Provincial Policy Statement and the Planning Act. Similarly, the Region's Growth Management Strategy has been adopted, although not yet approved due to appeals. The City's planning documents have also been updated. The new Garden City Plan has been adopted by City Council; a draft of a new comprehensive by-law is being presented to Council soon. A number of urban design initiatives have also been approved or are underway. The basic planning framework is being updated. This has reduced the need to refund municipal application fees. All projects regardless of location must pay building permit fees. Although this is no doubt an incentive, the cost of building permit and planning fees are a very small percentage of the overall costs of developing a site.

There are also significant projects on the horizon including Phase 2 of the redevelopment of the former Hotel Dieu site on Ontario Street, the redevelopment of the General Hospital site on Queenston Street, the continuing redevelopment of the Heritage Point subdivision (Burnstein Brick), the redevelopment of 583 Welland Avenue, and the redevelopment of the former Domtar Steam Plant lands. These are all major projects for which commitments have been given in one form or another and are therefore priority projects. They also represent significant opportunities to provide new housing and are generally key projects in neighbourhood and downtown revitalization. In addition, there are potential residential projects in the downtown that may be constructed over the next three to five years. As such, it is an appropriate time to review future program funding.

There are four principles on which this review is based:

1. Programs must be financially sustainable in both the short and long term;
2. Programs that are based on tax increases are preferable to programs that are based on grants;
3. Programs for brownfield sites should provide a means of providing assistance earlier in the process as opposed to it all coming at the end;
4. Return of funds through the grant on brownfield programs should not exceed the total remediation/environmental costs.

It has been the intent of the City to gradually transition the City's support of community improvement initiatives from grants to tax based programs so that new taxes are being generated and indirectly provide funding for the programs. The exception to this would be the façade program and grant programs for residential units in the Downtown. Both of these programs can be focused to help implement the goal of downtown revitalization. There is also a need for fairness for the Western Hill Community Improvement Project Area that was only recently approved by City Council.

The combination of the improved planning framework, increased development interest in St. Catharines, and the need for a financially sustainable program suggests that changes are desirable at this time. Staff is suggesting that the current tax based programs only receive minor changes and the grant programs be the focus of change.

### Possible Program Changes

The following funding changes are proposed for consideration:

1. Do not fund the Municipal Application Permit Fee Refund Program for any new projects for which applications are received after a date specified by Council. This can be done by a motion of Council and does not need a Community



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Improvement Plan amendment as they are provided under Section 69 of the Planning Act not Section 28.

2. Do not fund the Tax Increment Based Incentive Program (TIGP) except within the Downtown Planning District (Schedule E10 of the Garden City Plan) and the Western Hill Community Improvement Project Area. The downtown is the highest priority for development and redevelopment. The Western Hill Community Improvement project area has just been approved and property owners should have time to access the program. In all Community Improvement Areas with brownfield programs funding will continue for brownfield sites.
3. Create a revolving financial reserve to fund at least in part future financial commitments under the CIP programs. It is suggested that in the future that 50% of the new taxes retained by the municipality be paid into the fund to help pay future payments to other properties. There are a number of municipalities, such as Kingston, that actually paid the entire amount of the new taxes not returned to the applicant to the reserve fund. This approach should be further researched.
4. For the two housing grant programs, the following alternatives be considered:
  - That each property be restricted to the maximum number of units that would be eligible. The Region currently has a maximum of 20 units that may be too small but perhaps 40 units would be appropriate;
  - That the maximum value of the grant for any property not exceed 30% of the total annual allocation for the community improvement budget unless otherwise approved by Council;
  - That the maximum amount of the grant under the Residential Conversion and Intensification Grant Program (RCIGP) and the New Residential Construction Grant Program be reduced by 25% (RCIGP from \$5,000 per unit to \$4,000 per unit and RCGP from \$12,500 per unit to \$10,000 per unit).

The following possible program change is proposed:

1. The Residential Conversion and Intensification Grant Program (RCIGP) maximum grant be applicable only to residential dwelling units with a floor area greater than 400 square feet. The City is interested in seeing a variety of unit sizes developed but larger units that potentially attract a different target group are also needed. Not all units on property would need to be larger than 400 square feet, but these would be the only ones to be funded. Another option could be to fund all units regardless of size if 75% or more of the units exceeded the municipal minimum (400 sq. ft.).

The following amendments to the CIP are recommended for consideration based upon experience working with the plan:

1. Currently, the ability of the municipality to provide tax relief for the municipal portion (city and regional) of municipal taxes is limited to the rehabilitation period (prior to issuance of RSC), the Municipal Act allows the tax relief to apply to 18 months of the development period. This flexibility should be included so the tax relief period is up to 36 months. This amendment is an administrative amendment to achieve the intent originally described for the program.
2. Add a statement to the section of the Plan concerning the Residential Conversion and Intensification Grant Program to restrict the maximum grant to 50% of the annual budget allocation for the program. This restriction is not clearly stated in the RCGP. The intent is to ensure fairness so that one project does not receive all municipal funding but also to encourage the use of tax based programs instead of grants. This proposal would be amended based upon possible program changes discussed previously in the report.



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3. Clarify the intent that under the BTIGP that the maximum amount of funding that can be returned is the total of the remedial costs.

If changes are proposed to programs, to be fair to those who have made investments based on the existing programs, the following properties would be exempt from the changes:

- Any project that has received Council approval within the Downtown Planning District and the Urban Growth Centre (see Appendix "I");
- NHS lands in and around the General Hospital site
- Heritage Point Subdivision and related lands
- 583 Welland Avenue
- Former Domtar Steam Plant lands

Staff is suggesting that, prior to finalizing decisions on potential changes outlined in the report, staff consult with stakeholders involved in the process. Other program amendments could be proposed.

The Region is currently undertaking a review of their incentive programs. It may be possible to harmonize current municipal programs with Regional changes. Staff will review this prior to reporting back to Council.

### **FINANCIAL IMPLICATIONS**

There are no financial implications for the City except as specifically noted in the body of the report. The intent of the proposed changes is to encourage a shift from grant programs to tax based programs that, although they must be shown as a cost, can be paid from taxes that would not otherwise have been collected from the new development. If the possible changes are implemented, they would reduce the future cost liability for the City and the Region of the Community Improvement programs. Also, the proposal to place 50% of the municipal share of the retained taxes for the taxed based program should be noted. It does not change the total dollars required but does affect the budget process.

### **CONCLUSION**

It is desirable to ensure that the financial incentives offered under the Community Improvement Plan are financially sustainable. To do this, staff has suggested some potential changes that would allow the program to fulfill its objectives but reduce long term financial liability for the City and Region. There should be discussion with stakeholders before recommendations are presented to City Council. As the Region is reviewing its programs and as compatibility of programs makes administration much easier, it is recommended that staff report back to Council on this matter after Regional Council has considered revisions to regional incentives.