



Subject:	Community Improvement Plan Review-Draft Incentive Programs
To:	Committee of the Whole – Planning & Economic Development
From:	Office of The Chief Administrative Officer

Report Number:	AD-02-22
Wards Affected:	All
Date to Committee:	February 28, 2022
Date to Council:	March 7, 2022

Recommendations:

Council receive for information, Report AD-02-22 regarding the draft Community Improvement Plan incentive programs attached as Appendix B; and

Council direct staff not to accept or approve any Community Improvement Plan applications within the Beamsville, Vineland and Mixed-Use Community Improvement Plan Project Areas until a new Community Improvement Plan is approved by Council; and

Council direct staff not to accept or approve any Community Improvement Plan applications within the Industrial and Rural Community Improvement Plan Project Areas until the financial analysis is completed.

Purpose:

The purpose of this report is to provide Committee and Council with summary of the initial public and stakeholder consultation on the Town's Community Improvement Plan (CIP) review and incentive programs. This report recommends changes to the existing incentive programs within the Beamsville, Vineland and Mixed-Use CIPs. Lastly, this report also recommends new incentive programs to encourage the construction of affordable housing, more specifically, affordable rental housing.

Background:

Since the initial adoptions of Lincoln's CIPs, Council has approved several new strategies, policies, and plans, to help shape Lincoln as a place to grow, prosper, and belong. The review and recommended changes to our CIPs must align with these strategies, policies, and plans, as well as Council's priorities, while being fiscally responsible, as the residents of Lincoln want to ensure there is a benefit and tangible result to our investment.

Staff held a CIP workshop with Council in July 2021 which provided an overview of CIPs and case studies of how other municipalities use them. This workshop was conducted by Lauren Millier from MDB Insights and supported by staff.

On Oct. 6, 2021 Staff presented Report AD-21-21, the CIP Activity and Monitoring Report. AD-21-21 reported on the CIP activity and key performance indicators (KPIs) for the applications that have been approved and completed as of Dec. 31, 2020. AD-21-21 also provided information on the process for the Council directed review which was made on Dec. 21, 2020 with further direction provided on May 31, 2021 through a notice of motion which directed that the CIP review reflect the needs of the community, provide information on CIP incentives of other municipalities, review best practices, and include a financial analysis.

AD-21-21 was the first step in the review process in order to evaluate and review the performance of the existing programs. The next steps in the review process and which are the subject of this report include:

- Background research including review of other municipal CIPs and best practices (benchmarking and analysis).
- Summary of public and stakeholder consultation from the public and stakeholders regarding CIPs through the surveys on the Speak Up Lincoln CIP Project Page.
- Preparation of draft incentives, including any changes to funding.

Where changes are made to a CIP or where a new CIP is prepared, the process must follow the minimum requirements set out in the Planning Act. The next steps in the process, which will be the subject of further reporting to Committee and Council, include the following:

- Financial analysis of the budget and draft incentive programs and funding.
- Public, stakeholder and agency consultation regarding the draft incentives and funding.
- Preparation of draft CIP to replace the 3 existing CIPs.
- Circulation of draft CIP to stakeholders, agencies, the public.
- Formal public meeting as per the requirements of the Planning Act.
- Finalization of the CIP and approval by Council.
- Updating of administrative procedures and forms.

Report:

Community Improvement Plan Incentive Program Comparison

Staff undertook a comparison of the Town's CIPs and 28 other municipal CIPs. The 28 CIPs include 9 municipalities in the Region of Niagara, municipalities adjacent to and/or in close proximity to the Town and municipalities that had specific incentive programs for affordable housing. The 10 most prevalent incentive programs included in those CIPs is listed in Table 1 below.

Table 1

Incentive Program	No. ¹
Tax Increment Financing (TIG)	27
Façade Improvement	24
Development Charge Reduction (DC)	20
Planning and/or Building Permit Fees	19
Affordable Housing	17
Building Improvement	17
Residential	16
Brownfields	14
Environmental Site Assessment	13
Urban Design	9

¹ Includes Lincoln

Other CIP programs included secondary dwelling units, signage, landscaping and public art. Regarding CIP incentive programs specific to affordable housing, Table 2 provides a list of those specific incentive programs found within CIPs to encourage the creation of affordable housing.

