

# Niagara Region Incentive Review and Recommendations

Regional Council Committee of the Whole

August 5, 2021

# Incentive Review Catalysts and Goals

Increased Programs



Increased Cost



New Business Models



## Incentive Review Goals

- Align with Regional priorities and responsibilities
- Address current and future needs
- Provide meaningful and measurable results
- Be sustainable, clear and accountable

# Regional Incentive Review

- Review Endorsed
- Incentive Program Audits

- Meeting and survey for Local Municipal staff
- Regional staff work on program alignment

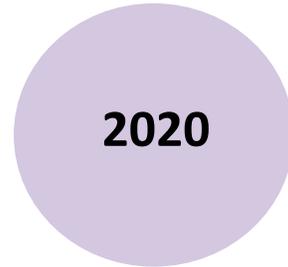
- **Implementation of aligned incentive programs**
- **Finalize Regional DC By-law**



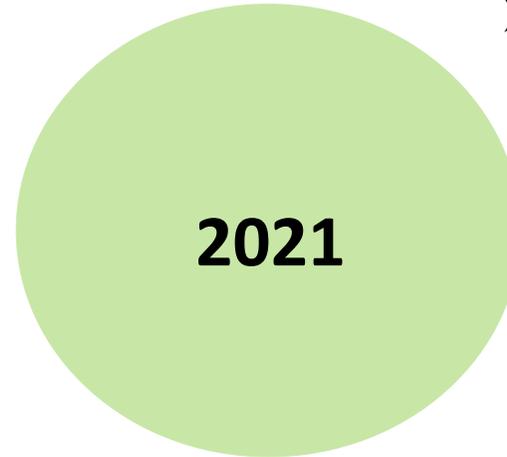
2018



2019



2020



2021



2022

- Council establishes four incentive Priority Areas
- Engagement with Local Municipal staff

- Resident and Stakeholder survey and webinar
- Local Municipal staff engagement
- **Info Session and Recommendation report to Regional Council**
- **Stakeholder Info sessions on aligned programs**

# Basis of Review and Recommendations

## Council Direction

- Council Strategic Priorities
- Council direction on incentive reports

## Research and Data

- Audits of Regional incentive programs – process and value-for-money
- Incentive program data and KPIs
- Review of comparator programs and best practices

## Engagement

- Information: Meetings, presentations, webinar
- Feedback: Surveys of public, stakeholders, and local municipalities

