
Subject: Grants and Incentives Review

Report to: Committee of the Whole

Report date: Thursday, September 5, 2019

Recommendations

1. That staff **BE DIRECTED** to develop incentive programs under the categories:
 - affordable/rental housing
 - brownfield remediation
 - employment growth in key sectors
 - quality of life/public realm;
2. That recommendations to repurpose Niagara Investment in Culture funding to the incentive program categories above and to not reinvest in Waterfront Improvement and Smarter Niagara Incentive Simple Grants **BE REFERRED** to the 2020 budget process;
3. That staff **BE DIRECTED** to not approve or partner with any new CIPs or incentive programs until such time as Regional Council approves incentive programs under the categories above;
4. That staff **BE DIRECTED** to advise Local Area Municipalities on the direction of the incentive programs prior to bringing recommendations back to Regional Council; and
5. That this report **BE CIRCULATED** to Local Area Municipalities.

Key Facts

- The purpose of this report is to provide information on the 19 Regional grants and incentive programs currently under review (Appendix 1), and to obtain Council direction to develop new incentive programs.
- Niagara Region offers a range of grant and incentive programs administered by Planning and Development Services, Finance, and Economic Development which serve a sizable and diverse number of stakeholders.
- Most Regional incentives involve matching funding with applicants, who in the majority of programs are Local Area Municipalities.
- There have been continual and significant increases in the number of programs, partners, and requests for Regional funding since the establishment of the first incentives in 2002. The programs under review were created at different times,

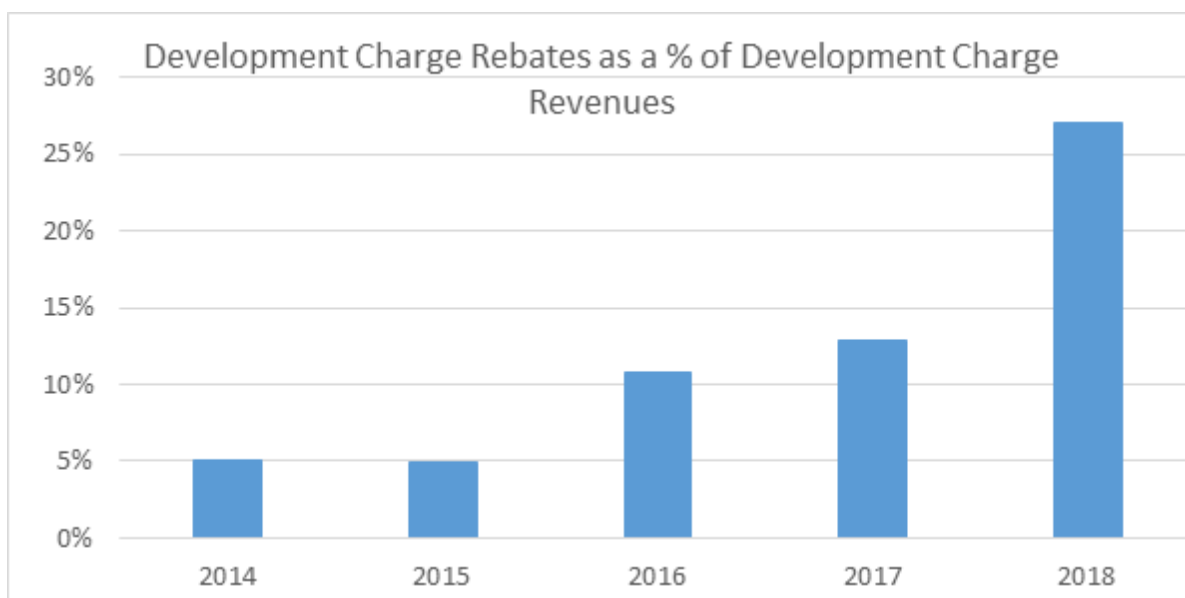
under different economic and regulatory environments. Their objectives, resourcing and parameters still largely reflect needs and contexts at the time of their creation.