Table 2

Affordable Housing Incentive Program	No. ²
Tax Increment Financing (TIG)	14
Development Charge Reduction (DC)	10
Planning and/or Building Permit Fees	11
Additional Residential Dwellings and/or Secondary Dwelling Units	9

² Includes Lincoln

In addition to the above, some municipalities also include reductions and elimination of parkland dedication fees for the affordable units within a project.

Appendix A of this report includes a full list of the various CIPs incentive programs that other municipalities provide which include a full suite of economic development support programs to attract private sector investment and housing. Please note – as part of our analysis we identified that not very many municipalities looked at, have done the detailed analysis as part of their CIP reviews.

Best Practices and Incentive Funding Comparison

Staff were directed to review the best practices of other municipalities that had CIPs in place. The 28 CIPs reviewed were approved between 2004 and 2021 compared to the Town's 3 CIPs under review, which were approved between 2011 to 2016. Many of the older CIPs have similar requirements to the Town's 3 CIPs. Newer CIPs have evolved and include additional requirements and/or updated funding and/or new funding programs, in particular for affordable housing. Table 3 provides a summary of the evolving best practices for the incentive programs listed in Tables 1 and 2.

Table 3

Incentive Program	Best Practices	Funding Range
Tax Increment Financing (TIG)	<ul style="list-style-type: none"> • Grant percentage decreases over the term instead of a fixed percentage for the duration of the term • Limiting duration to 5 years • Percentage and duration is higher for projects which include affordable housing, brownfield lands and environmental sustainability features • Annual intake period(s) • Minimum criteria for eligibility where only those applications that meet minimum criteria will be considered, with priority being given to the application(s) that rank the highest • In addition to minimum eligibility criteria, projects must also incorporate a minimum number of environmental sustainability and design features • For commercial residential mixed-use projects, the majority of the ground floor must be used for commercial purposes • TIG grant cannot be combined with any other grant program • Minimum increase in assessment • Minimum project construction cost 	<ul style="list-style-type: none"> • Grant percentage ranges from 45% to 100% for the first year • Grant percentage ranges from 10% to 100% for the last year • Term ranges from 5 to 10 years
Façade Improvement	<ul style="list-style-type: none"> • Eligible costs typically include landscaping and design drawings • Ineligible costs include spandrel panels (fake windows), dark tinted glass, stucco unless masonry cannot be repaired and temporary items such as patio furniture and moveable planters • Façade design guidelines and/or the use of minimum criteria for eligibility where only those applications that meet a minimum number of criteria are considered for approval (e.g. design, signage, materials, minimum glazing) • Funding is limited to a single property, but is increased for properties with larger frontages • Funding is increased for designated heritage properties (The Town has a 	<ul style="list-style-type: none"> • Maximum funding ranges from \$5,000 to \$35,000

Incentive Program	Best Practices	Funding Range
	heritage grant program outside of the CIP program) <ul style="list-style-type: none"> • Minimum project cost • Maximum total grant 	
Development Charge Reduction (DC)	<ul style="list-style-type: none"> • Provision of DC grants for only affordable rental housing and limiting the grant to the affordable housing units. As per direction of Council, DC grants will only be provided for projects that are rental housing, co-op, or non-profit housing that includes affordable rental units • Deferral of DCs for brownfields and affordable housing • DC grants increase where affordable housing, environmental sustainability features and a minimum number of design features are included 	<ul style="list-style-type: none"> • 25% to 100% reduction depending on the use
Planning and/or Building Permit Fees	<ul style="list-style-type: none"> • Higher grant value for affordable housing and brownfields • Maximum total grant 	<ul style="list-style-type: none"> • 50% to 100% of fees • Maximum funding ranges from \$5,000 to \$40,000
Affordable Housing (also referred to as attainable housing)	<ul style="list-style-type: none"> • DC grants only provided for the affordable rental units or are based on the percentage of affordable rental units within the project • Deferral of DC payments for affordable rental units • Where a DC grant is provided or deferred and the unit(s) is no longer affordable, the DC grant is then payable (has to be paid) • TIG percentage decreases over the term of the TIG instead of a fixed percentage for the duration of the term • TIG percentage and duration is higher if a higher proportion of affordable units are provided • Building and/or planning fees • Reductions to cash in lieu of parkland dedication fees for the affordable units • Secondary dwelling unit (up to 2 additional units) for the creation of 	<ul style="list-style-type: none"> • TIGs range from 50% to 100% in year 1 • TIGs generally range from 5 to 10 years • DCs range from 25% to 100% reduction with an average of 70%

