

February 12, 2018

City Council Meeting

# **Downtown, Brownfield and Heritage Grant Performance Monitoring: 2010-2017 and Potential CIP Review Directions**

# Agenda

## Purpose of the Report:

- **Background on Tax Increment Based Grant (TIBG) & TIBG Reserve**
- **5 Year Performance Review of Downtown and Brownfield Redevelopment Community Improvement Plans (CIP)**
- **Draft Directions for update of CIPs and financial approach**

# Meeting Purpose

*To provide the background to the Downtown & Brownfield CIPs coming up for renewal.*

*To provide background to TIBG Reserve which supports CIPs and Heritage Redevelopment Policy.*

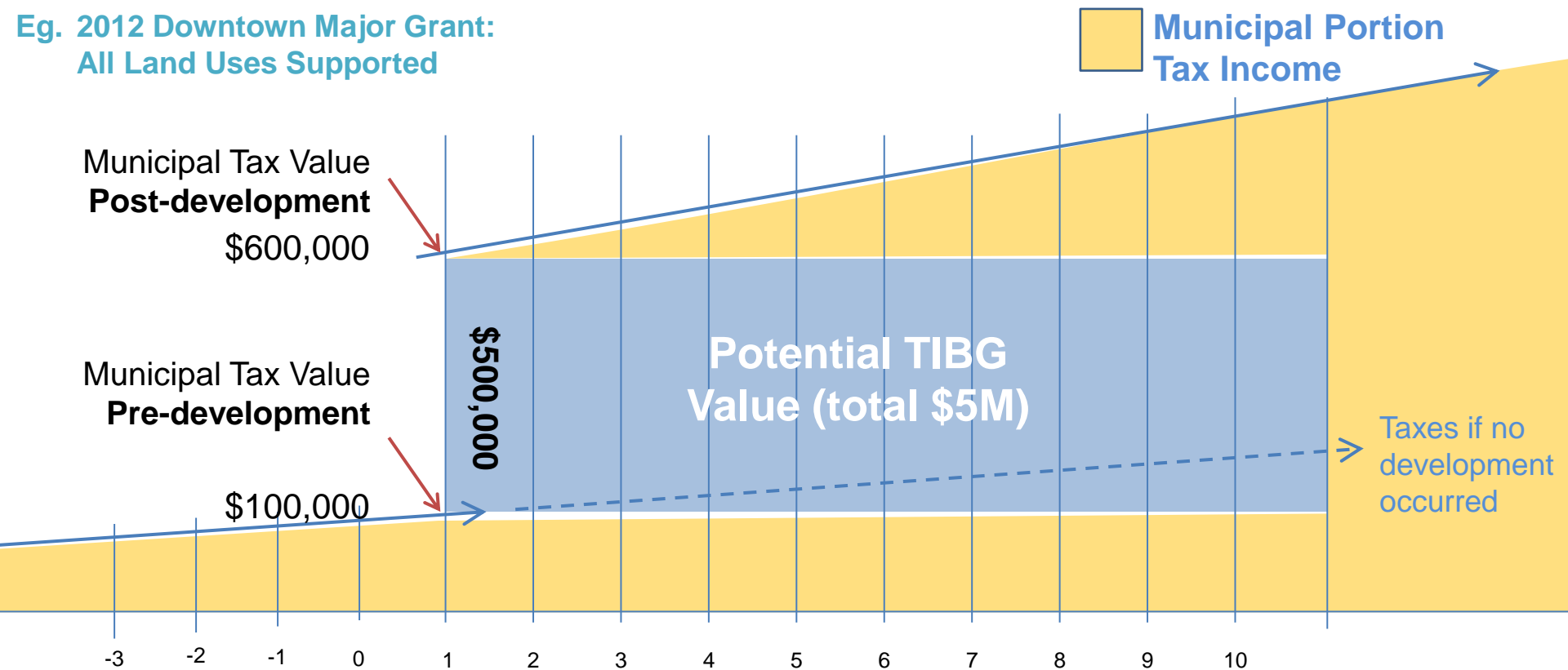
*To provide time for feedback on CIP update direction.*