- The current review is the first comprehensive examination of Regional incentive programs. The purpose of the review is to ensure that Regional incentive programs align with Regional Council priorities and are clear, current, accountable and effective.
- Key steps in the Regional incentive review to date include process and value-for-money audits of incentives, stakeholder engagement, and development of incentive options including the recommendation provided here by a Regional interdepartmental Working Group.

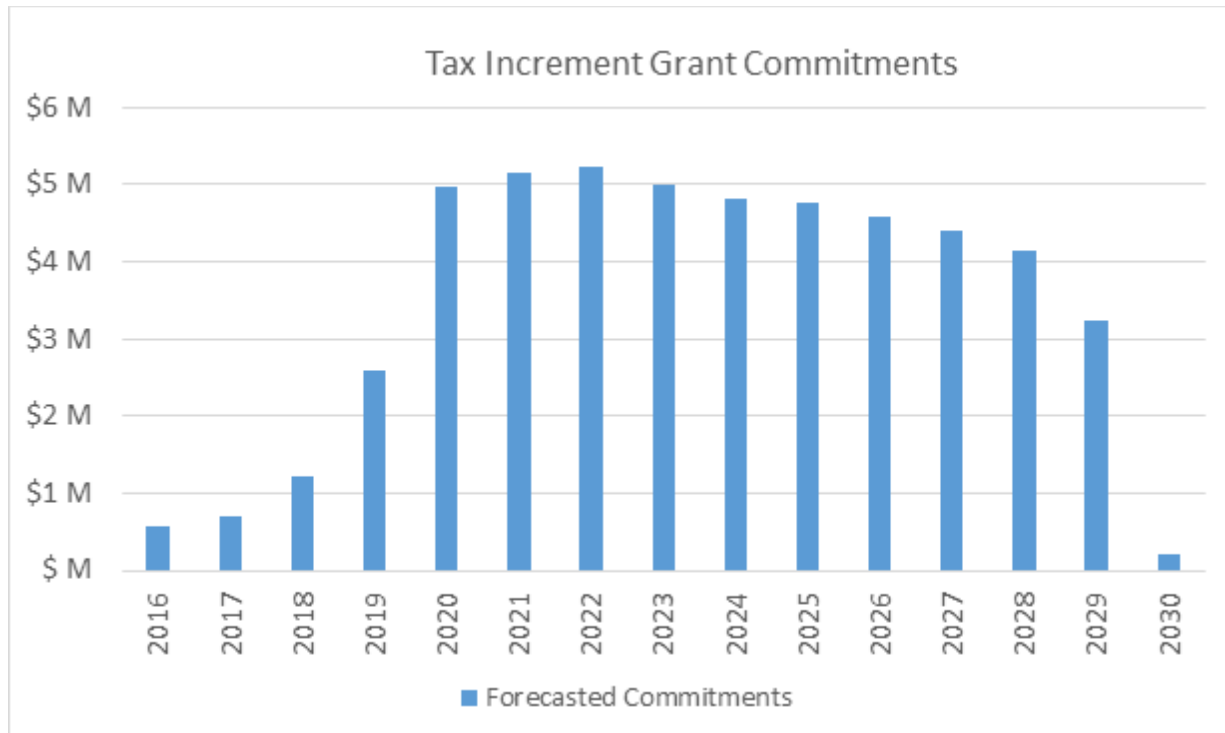
Financial Considerations

The budget for existing Regional incentives currently under review is \$7.8 million for 2019. It funds the following programs: development charge rebates (\$5.3M), Niagara Investment in Culture (\$0.3M), Public Realm Investment Program (\$0.3M), Smarter Niagara Incentive Program tax increment grants (\$1.6M) and Gateway CIP tax increment grants (\$0.3M)

The Public Realm and Investment in Culture programs have base funding which can be committed each year. Development Charges (DCs) are also committed each year, but the discretionary programs are locked in under the Regional DC By-Law which is not best practice. The DC By-law expires August 2022 (potentially sooner due to Bill 108). The 2019 DC rebate budget is \$5.3 M and there is inadequate budget to meet demands of by-law programs.