Incentive Program	Best Practices	Funding Range
	<p>affordable rental units which includes a maximum grant per unit</p> <ul style="list-style-type: none"> • Grant for smaller projects that include the creation of affordable rental units (generally 2 to 10 units) which includes a maximum grant per unit • Majority require the rental units to remain affordable for a minimum of 20 years (excludes secondary dwelling units) • For secondary dwelling units the unit must remain as an affordable rental unit for 5 years and the main dwelling must be owner occupied • Minimum required percentage of affordable units ranges from 10% to 50% with an average of 20% (excluding secondary dwelling units) • Affordable housing units created cannot be used for short-term accommodation (excludes transitional housing) • Where assistance is provided to renters to purchase a dwelling, if the dwelling is sold before the specified time period, they must pay a percentage of the dwelling's current market value and/or the initial grant assistance 	
Building Improvement	<ul style="list-style-type: none"> • Funding is limited to a single property (only 1 application per property) • Funding is increased for designated heritage properties (The Town has a heritage grant program outside of the CIP program) • Minimum project cost • Maximum total grant 	<ul style="list-style-type: none"> • Maximum funding ranges from \$4,000 to \$30,000
Residential	<ul style="list-style-type: none"> • Dollar value per floor area up to a maximum dollar amount per unit • Maximum number of units (generally 4 to 6 units) • Maximum total grant • Allocation of this grant to only affordable rental units 	<ul style="list-style-type: none"> • Maximum funding ranges from \$4,000 to \$20,000 per unit
Brownfields	<ul style="list-style-type: none"> • Cancellation of tax increase for up to 3 years 	<ul style="list-style-type: none"> • Specific to the property

Incentive Program	Best Practices	Funding Range
Environmental Site Assessment (ESA)	<ul style="list-style-type: none"> • Maximum of 2 studies • Maximum total grant 	<ul style="list-style-type: none"> • Maximum funding ranges from \$20,000 to \$40,000
Urban Design	<ul style="list-style-type: none"> • Included as a component of the façade grant or must be submitted with a façade grant 	<ul style="list-style-type: none"> • Maximum funding ranges from \$1,750 to \$5,000
General (L-Current Town requirement)	<ul style="list-style-type: none"> • Works cannot commence prior to approval of the application (L) • Any tax arrears must be paid and any orders on the property must be addressed prior to approval (L) • Grant agreement required (L) • Must comply with all policies, by-laws and design guidelines (L) • If the building is demolished, after the approval and payment of a grant, the grant must be paid back (urban design, façade and/or building improvement for example) (L) • Minimum time frame to complete construction and site works, which varies depending on the type of application (generally 1 to 3 years) (L) • Minimum eligibility criteria (L) • Funding is increased where environmentally sustainable features are included in the building and on the property (L) • Inclusion of permanent patio elements for commercial uses • Includes definitions • Where there is more than 1 applicable CIP, you cannot choose programs from different CIPs • Where more than 1 grant type can be applied for, none of the costs can be duplicated in the other grant type (L) • Monitoring criteria, reporting on applications and periodic review (L) • Where a previous CIP is replaced by a new CIP, a time limit is established to 	<ul style="list-style-type: none"> • N/A

Incentive Program	Best Practices	Funding Range
	before an application can be submitted under the new CIP	

Funding Ratio Comparison

CIPs are one of the economic development tools available to the Town that can assist with the redevelopment and rehabilitation of a defined geographical area and/or specific lands uses, thereby promoting revitalization and place-making to attract tourism, business investment and economic development opportunities. Part of monitoring the effectiveness of any CIP financial incentive is to review the construction costs of private sector investment leveraged (ratio of grant provided to construction costs). In AD-21-21 staff reported that based on completed projects as of Dec. 31, 2020, for every dollar spent by the Town in CIP incentives, the community has seen \$8 in construction value.

