Subject: Matching Regional Incentive Funding Request for Lundy’s Lane CIP

Report to: Planning and Economic Development Committee

Report date: Wednesday, February 20, 2019

Recommendations

1. That staff BE DIRECTED to continue to deliver Regional grant and incentive programs in 2019 that are presently under review and that were eligible as of December 31, 2018 subject to budget approval; and,

2. That a copy of Report PDS 1-2019 BE CIRCULATED to all Local Area Municipalities.

Key Facts

- The purpose of this report is to provide background on a request from the City of Niagara Falls for Niagara Region to partner in providing funding for a new Lundy’s Lane Community Improvement Plan (CIP) that was approved by the City Council in 2018.
- Regional grant and incentive programs are currently under review. In 2018, Regional Council approved the delivery of existing programs in 2019 under the current structure, subject to budgetary approval, and the postponement of funding for new or revised CIP programs. (reports PDS-C 8-2018 and PDS 31-2018). The Lundy’s Lane CIP is a new CIP program.
- The decision not to partner on new or revised CIP programs was due to budget pressures caused by the over-subscription of existing programs and pending program changes.
- Funding to deliver Regional grant and incentive programs in 2019 has not yet been approved by Regional Council. It is felt that making a decision to Regional funding participation in the Lundy’s Lane CIP is premature and that the request should be considered along with other locally approved CIP incentive programs pending completion the Regional incentive review.

Financial Considerations

The 2018 budget for Regional planning and economic development incentive programs was $8.7 million. This included funding for the Smarter Niagara Incentive Program (SNIP) of $634,000. A review of SNIP and other Regional grant and incentive programs is currently in progress and 2019 budget decisions are pending regarding these programs.
Regional funding to support the Lundy’s Lane CIP predominantly would fall under the Region’s Smarter Niagara Incentive Program (SNIP). In 2016 and 2017, funding requests for simple grants and incentives (grants and incentives that have a fixed budget) exceeded the annual budget of $634,000. Funding from the Region’s Smart Growth Reserve (a reserve that was built up in the early years when programs were being established) was used to ensure that existing commitments were funded. This reduced the balance in the reserve to the current amount of $201,000. In 2018, requests for simple grants were below the annual budget and the reserve was not utilized.

Most CIPs also include tax increment grants, which are funded through growth. Funding these tax-based grants has decreased the amount of funding available to pay for the Region’s growth-related operating and capital costs.

As the programs requesting funding under the Lundy’s Lane CIP (and the other three CIPs which may request funding) are a combination of simple and tax increment grant programs, including them as eligible for Regional funding would put increased pressure on Regional incentive budgets and the funding available for growth, particularly as uptake for programs in new CIP areas is higher in the first 1-2 years.

Analysis

In 2018, Regional Council twice confirmed its direction to staff to continue delivery of existing incentive programs, for 2018 (PDS-C 8-2018) and 2019 subject to budgetary approval (PDS 31-2018). Consistently since May 2017, Regional funding participation in eligible incentive programs in new or revised CIPs has been postponed pending completion of the Regional incentive review.

The decision to proceed with delivery of existing Regional incentive programs was intended to provide consistent support of incentives aimed at economic prosperity in long-standing programs and partnerships, while remaining fiscally responsible in light of serious budget pressures on incentive programs and the growth budget.

Participation in new or revised CIPs, of which there are four, was postponed pending completion of the ongoing incentive review for reasons including:

- Regional budget pressures which required substantial funding from reserves to meet existing commitments;
- Continued Regional participation in many incentives which remain available to certain projects in the new/revised CIP areas (e.g., brownfield programs);
- The ability of Local Area Municipalities to continue to offer incentives in the new/revised areas without Regional matching funding; and
- The desire for consistency in application of Regional incentive funding.
Niagara Region currently partners on well over 65 incentive programs. There has been increased uptake in funding requests from partners in recent years, particularly in the Smarter Niagara Incentive Program (SNIP) suite of incentive programs, under which funding would be requested for nearly all programs in the new/revised CIPs. Expanding the number of potential requests for this funding, particularly given that funding requests in the first 1-2 years of a new CIP are substantial, would increase pressures on both fiscal and staffing resources as existing programs must continue be administered while work on the incentive review is being completed.

The incentive review is currently expected to be completed by Q2 2019, with implementation of recommendations anticipated for 2020.

For the reasons above and as Council has not yet determined 2019 budget levels for delivery of existing programs, expanding access to often over-subscribed incentive programs is not recommended.

Alternatives Reviewed

The recommendation put forward in this report is to continue with delivery of Regional incentive program matching funding existing in 2018 as directed by Council. Alternatives to this recommendation include:

(1) Approve Regional matching funding participation for all of the eligible Lundy’s Lane CIP grant programs, subject to the 2019 budget. There is currently no budget for existing 2019 incentive programs; should budget be approved, this would increase potential funding requests for in-demand Regional matching dollars. In addition, access to new programs/program parameters may be limited and inconsistent pending possible program changes under the Regional incentive review. Approval of this request would likely result in three other requests for Regional funding in new/revised CIP programs, increasing the challenges outlined above. (Not recommended)

(2) Approve Regional matching funding participation only for eligible tax increment grants in the Lundy’s Lane CIP area, subject budget approval. Tax increment grants have the longest commitment period (normally 10 years) and usually are for the largest amounts of nearly all Regional incentives. There continues to be significant demand on the Region’s growth budget from which tax increment grants are funded, and expanding the potential for additional grants is likely to increase this budget pressure. In addition, there are two other tax increment grants already available in the Lundy’s Lane CIP area for certain projects, through the City’s Brownfield CIP and Gateway CIP programs, though not all tax increment projects anticipated through the Lundy’s Lane CIP program would be eligible for these, depending on their use. (Not recommended)
Relationship to Council Strategic Priorities

This report is brought forward in response to a request made at the January 9, 2019 Planning and Economic Development Committee. The recommendation in this report supports strategic Regional objectives including economic prosperity, fiscal responsibility, program consistency and administrative efficiency.

Other Pertinent Reports

- PDS 31-2018 Regional Incentive Delivery and Eligibility in 2019
- PDS-C 8-2018 Regional Incentive Review and Community Improvement Plans
- PDS 42-2017 Overview of 2018 Incentive Review
- PDS 33-2017 Smarter Niagara Incentive Program 2017 Budget Update
- PDS 6-2017 Town of Lincoln Request for the Region to Participate in its New Community Improvement Plan Incentives Program

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Appendices

- Appendix 1 List of Regional Incentive Programs Under Review