# Program Summaries:

	Downtown	Brownfield	Heritage
<b>Type:</b>	Community Improvement Plan (CIP)	CIP	Council Policy
<b>Purpose:</b>	To stimulate private sector investment towards meeting Downtown Secondary Plan targets.	To incentivize the redevelopment of contaminated properties.	To encourage the redevelopment of protected heritage properties.
<b>Programs Available:</b>	<ul style="list-style-type: none"> <li>• Feasibility Study</li> <li>• Façade Improvement</li> <li>• Renovation</li> <li>• Major Redevelopment (TIBG)</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Study</li> <li>• Tax Assistance during remediation</li> <li>• Remediation Assistance (TIBG)</li> </ul>	<ul style="list-style-type: none"> <li>• Redevelopment of Ontario Heritage Act protected resources (TIBG)</li> </ul>
<b>Scope:</b>	Urban Growth Centre	City-wide	City-wide
<b>Established:</b>	2010 2012 Major Amendment	2004 2012	2007
<b>Renewal Required:</b>	2017	2017	No fixed date

# What is a Tax Increment Based Grant?

Eg. 2012 Downtown Major Grant:  
All Land Uses Supported



-3      -2      -1      0      1      2      3      4      5      6      7      8      9      10  
 ↑      ↑      ↑      ↑      ↑  
**TIBG is approved**      **Construction starts**      **Project is complete**      **Project is reassessed**

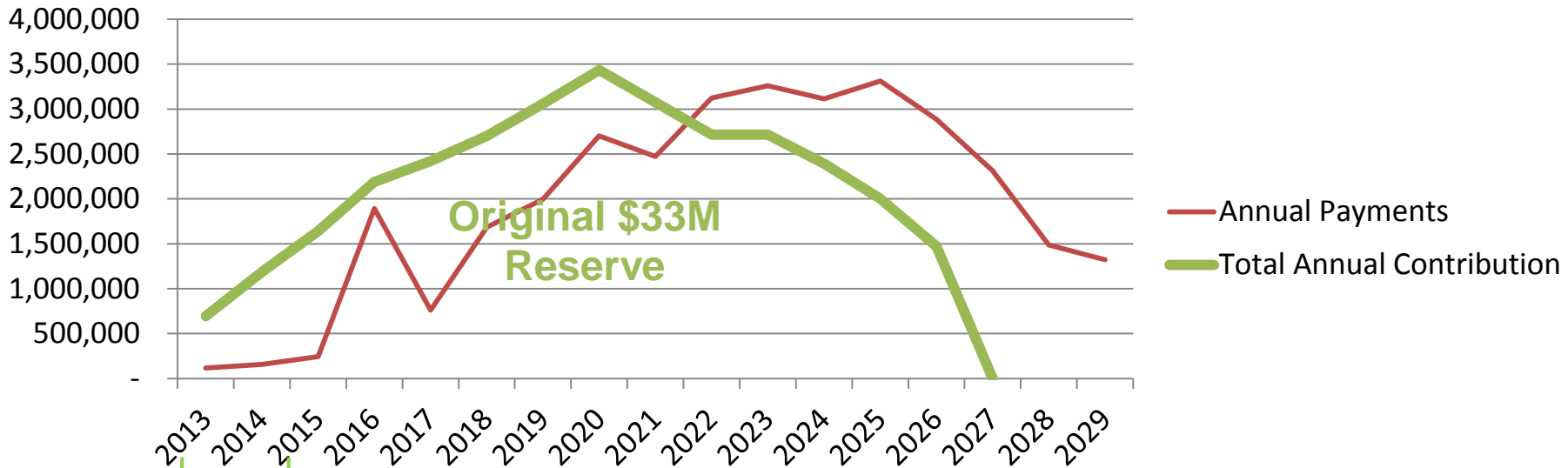
- The payment is a grant, following the completion & reassessment of the project
- It takes about 4 years from approval to first payment
- All taxes are paid – we pay the grant separately through the TIBG Reserve
- The grant is based on the City tax portion only
- TIBGs only work where the property pays taxes

## TIBG Reserve

- Approach developed and approved in 2012 given the scale of the programs contemplated
- Need for tax rate stability & funding transparency
- \$33M fund cap established (\$17M BF, \$12M DT, \$4M Heritage)
- Peak Reserve contributions of \$3.5M in 2021 running down to \$0 in 2027