Staff surveyed a number of municipalities and was only able to obtain information on the ratio of grant provided to construction costs for 10 CIPs. The reasoning for this is that although many CIPs have monitoring programs, comprehensive monitoring of those programs has not been undertaken. The ratio of the grant provided vs project cost for those CIPs (including the Town), is outlined in Table 4.

Table 4

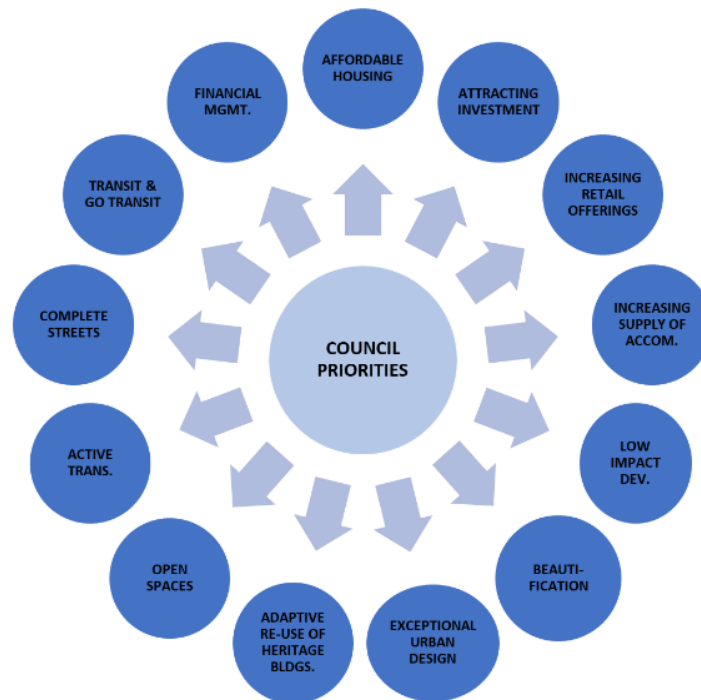
Year Ranges	Range of the Ratio of Grant vs. Project Cost	Average Ratio of Grant vs. Project Cost ³
2011 to 2020	\$1: \$4.2 to \$1: \$84	\$1: \$20.9

³Includes Lincoln

The \$1: \$84 ratio is for an industrial CIP. Staff also reported that applications approved as of Dec. 31, 2020 but not yet completed (partially occupied and/or under construction, have an estimated construction value of just over \$90M. As a result, when the construction ratio in AD-21-21 is updated as more projects are completed, staff do anticipate that the Town's ratio will also increase. The ratio also depends on the types of CIP applications, since applications such as façade and building improvements involve lower construction costs than new development on vacant lands or the redevelopment of lands.