# Council Direction: Four Priority Areas



Affordable  
Housing



Employment



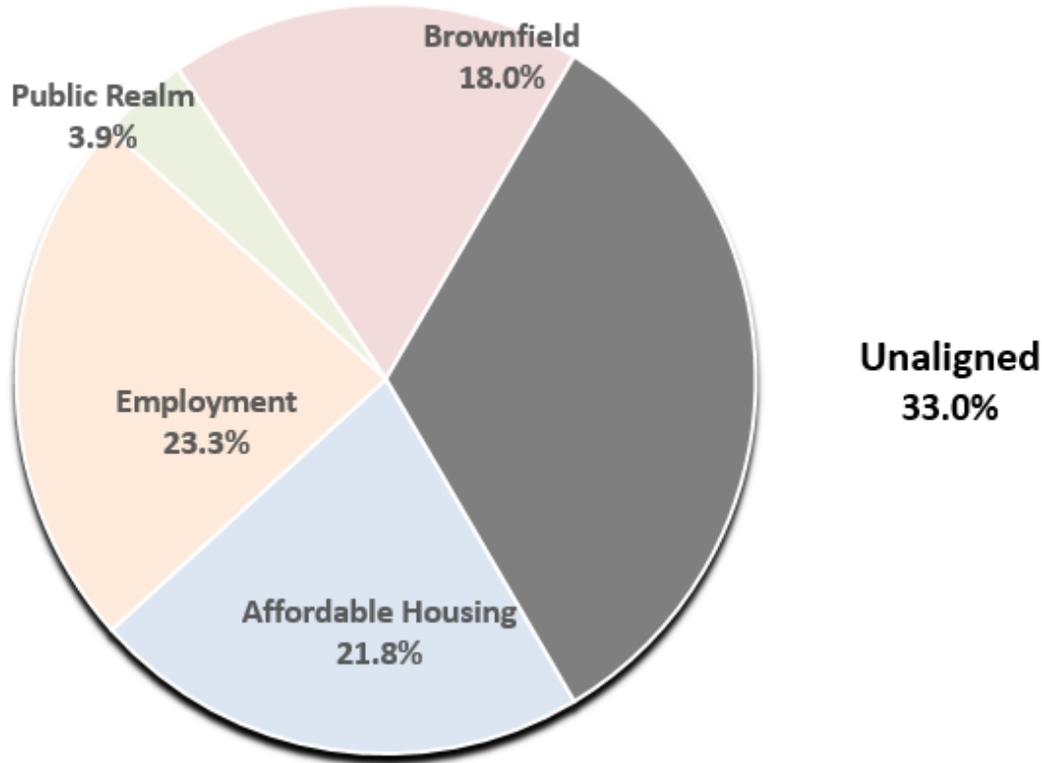
Brownfield  
Remediation



Public Realm

# Current Funding

2021 Incentive Budget (\$14M)



- Funding not fully aligned with Priority Areas or targeted distribution
- Budget pressures from existing programs/transitions and unlimited access to some incentive programs
- Future investment will be guided by:
  - Program performance over time
  - Key variables such as pandemic recovery, housing market, employment patterns
  - Provincial and federal funding

# Incentive Funding Options

Repurpose Existing Grant Dollars	Federal/Provincial Governments	Increase Taxes
<b>PROs</b>		
<ul style="list-style-type: none"> <li>• no incremental tax impact</li> </ul>	<ul style="list-style-type: none"> <li>• minimizes incremental tax impact (often comes with cost sharing)</li> </ul>	<ul style="list-style-type: none"> <li>• funding available immediately</li> </ul>
<ul style="list-style-type: none"> <li>• aligns discretionary budget dollars with Council Strategic Priorities</li> </ul>	<ul style="list-style-type: none"> <li>• offsets Provincial costs downloaded to Region (e.g., hospitals)</li> </ul>	<ul style="list-style-type: none"> <li>• can retain other program/grant spending</li> </ul>
<ul style="list-style-type: none"> <li>• aligns our spending more with other municipalities' incentives</li> </ul>		<ul style="list-style-type: none"> <li>• can design sustainable programs targeted to priority areas</li> </ul>
<ul style="list-style-type: none"> <li>• can create partnerships/leverage private sector investment</li> </ul>		<ul style="list-style-type: none"> <li>• can create partnerships/leverage private sector investment</li> </ul>
<b>CONs</b>		
<ul style="list-style-type: none"> <li>• local priorities may continue to be uploaded to Region</li> </ul>	<ul style="list-style-type: none"> <li>• reactive, unpredictable, and tight time frames</li> </ul>	<ul style="list-style-type: none"> <li>• impact on residents including low income households</li> </ul>
<ul style="list-style-type: none"> <li>• takes time to realize funding due to commitments and by-laws</li> </ul>	<ul style="list-style-type: none"> <li>• agenda may not align with Regional priorities</li> </ul>	<ul style="list-style-type: none"> <li>• tax increases further impact housing affordability</li> </ul>

# Existing Incentives are not **STRATEGIC**

## They do not address Regional needs and priorities

- 80% of TIGs are for market residential development – ownership singles, townhouses, condos
- Less than half of 1% of TIG funding has been spent on affordable housing
- Almost half of Niagara renter households spend 30%+ of their income on shelter
- Niagara has a higher than average year-over-year increase in market rents and a lower than average turnover rate

## Too many programs in too many areas

- Niagara Region has more incentive programs than others, yet fewer thresholds, caps, requirements
- 60% of residents do not support Regional spending on incentives outside areas of Regional responsibility, though the Region currently funds such programs
- 76% of residents do not want Region to fund enhancements to privately owned buildings

## They have outgrown their original intent

- Growth means some incentives are no longer essential to secure development
- Smart Growth criteria are required, not incentivized, by other municipalities

# Existing Incentives are not **SUSTAINABLE**

## They are expensive and difficult to budget

- Forecast RDCs grants for 2022 is \$17 million, which may result in budget shortfall of \$10 million
- Regional costs of TIG incentives will double that of 2019 for the next 5-7 years
- In 2018 Regional DC grants were \$13 million, representing 27% of DC collections or almost 4% of the levy budget – and nearly 73% was unaligned with the priority areas
- Niagara provides a higher level of TIGs than those offered by most other municipalities

## Their return on investment is not effective

- Individual projects resulted in payback periods in excess of 100 years
- Even if the full new construction assessment from 2018-20 was attributed to Regional incentives, the resulting tax revenues appear insufficient to offset their cost
- Regional DC grants are considered above standard based on annual expenditures compared to budget

# Regional Incentives can be **SUCCESSFUL**

Niagara Region Incentives Policy will ...