# TIBG Reserve Status

## Current Approved Commitments

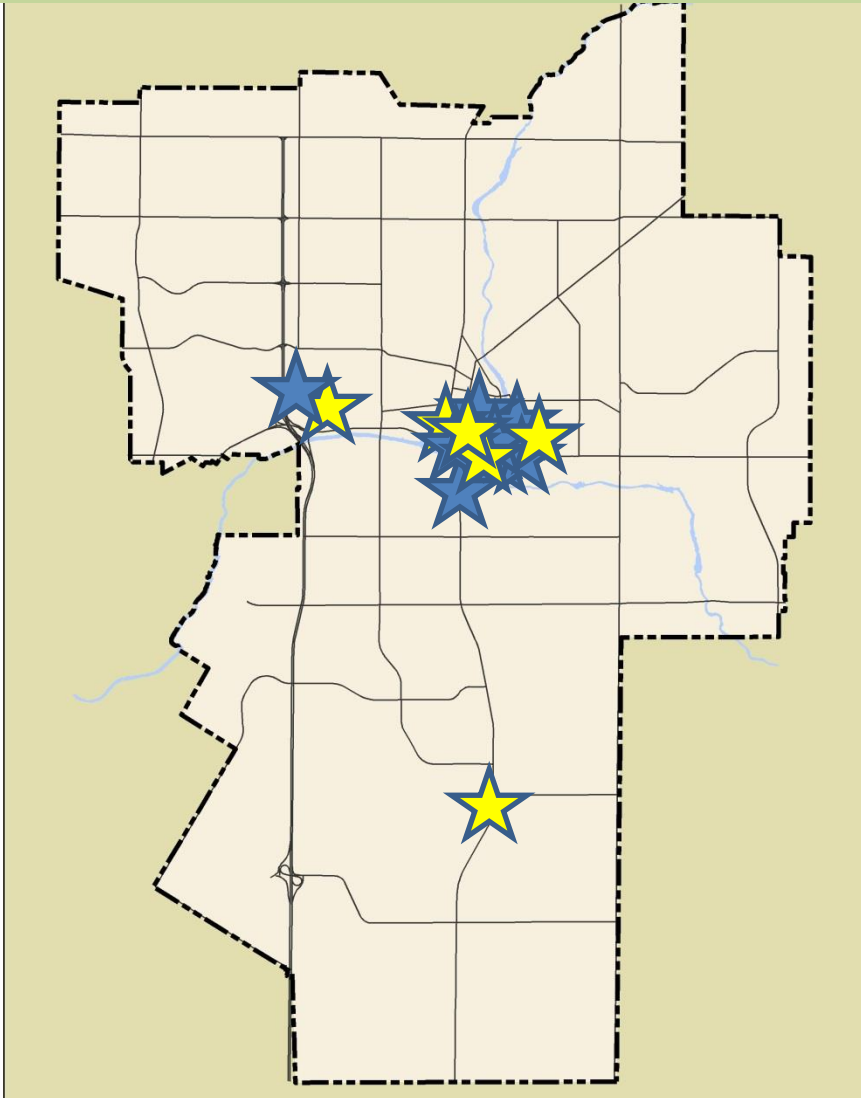


←→  
 Program Awards  
 2012-2015

**This is what it looks like:**

- Reserve build-up and payment profile shown
- Long term arc based on grants being 10 years long
- Most of the funding committed within the first two years

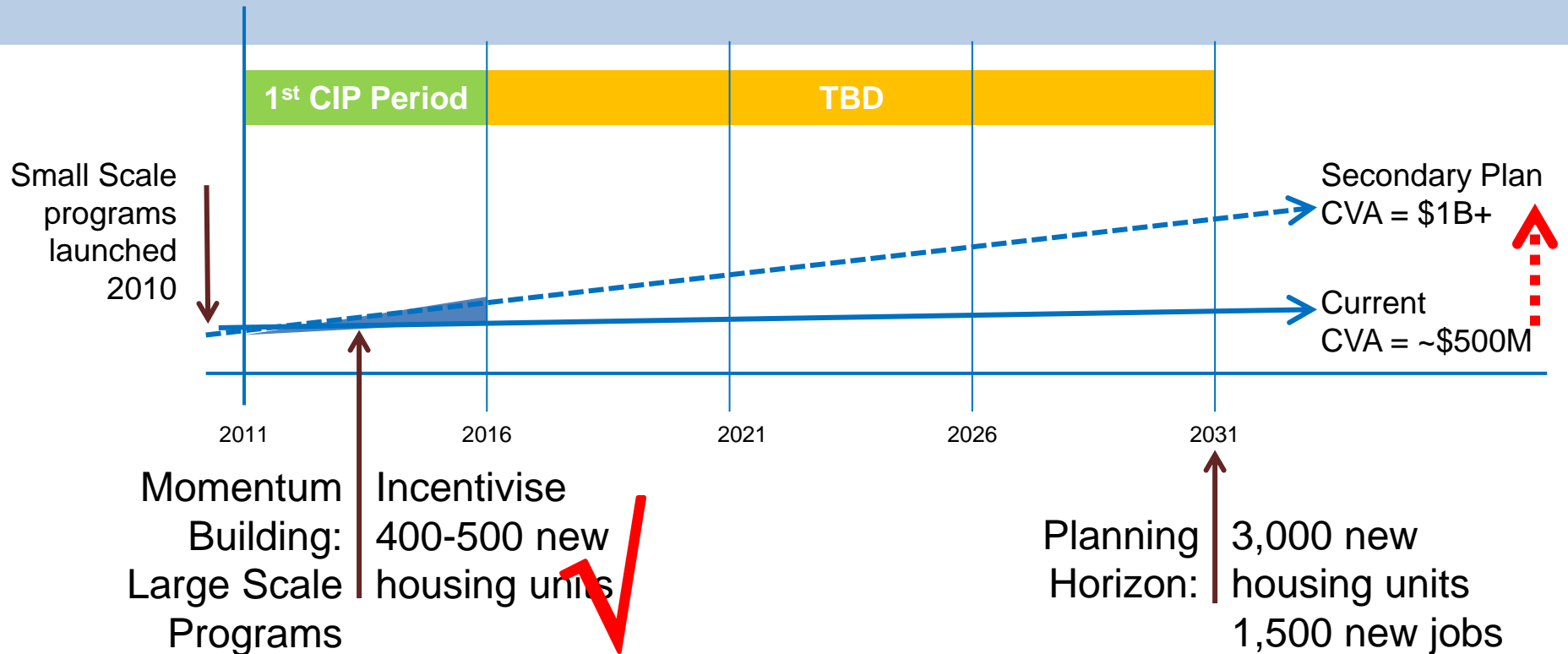
# Brownfield Awards:



- The Brownfield CIP is city-wide
- Over 400 sites originally estimated
- Sites tend to centre around older built-up areas, but not always
- As a groundwater-based community we want to encourage as many of these sites to be addressed as possible



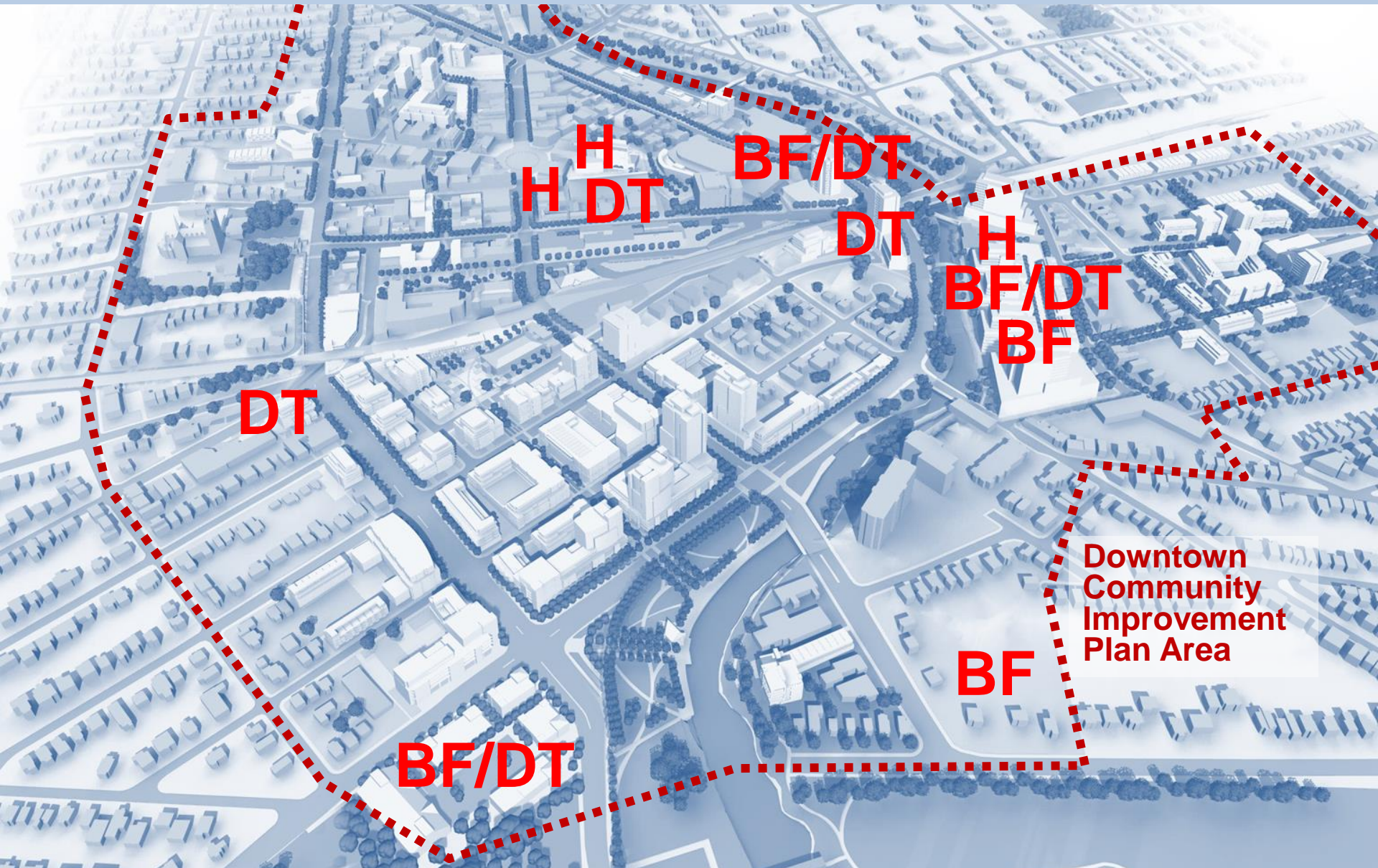
# The 2012 Downtown CIP Strategy:



- Prior to DSP & CIPs there had been no private development in downtown in 20 years
- Eligible costs relate to site challenges identified in studies and sector interviews: structured parking, off-site infrastructure, etc.
- All projects pay their DC's, Fees and Parkland contributions = city-wide equal treatment
- The long range goal is to transform assessment value through economic intensification

# Downtown TIBG Projects:

Each downtown site is unique and can be a mix of Heritage, Brownfield and Downtown eligibility



DT

H  
H  
DT

BF/DT

DT

H  
BF/DT  
BF

BF/DT

BF

Downtown  
Community  
Improvement  
Plan Area

## 2010-2016 Downtown CIP Delegated Program Activity

	Applications Received	Applications Approved	Applications Executed	Executed Projects Application Value (\$)	Total CIP Grant Value (\$)	Leverage (Public\$ to: Total\$)	Development Activity Supported	Assessment Impact
<b>Feasibility Study Grants (2010-2014)</b>	<b>6</b>	<b>4</b>	<b>3</b> -1 cancelled	<b>\$40,248</b>	<b>\$14,950</b>	<b>1 : 2.6</b>	<b>Studies</b>	<b>N/A (1)</b>
<b>Façade Improvement Grants (2010-2014)</b>	<b>113</b>	<b>73</b>	<b>60</b> -13 cancelled	<b>\$2,133,897</b>	<b>\$627,934</b>	<b>1 : 3.4</b>	<b>Exterior Facades &amp; Signage</b>	<b>N/A (1)</b>
<b>Minor Activation Grants (2012-2016)</b>	<b>27</b>	<b>6</b>	<b>5</b> -1 cancelled	<b>\$2,337,934</b>	<b>\$443,800</b>	<b>1 : 5.3</b>	<b>0 residential units</b>  <b>41,000 sqft of Commercial /Office space</b>	<b>Average 61% assessment increase 2012-2016 (12%/yr vs. 5% city-wide)</b>
<b>Budget Totals:</b>				<b>\$4,512,079</b>	<b>\$1,086,684</b>	<b>1 : 4.2</b>		

(1) correlation of façade and study grants to individual MPAC assessment change is not identifiable against the general growth trend