Needs of the Community

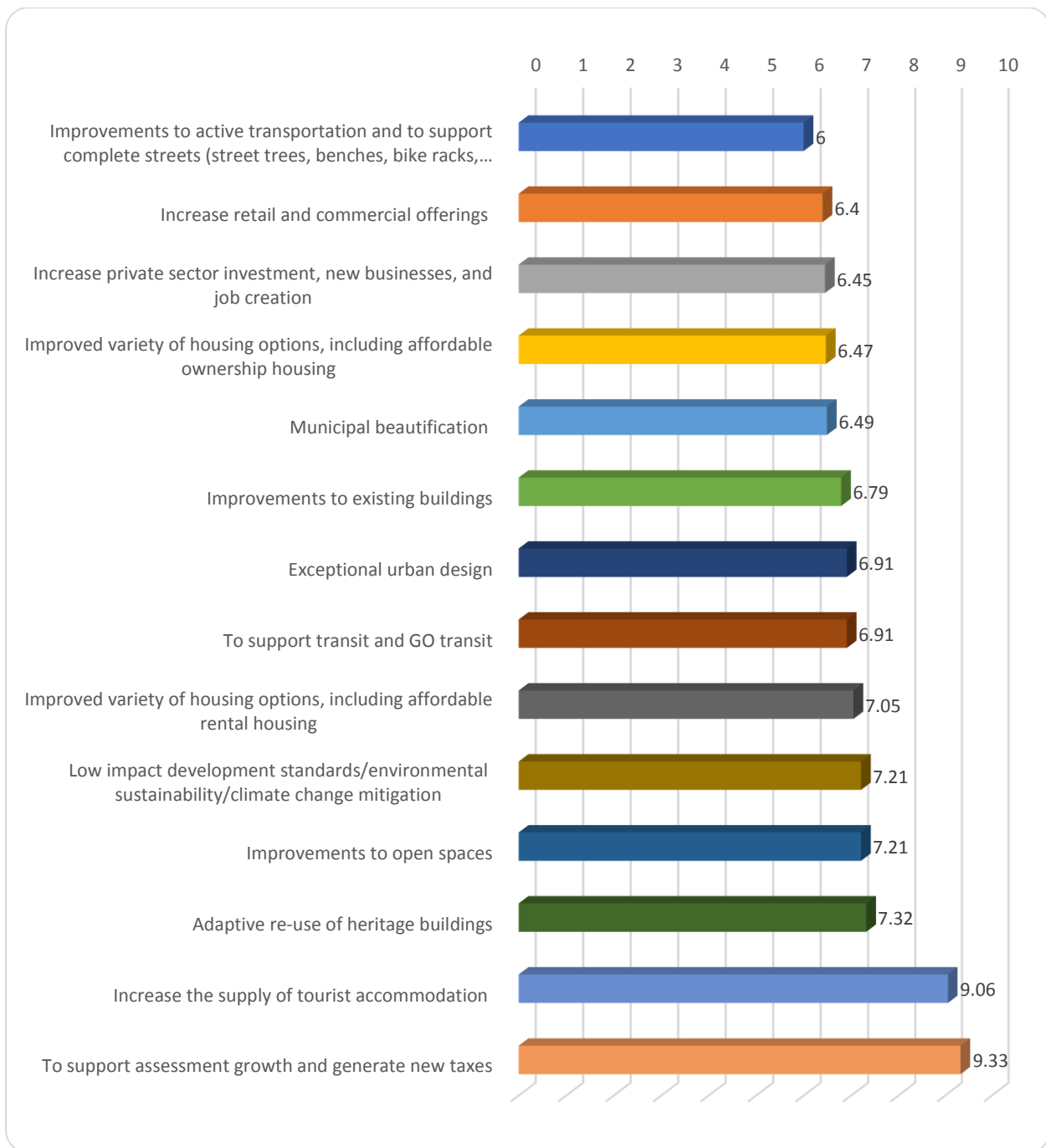
Part of the review is to determine the needs of the community. At the Oct. 6, 2021 Committee meeting Staff summarized the Council priorities based its 2019-2022 Council Priorities document as well as other Council approved strategies, policies, and plans. The list of priorities is shown in Figure 1.

Figure 1

Based on the priorities listed in Figure 1, Staff included a number of questions in the public survey on the Speak Up Lincoln CIP Project Page. In one of the questions, Staff asked the public to rank those priorities. The specific question and the public's ranking of the of those priorities is shown in Figure 2.

Figure 2

Question: If current programs were amended to promote developments/improvements that also addressed specific community priorities, which of the following do you believe would be most important to address? Please rank each in order of importance.

Figure 2 Continued

Given the importance of creating affordable housing and the direction to consider affordable housing as part of the CIP Review, the survey included questions relating to affordable housing. The majority of the public respondents support financial incentives for the creation of private and non-profit affordable housing with the creation of affordable rental units ranked as the highest priority, and the creation of affordable ownership units ranked as the second highest priority.

Regarding to environmental sustainability, the majority of the public respondents support the inclusion of environmental sustainability features as a condition of financial incentives. The top ranked environmental sustainability feature was car share to reduce minimum parking requirements, with a reduction to minimum parking requirements where indoor bicycle parking is provided being ranked as the second highest priority.

