
Subject: Regional Transitional Incentive Timelines

Report to: Regional Council

Report date: Wednesday, March 9, 2022

Recommendations

1. That the timelines and transitions for Niagara Region incentive programs outlined in this report **BE APPROVED**; and
2. That Report PDS 3-2022 **BE CIRCULATED** to the Local Municipalities.

Key Facts

- This report fulfills Council direction in PDS 31-2021 as amended that “staff PROVIDE sunset clause policies for currently approved programs that include reasonable expiration dates.” Expiry dates, sunset clauses, and transitions for these programs are outlined below and in Appendix 1.
- The programs which did not have expiration dates otherwise mandated by Council through PDS 31-2021 include the following incentives in the Smarter Niagara Incentive Program (SNIP): Affordable Housing, Agricultural Feasibility Study Grant, Agricultural Buildings and Facilities Revitalization Tax Increment Grant, Façade and Building Improvement Grant, Heritage Restoration and Improvement Grant, Community Improvement Plan/Secondary Plan Grant, Public Domain Grant, Residential Grant, Environmental Assessment Study Grant, Brownfield Tax Assistance Program Grant.
- Two grants listed above either have never been operative (SNIP Affordable Housing) or have already been replaced by another program (SNIP Public Domain replaced in 2016 by the Public Realm Investment Program). They are included here as both programs will be officially discontinued.
- For two programs -- the SNIP Property Rehabilitation and Revitalization Tax Increment Grant (SNIP TIG) and the Smart Growth Regional Development Charge (RDC) Reduction – Council established an expiry date of October 1, 2024. This report provides a transition for the Smart Growth RDC program currently set to expire with the RDC bylaw on August 31, 2022 to Council’s new expiration date of October 1, 2024.

Financial Considerations

The financial impact of delivering these incentives consists of:

(1) Regional staffing costs to administer the programs

Staff across Planning and Development Services, Economic Development, Housing Services, and Financial Management and Planning work to administer the various incentive programs offered by Niagara Region. SNIP incentive administration is led by Planning and supported by Finance staff. Continuing SNIP incentives until proposed program expiry in 2023, in conjunction with delivering new Niagara Region Incentive Policy programs, will lead to increased administrative costs. The intent is to manage these costs within the existing operating budget.

(2) Regional budget for the programs

SNIP incentives are budgeted differently depending on the program.

- The budget for the SNIP Affordable Housing Grant, Agricultural Feasibility Study Grant, Façade and Building Improvement Grant, Heritage Restoration and Improvement Grant, Community Improvement Plan/ Secondary Plan Grant, Public Domain Grant, Residential Grant, and Environmental Assessment Study Grant incentives is determined annually. For 2022 this budget is \$300,000. Program budget will need to be maintained in 2023 per proposed timelines outlined in this report and then is anticipated to be repurposed to support Affordable Housing incentives within the Niagara Region Incentive Policy.
- The Brownfield Tax Assistance Program Grant (BTAP) results in a freeze or cancellation of Regional taxes for a specified period. Annual budget requirements for the program vary depending on the approved projects and timing of development. The 2022 budget of \$38,000 was funded through assessment growth as part of the annual budget process.
- The SNIP Agricultural Buildings and Facilities Revitalization Tax Increment Grant would be funded like other Regional tax increment grants, with budget established through allocation of assessment growth revenue. Annual budget requirements vary depending on the approved projects and timing of development. To date there has been no uptake for this program.

- The SNIP TIG incentive is funded with budget established through allocation of assessment growth revenue. Annual budget requirements vary depending on the approved projects and timing of development. The 2022 budget for SNIP TIGs is \$2.2 million. It is anticipated this amount will increase annually based on existing and anticipated SNIP TIG grants through at least 2027. Estimated total Regional commitment for SNIP TIGs is over \$40 million.
- The Smart Growth RDC reduction is funded through the annual RDC grant budget. The total budget RDC grants for 2022 is \$7.8 million. Annual budget requirements vary depending on the approved projects and timing of development. Average annual Smart Growth RDC payments from 2018-2021 were \$273,447, with reductions ranging from \$23,000 to \$531,000. It is anticipated the average annual payment 2022-2027 will increase based on project completions, Smart Growth RDC reduction program extension, and the proposed Smart Growth RDC reduction transition policy.