# Downtown CIP – Delegated Programs

## How'd we do?



***31 Gordon  
Red Lion Inn***

***10 Wyndham  
Van Gogh's Ear***



# Downtown CIP – Delegated Programs

## How'd we do?



*Petrie Building*



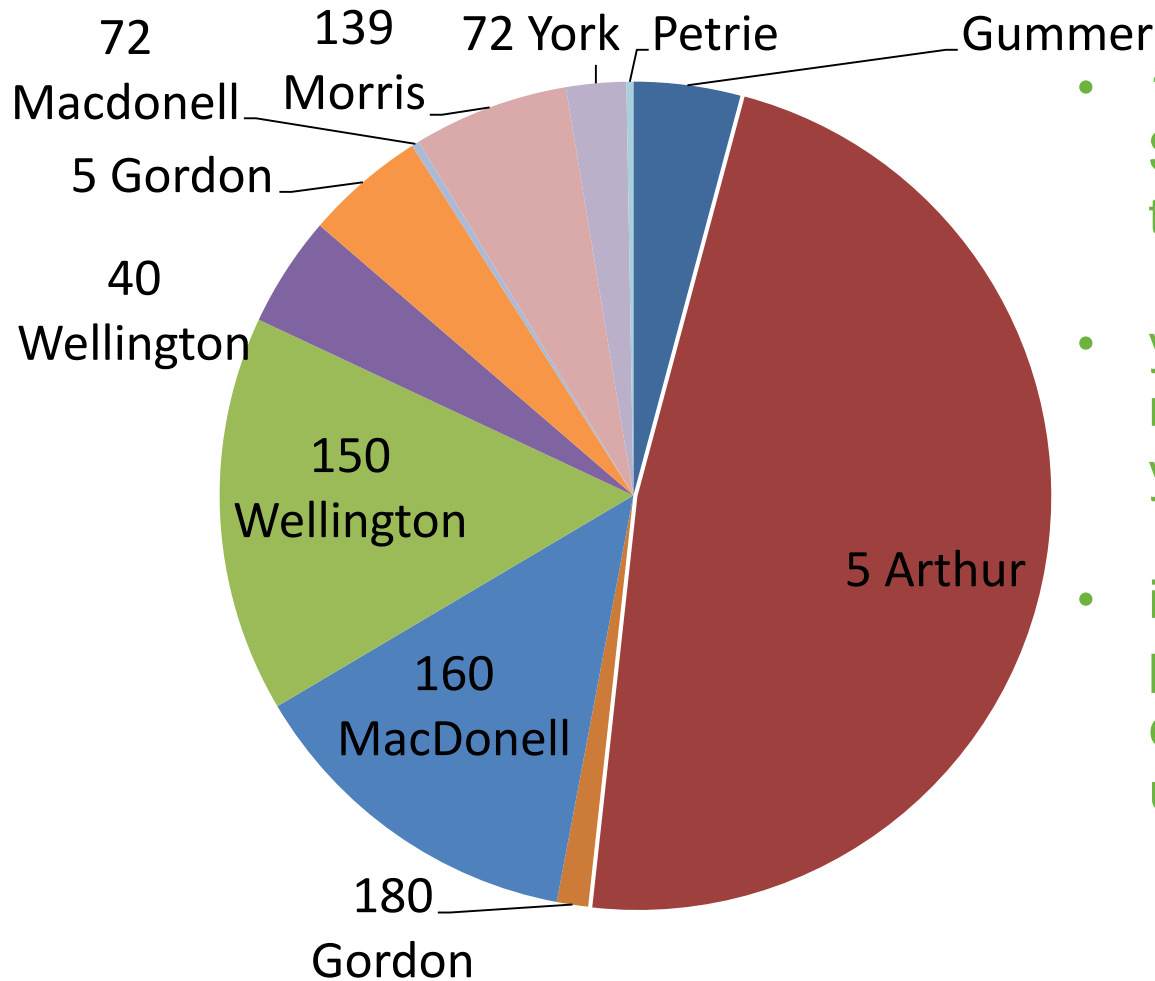
*10C/Ackers*

## Downtown + Brownfield CIPs & Heritage

**RETURN ON INVESTMENT** *once fully built*  
*Results of the \$32.5M TIBG Reserve funded projects:*

- \$316M Construction Value leveraged** *(private 10 times larger)*
- \$293M MPAC Assessment Value created** *(9 times existing)*
- \$3.4M City Tax Income created** *(65% more compared to 2012)*
- 827 Residential units supported** *(exceeded target!)*
- 16,000m2 Commercial/Office space developed** *(331 jobs estimated)*
- 4 Designated sites redeveloped** *(10% added to downtown)*
- 29ha Brownfields remediated** *(7 sites)*