- ✓ Ensure Regional incentives address Regional priorities
- ✓ Align incentive funding to identified needs and priority areas
- ✓ Relate grant amounts to policy and program goals
- ✓ Provide accountable and sustainable resourcing
- ✓ Enable a range of incentive types
- ✓ Create consistent, clear, coordinated policy and programs
- ✓ Measure results, monitor progress, report regularly

# Affordable Housing



Over 26,000 households  
in core housing need in  
Niagara

Housing prices increased  
26% in 2020, the largest  
increase on record

Over 23,000 renters and  
owners spend over 50% of  
their income on housing

NRH waitlist for housing  
for singles aged 16-54 is  
7-18 years in Niagara

- ✓ Increase affordable and attainable rental supply
- ✓ Decrease NRH affordable housing wait times
- ✓ Maintain existing affordable housing stock

# Affordable Housing

Affordable Housing is shelter that costs no more than 30% of before-tax household income

	Income Level	Max/month
Low Income	LESS THAN \$19,200	\$480
	\$19,201 - \$29,400	\$735
Moderate Income	\$29,401 - \$39,600	\$990
	\$39,601 - \$52,500	\$1,313
Medium Income	\$52,501 - \$68,100	\$1,703
	\$68,101 - \$83,900	\$2,098

It would cost over \$6B to eliminate core housing need affecting 13% of Niagara households

Households in core need are diverse, including young adults, families, seniors -- 98% with one income

# Affordable Housing



## Encourage affordable and attainable purpose-built rental housing

Program	Regional grant minimums/maximums	Key Parameters
<b><u>Partnership Housing Program</u></b> Suite of Incentives (e.g., grants, deferrals)	Determined on a case by case basis depending on funding/contributions available	Scoring criteria weighted to projects increasing purpose-built rental and creating affordable units for waitlist tenants at lower cost than Regional construction
<b><u>Affordable and Supportive Housing</u></b> Regional Development Charge Deferral	Up to 100% of Regional DCs deferred for eligible units as long as they remain affordable	Some units which move households off wait list may have DCs granted after specified time period
<b><u>Intensification Grant</u></b> Regional Development Charge Grant	100% of Regional DCs granted for eligible projects	Includes interior and exterior secondary suites as defined by provincial DC Act
<b><u>Residential Rental Grant</u></b> Regional Project Grant	Maximum \$40k/unit for up to two units Annual budget	Must remain affordable rental units for a minimum of 10 years
<b><u>Small Building Rental Grant</u></b> Regional Project Grant	Maximum grant of \$15k/unit for up to five units Annual budget	Must remain affordable rental units for a minimum of 10 years

**Key Success Measures:** number and type of affordable units created; households removed from waitlist; amount of incentive per unit

# Affordable Housing



Encourage affordable new ownership and maintain existing affordable housing stock

Program	Regional grant minimums/maximums	Key Parameters
<b><u>Non-Profit Grant</u></b> Regional Development Charge Grant	Up to 100% of Regional DCs Annual budget (current \$150k)	Scoring criteria for projects based on alignment with Regional priorities
<b><u>NRH Home Ownership Downpayment Assistance</u></b> Forgivable Loan	Up to 5% of down payment Provincial funding	Must meet age, renter household, income and asset requirements
<b><u>NRH Niagara Renovates Homeownership</u></b> Forgivable Loan	Up to \$22k for eligible projects and up to \$5k in accessibility renovations Provincial funding	Must meet certain income and ownership requirements
<b><u>NRH Niagara Renovates Multi-residential</u></b> Forgivable Loan	Maximum \$10k/unit, maximum per building of \$25k-\$90k depending on number of units Provincial funding	Must have over two units, units must be at or below average market rent for 15 years
<b><u>NRH Non-Profit and Co-op Capital Repair Costs</u></b> Forgivable Loan	Federal/provincial funding Grant maximums dependent on funding	Must have agreements with Housing Services Ranked on criteria including urgency, ability to fund
<b><u>NRH Housing Provider Capital Loan Program</u></b> Loan and Grant	Annual program budget Grant maximums dependent on funding	Must have agreements with Housing Services Must be non-profit or co-op Ranked on criteria including urgency, ability to fund

**Key Success Measures:** number of units purchased or maintained; households removed from waitlist; amount of incentive per unit

# Employment



Employment dropped about 15,000 and the labour force dropped by 10,000 in Niagara from 2016-20

Investment in industrial building construction experienced a significant decline of \$42.4 million or 40% from 2017-2020

Jobs in the targeted sectors are among the highest in economic impact in the Region

- ✓ Attract new businesses to Niagara
- ✓ Incentivize an average of 100 new full time jobs in Niagara over the next five years
- ✓ Expand the range of employment incentives while maintaining unique status of Gateway CIP