Analysis

Background

In its October 2021 approval of the Niagara Region Incentive Policy (PDS 31-2021) as amended, Regional Council provided two specific directions regarding incentive expiration dates:

1. a) That the current Regional Tax Increment Grant and Smart Growth Development Charge programs be maintained in municipal Community Improvement Plan (CIP) districts until October 1, 2024, or until new programs are approved by Regional Council that further support municipal CIP Districts with criteria that supports residential intensification, employment enhancements and brownfield remediation;
2. That staff PROVIDE sunset clause policies for currently approved programs that include reasonable expiration dates.

Incentives with Mandated Expiration Dates

In item 1(a) above, Council directed that the SNIP Property Rehabilitation and Revitalization Tax Increment Grant (SNIP TIG) and the Smart Growth RDC reduction remain operative through October 1, 2024, or until new programs meeting certain criteria are approved by Council. Options for new programs with the criteria indicated by

Council were not approved in 2021. This report addresses the need to clarify implications of Council's extension of the SNIP TIG and Smart Growth RDC grants for program partners and participants. Appendix 1 outlines proposed timelines and transition policies for these two programs.

- (1) **SNIP TIG** – This program will have an expiration date of October 1, 2024 for submission of complete applications, with sunset clauses as outlined in individual agreements between the local municipality and applicant for each project.
- (2) **Smart Growth RDC grant** – This program will have an expiration date of October 1, 2024 for receipt of complete applications OR execution of a transition agreement with Niagara Region. Applications received prior to August 31, 2022 will be processed under the existing Smart Growth RDC program outlined in Schedule E of the Regional DC bylaw (2017-98). This report proposes Council approve the delivery and transition of this incentive under the parameters outlined here from September 1, 2022 until the expiry date of October 1, 2024 mandated by Council through PDS 31-2021. Criteria for a transition agreement for this grant include the following:

To qualify for the Smart Growth RDC reduction of a maximum of 50% of the Regional DC payable after demolition credits are applied, a project must be located within the Designated Exemption Areas indicated in Appendix 2 OR be a brownfield development located within the in the urban area of a local municipality as defined by the Regional Official Plan, AND by October 1, 2024:

- Have met with Regional staff to discuss a preliminary assessment under the Smart Growth RDC program. Assessment will be based on the Smart Growth criteria in place at the time of the assessment, which may be amended.
- Have obtained a building permit and initiated construction for the development.
- Have entered into a Smart Growth RDC transition agreement with Niagara Region.

Projects meeting these criteria will be subject to the following program parameters:

- Under the Smart Growth RDC program, applicants are required to pay all DCs at the time of building permit issuance. Any eligible reduction of RDCs is paid after confirmation that program criteria have been met.
- Projects must be completed by the date indicated in the transition agreement or within five years of execution of the transition agreement, whichever is first.
- Complete applications must be submitted within one month of project completion.

As noted above in PDS 31-2021 item 2, Council directed “That staff PROVIDE sunset clause policies for currently approved programs that include reasonable expiration dates.” These “currently approved” programs include the following SNIP incentives: Affordable Housing, Agricultural Feasibility Study Grant, Agricultural Buildings and Facilities Revitalization Tax Increment Grant, Façade and Building Improvement Grant, Heritage Restoration and Improvement Grant, Community Improvement Plan/Secondary Plan Grant, Public Domain Grant, Residential Grant, Environmental Assessment Study Grant, Brownfield Tax Assistance Program Grant. Two of these 10 programs either have never been operative (SNIP Affordable Housing) or have been replaced by another program (SNIP Public Domain was replaced in 2016 by the Public Realm Improvement Program).

Recommendations for sunset and expiry options were put forward by staff during consideration of PDS 31-2021 and related report PDS 37-2021. With these deliberations as background, Appendix 1 outlines proposed expiry dates, sunset clauses, transitions and related information regarding SNIP programs with no expiration dates otherwise directed by Council.