Tax Increment Grants under the Smarter Niagara and Gateway CIP programs are a refund of taxes on assessment growth directly related to development, and are usually 5-10 years in duration. Therefore this base funding is a multi-year commitment and it is not available to fund new commitments until current agreements expire (starting in 2023). The current Regional commitment for these grants is \$46.5 M from 2020 to 2030 (the 2019 budget is \$1.873 M) not including pending new commitments.



Recommendations to repurpose and allocate funding to align with a new incentive strategy will be included in the 2020 budget process. Recommendations include repurposing Niagara Investment in Culture funding (\$0.3M), and removing the reinvestment in Waterfront Investment Program (\$0.9M) and Smarter Niagara Incentive Program simple grant funding (\$0.6M) both of which are currently without base funding.

Analysis

Existing Incentive Programs

This report focuses on 19 incentive programs administered by the Planning and Development Services, Finance, and Economic Development departments (Appendix 1) which are currently under review. These programs are designed to support a wide range of initiatives including brownfield study and remediation, residential and mixed use development, agriculture, culture, heritage, industrial development, employment,

streetscaping and public realm improvement, façade improvement, and waterfront development and access.

Since the first program was established in 2002, the number of Regional incentive programs has significantly expanded, resulting in a lack of consistency and clarity with regard to their budgeting, implementation and monitoring. Many of these Regional incentives were originally designed for economic and regulatory climates very different from the current environment. Regional incentives have evolved to relate far more to local than Regional core business, and increasing exceptions to Regional practices result in inconsistent allocation of resources and issues with equity and clarity.

The Region now matches funding in more than 70 different local programs, and this number and diversity challenge the administration of Regional funding. Perhaps most importantly, critical changes over the last seventeen years mean that projects now receive incentives which do not require them: in many cases, the work would have gone forward without Regional incentive funding.

Though there have been periodic updates and improvements to some programs, a comprehensive review was warranted to ensure Regional incentive programs align with current Regional priorities, reflect the current economic climate and growth management goals, promote economic prosperity, generate meaningful return on investment, are adequately resourced, and embody greater transparency, accountability and efficiency.

An interdepartmental working group was tasked with providing recommendations to Council on the optimal way to move forward with incentives. After careful deliberation, the option which determined to provide the greatest impact while reflecting the values of sustainability, consistency, transparency and alignment with Regional priorities was to specifically target Regional incentive funding in four categories: affordable housing, brownfields redevelopment, employment, and public realm.

These categories align with Council priorities and would encourage projects with true Regional benefit and scope. These categories also reflect serious, ongoing needs in Niagara and successes on these fronts would have significant social, economic and environmental impact. Clear, consistent and sustainable programs could be quickly developed from effective models to accomplish measurable goals in these areas. Funding from existing programs could be efficiently repurposed to each target area to optimize return on investment.

Alternatives Reviewed

Options have been considered ranging from an enhanced status quo to putting all incentive funding toward a single, high-need project area like affordable housing to suspending incentives entirely and earmarking their funding for priority projects such as

Regional infrastructure. None of these options effectively accomplished the goals of the review and incentive improvement outlined above.

Relationship to Council Strategic Priorities

This report relates to all four Council Strategic Priorities -- Supporting Businesses and Economic Growth, Healthy and Vibrant Communities, Responsible Growth and Infrastructure Planning, and Sustainable and Engaging Government.

Other Pertinent Reports

PDS 42-2017 Overview of 2018 Incentive Review
PDS 31-2018 Regional Incentive Delivery and Eligibility in 2019
PDS-C 19-2018 ICOP Phase 1 Audit Report on Regional Incentive Review
PDS-C 31-2018 ICOP Phase 2 Audit Report on Regional Incentive Review
PDS-C 38-2018 Local Municipal Responses to Incentive Review Audit Report

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Appendices

Appendix 1 List of Regional Incentive Programs under Review

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