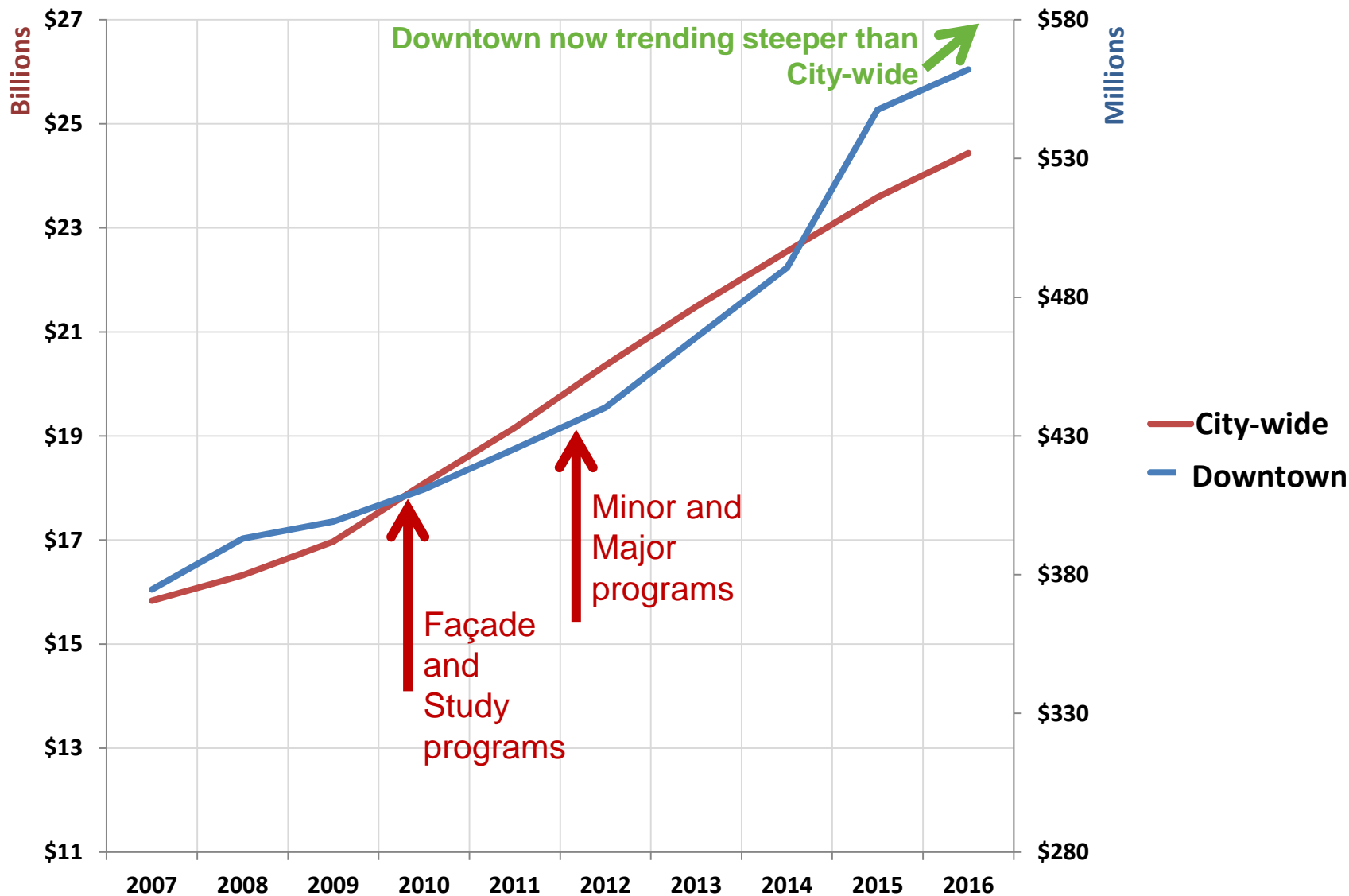
# Increase in Taxes from TIBG projects once all are complete, \$3.2M annually



- 12 projects supported by \$32.5M of TIBGs across three programs
- yields \$3.2M increase in municipal taxes every year
- includes completed project actuals and estimates for those underway