In summary, it is recommended that:

- The SNIP incentives Affordable Housing Grant, Agricultural Feasibility Study Grant, Environmental Assessment Study Grant, Façade and Building Improvement Grant, Heritage Restoration and Improvement Grant, Public Domain Grant, and Residential Grant have an expiration date of October 1, 2023 for submission of complete applications, with a sunset clause of October 1, 2024 for completion and invoicing of all projects
- The SNIP Agricultural Buildings and Facilities Revitalization Tax Increment Grant, Brownfield Tax Assistance Program (BTAP) Grant, and Community Improvement Plan/Secondary Plan Grant have an expiration date of October 1, 2023 for submission of complete applications, with sunset clauses as outlined in agreements and approval letters for each project

These dates are proposed as they take into account: Council’s mandated expiration date of October 1, 2024 for the SNIP TIG and Smart Growth RDC reduction; Council discussion of other program timing options during the incentive review process; Council direction regarding ongoing incentive program delivery; the nature and timing of projects in these programs; and the need to confirm clear, reasonable dates as quickly as possible to support project planning and funding by partners and stakeholders. Further considerations regarding these proposed dates are outlined below.

Rationale

Clear, reasonable timelines and transitions are vital for incentive providers and recipients to effectively plan and budget. Council mandated specific expiry dates for two incentive programs (the SNIP TIG and Smart Growth RDC reduction) but requested that staff provide recommendations for expiry dates and sunset clauses for the remaining SNIP programs. Previous reports identified a number of timeline options for incentive programs, and discussions around these timelines in conjunction with additional direction by Council including to “REVIEW and REPORT to Regional Council prior to October 2024 on the effectiveness, challenges and any recommended changes to the Region’s Incentive Programs, after consulting with the local area municipalities” have been taken into consideration in putting forward the proposed dates in this report.

These proposals:

- provide clear and reasonable timelines for developers and local municipalities to apply for and complete projects, to enhance project planning and financing
- provide sunset clauses in alignment with most local municipal programs and with average completion rates for most program projects
- provide timely information for local municipalities working to update their CIPs and incentive programs
- align with Council direction to provide expiry dates and sunset clauses for these programs, and to target incentive spending by redirecting program funding into priority areas
- provide time for staff to collate data and fulfill Council direction to review, engage with local municipalities and report on incentives by October 2024 while continuing to deliver existing and new Regional incentive programs

Though there are advantages and disadvantages to earlier or later dates, many of them have been discussed previously and have not been accepted by Council. The proposals here are recommended as providing the most reasonable dates with the greatest number of overall advantages while still providing opportunity for continued program delivery and preparation for additional program review.

Next Steps

If approved by Council, this report will be circulated to local municipalities, and Regional staff will also communicate timelines and transition policies through meetings with local municipal staff partners and on the Regional website.

Alternatives Reviewed

Several alternatives regarding expiry dates and sunset clauses for incentive programs were considered by Council during incentive review deliberations in 2021. The options put forward here take into account Council's comments and actions during those deliberations and provide the strongest alternative per Council direction to put forward expiry and sunset clause dates and for staff to continue administering parallel sets of incentives while preparing to consult with local municipalities, review, and report to Council on the effectiveness and recommendations for Regional incentives.

Relationship to Council Strategic Priorities

The recommendations in this report support the following Council strategic priorities:

Priority 1: Supporting Businesses and Economic Growth

- Objective 1.1: Economic Growth and Development

Priority 4: Sustainable and Engaging Government

- Objective 4.1: High quality, efficient and coordinated core services
- Objective 4.2: Enhanced Communication
- Objective 4.3: Fiscally Sustainable

Other Pertinent Reports

- Regional Development Charges By-law 2017-98
- PDS 31-2021 Niagara Region Incentives Policy
- PDS 37-2021 Regional Incentives Information and Alternatives

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Appendices

Appendix 1 Regional Incentive Dates

Appendix 2 Designated Exemption Areas for Smart Growth RDC Reduction Eligibility