# Employment

## Attract jobs and businesses to Niagara



Program	Regional grant minimums/maximums	Key Parameters
<p><b><u>Gateway CIP Tax Increment Grant</u></b> Local and Regional Gateway CIP matching grant</p>	Maximum 100% TIG for 10 years in Strategic Locations for Investment (five years outside SLIs)	With Local Municipalities, align Smart Growth criteria with industrial development Review of Strategic Locations for Investment
<p><b><u>Gateway CIP Regional DC Grant</u></b> Local and Regional Gateway CIP matching grant</p>	Maximum \$1.5M per project	Local DC matching grant required
<p><b><u>Niagara Business Attraction Tax Increment Grant</u></b> Local CIP matching grant</p>	Maximum of 75% of Gateway TIG calculation for five years	Project must be approved by LAM under a CIP
<p><b><u>Regional Employment Grant</u></b> Regional Development Charge Grant</p>	<p>1-10 full time positions created = 50% of RDCs                      11-20 full time positions created = 75% of RDCs                      21+ full time positions created = 100% of RDCs</p>	Eligible employment sectors are Manufacturing (NAICS 31-33) and Professional, Scientific and Technical Services (NAICS 54, with some exceptions)
<p><b><u>50% Industrial Expansion Grant</u></b> Regional Development Charge Grant</p>	100% of DCs on maximum of 50% of gross floor area prior to first enlargement	See maximum and minimums

**Key Success Measures:** number of jobs created; amount of grant provided; number of local partners; square feet added

# Brownfield Remediation



There are at least five brownfield sites in Niagara estimated to have \$15M or more in remediation costs

The majority of Niagara brownfield sites are in the urban area → remediation supports employment, intensification, housing, reduced GHG emissions

Just five key Niagara brownfield sites represent over 500 acres that could be remediated and redeveloped

- ✓ Generate an average increase of 10 times the original assessment value on brownfield properties
- ✓ Approve two high impact BTIGs in the next five years
- ✓ Provide funding for remediation of at least 200 acres in the next five years



# Brownfield

## Clean up contaminated sites to prepare for development

Program	Regional grant minimums/maximums	Key Parameters
<p><b><u>Brownfield Tax Increment Grant Tier 1:</u></b>  <b><u>Select Sites</u></b>            (Local CIP)</p>	<p>80% or 100% with affordable housing            10 Years - fixed calculation            Annual grant no greater than \$10M            Minimum \$5M in remediation costs</p>	<p>For remediation costs only            Eligible sites identified in collaboration with local municipalities            Project must be approved by LAM under a CIP</p>
<p><b><u>Brownfield Tax Increment Grant Tier 2</u></b>            (Local CIP)</p>	<p>60% or 80% with affordable housing            10 Years - Fixed calculation            Annual grant no greater than \$1M            Minimum \$250k in remediation costs</p>	<p>For remediation costs only            Project must be approved by LAM under a CIP</p>
<p><b><u>Brownfield RDC Deferral</u></b>            Regional Development Charge Deferral</p>	<p>100% of RDCs may be deferred until occupancy permit issued or five years from signing of agreement, whichever is first</p>	<p>May stack with BTIG</p>

**Key Success Measures:** number of acres remediated; affordable housing units created; jobs created; assessment increase

# Public Realm



Provincial requirements to support walkable communities, active transportation, and promote universal accessibility

Lost opportunity costs without coordination on service delivery for major capital projects

Niagara has an estimated vegetative cover of 27%

- ✓ Improve public realm including road, bike paths, sidewalk, trails and accessibility amenities in an average of six projects annually
- ✓ Plant at least 500 trees through PRIP in the next five years
- ✓ Achieve at least 10 of the following: public plaza enhancements, place-making and public art installations, gateway features

# Public Realm



Improve accessibility, sustainability and attractiveness of public spaces on Regional roads in core areas

Program	Regional grant minimums/maximums	Key Parameters
<p><b><u>Public Realm Investment Program</u></b> Regional Matching Grant</p>	<p>\$25,000 minimum to \$150,000 maximum per grant Annual program budget (current \$350K)</p>	<p>Within or directly adjacent to a Regional Road right-of-way and areas of significant Regional investment in urban and core areas</p>

**Key Success Measures:** Kilometres of roads/trails created or improved; number of trees planted; accessibility components installed; place-making features installed; public art installed

# Programs Outside Review Direction

- Niagara Investment in Culture Program
- Waterfront Investment Program
- Heritage Tax Rebate Program
- Smart Growth Regional DC Program
- Brownfield Tax Assistance Program
- Façade and building improvement
- Heritage restoration
- Planning grant

# Next Steps



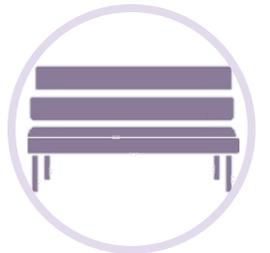
## Fall 2021

- Incentive Procedures to CLT for approval
- Stakeholder information sessions
- Consultation, coordination with LAMs on key program components and alignment
- Regional administrative updates
- Incentive funding through 2022 Budget process



## 2022

- Implementation of Niagara Region Incentives Policy
- Continued work and engagement on Regional DC Bylaw



# Niagara Region Incentive Policy:

**Strategic  
Sustainable  
Successful**