# Downtown assessment growth is now trending steeper than City-wide:

## Phased-in Assessment Value, 2007-2016



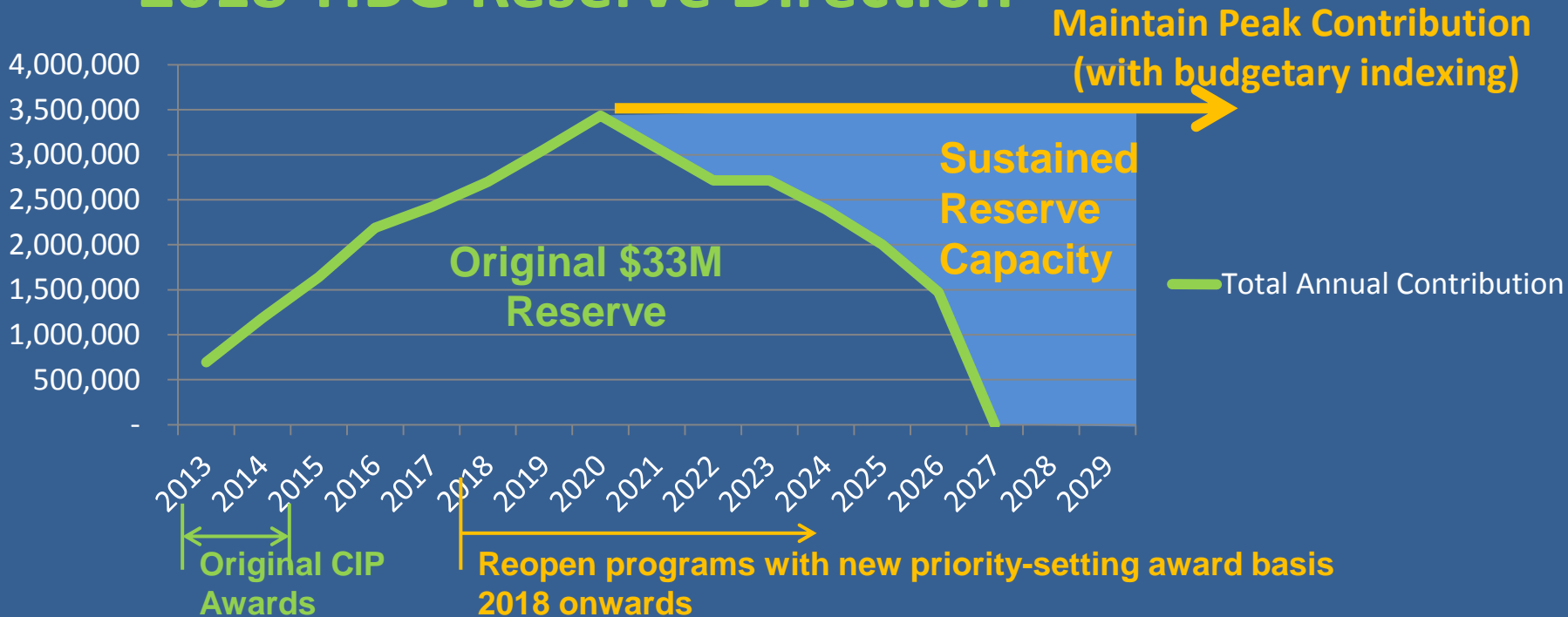


# Draft Directions for Discussion...

- **Address financial capacity**
- **Address CIP administrative issues**
- **Review and recalibrate Downtown strategy**

# Address financial capacity:

## 2018 TIBG Reserve Direction



- Reconfiguring a one-time 5 year program to a long-term sustainable redevelopment fund
- Long-term sustainable funding = Better Strategic Investment
  - program design to support long-term strategic projects that will most benefit the City
  - reliability and stability in the program better supports the development community
  - longer time horizon offers more flexibility in program design to meet changing needs
- Financial capacity opens up beyond 2021 to allow new application process to start in 2018

# Address Administrative Issues:

## Regularize Tax Increment

- Current programs offer different number of years and formulas available to calibrate value towards eligible costs.
- Create consistency in the programs.
  - *This avoids conflicts created by current programs*

## Add DC Deferral Option

- Allow TIBG programs to offer deferral and payment of DCs with interest through the tax-increment grant. This is a major improvement!

## Priority Setting & Flexibility

- Consider framework for awarding highest value projects
- At the same time be open to opportunities and not 'closing' priority programs due to lack of Reserve

## **PRIORITY MODEL ISSUES:**

- **Considering hard partitions between programs, with Brownfield in particular being more flexible to opportunities, and Downtown working within a cap that awards best projects that address established priorities**
- **With the sustained reserve model we have the ability to more flexibly react to applications**
- **We want to more regularly engage Council in the oversight of this significant program**
- **The programs need to enable clear decision making and clear communication with the development community**

# Downtown Recalibration:

## **DOWNTOWN CIP:**

- Market conditions have changed in Downtown over the 5 years
- Recommendations need to be 'data driven' towards the most effective investment strategy

## **Delegated Programs (Study, Façade, Minor)**

- Maintain and update the administrative details
- Separate funding for Study Grants to be more proactive
- Prevent 'one large project' swamping the competition
- Build case for more renovation funding over coming budgets

## **DOWNTOWN CIP, cont...:**

### **Major Activation Grant (TIBG)**

- **Focus on NON-RESIDENTIAL: Jobs and Innovation**
  - Metrolinx investments coming (jobs support Major Transit Hub)
  - Non-residential DCs are falling for of projections
- **Reduce incentive for RESIDENTIAL**
  - 2031 Growth Target remains a challenge
  - Retest market viability measurements against growth of market
  - Program always intended to phase out over time with improved market conditions.

# Next Steps:

Dates	Report
<b>March 19, 2018</b> Council Planning	<b>Public Meeting under the Planning Act</b> <ul style="list-style-type: none"><li>• Recommendations presented on program changes</li></ul>
<b>May 14, 2018</b> Council Planning	<b>Decision Meeting and Bylaw</b> <ul style="list-style-type: none"><li>• Bringing final versions of CIPs based on comment period</li><li>• Financial Implications supported</li><li>• Adopting enabling bylaws</li></ul>

# Questions