The public responses in Figure 2 and the responses to the questions in the public survey in Appendix D provide an indication of the needs of the community and have been considered by Staff in formulating the draft incentive programs. The draft incentive programs are detailed later in this report.

Comparison of Annual Budgets

The Town's 2022 CIP budget is \$105,000. Any unused funds from previous years are put in a reserve and can be used to supplement the yearly budget and/or to build up the available funding for future projects. When the CIPs were approved, the TIG grants were to be paid out of the increase in taxes as a result of the development. The DC grants were to be paid out of the DC fund (partial refund of DCs paid at the building permit stage). To date, the DC grant payments and the annual TIG grant payments have been paid out of the available budget as adequate funds have been available to fund the DC grant payments and the yearly TIG payments.

There has been an increased in uptake and newer and potential projects are larger in scope and therefore as part of the financial analysis, the CIP budget and funding for projects will need to be reviewed to address the Town's ability to continue to fund projects. As well, although the Town can use DCs funds to fund CIP projects, it is not an ideal method of funding for CIP projects, as it can result is less funds being available for capital projects. This is because you cannot increase DC rates for other types of development to address the shortfall.

Staff contacted the local municipalities within the Region regarding their CIP budgets. Of the 7 municipalities that had CIPs and provided responses, the average annual budget was similar to the Town's annual CIP budget. Similar to the Town, 2 of the municipalities do not include the TIG grants in their annual budget but instead once the value of the TIG is known, the grant amount is added into their budget. Two other municipalities advised that although they have funds budgeted, their programs are currently inactive.

For some of the Town's CIP incentive programs such as the façade improvement and building improvement grants, the Region provides matching funding through their Smarter Niagara Incentive Program (SNIP). For façade improvement and building improvement grants for example, the applicant pays 50%, the Town pays 25% and the Region pays 25%. On Nov. 29, 2021 Staff provided a summary of the Region's new incentive programs. Although they are continuing to provide a matching share of these grants (subject to their annual budget allocations), there is no guarantee that the Region will continue to fund the SNIP programs over the long-term. The draft incentive programs and the proposed funding for those programs which are detailed later in this report, will

be provided to the Region for review and comment. Should the Region discontinue any matching funding, the Town has the option of the applicant being responsible for 75% and 25% for the Town or alternatively continue with the 50% applicant and 50% Town (the Town would be responsible for the Region's 25% share if they discontinue funding).

Financial Analysis

Watson and Associates have been retained to undertake a financial analysis of the Town's CIP incentive programs. Their firm is currently undertaking a review of the Town's reserve funds; are updating the Town's DC By-law; and will be preparing a Community Benefits Strategy and By-law. They can review our existing programs and what has been approved to date, but in order to provide a comprehensive financial analysis, they also need to review the draft incentive programs contained in Appendix B.

At this time, Staff are also recommending that Council direct Staff not to accept or approve any CIP applications within the Beamsville, Vineland and Mixed-Use CIP Project Areas until a new CIP is approved by Council. This will allow Staff to review the results of the financial analysis as well as ensure that any new projects are reviewed and approved based on the programs and evaluation criteria in a new CIP.

Staff are also recommending that the Town not accept or approve any applications within the Industrial and Rural CIP until the financial analysis has been completed. This will allow for Staff to review the results of the financial analysis as it relates to that CIP as well.

Draft Incentive Programs & Criteria

Staff have reviewed the incentive programs offered by other municipalities as well as the evolving best practices of those municipalities and have prepared draft incentive programs. These draft programs include minimum criteria as well more detailed evaluation criteria to determine eligibility for the TIG program. The changes to the TIG program would include the establishment of an annual intake period or periods as well as rank the TIG applicants and only provide funding for the top ranked application or applications. The draft incentive programs include changes to the existing incentive programs, the elimination of some existing programs, consolidation of programs with other programs and new programs focusing on affordable housing.

In formulating the draft incentive programs, Staff considered the priorities of Council, as well as Council approved strategies, policies and plans. Staff also considered the initial input from both the public and stakeholder results from the surveys on the Speak Up Lincoln CIP Project Page. As outlined in this report, the Region has recently approved its new incentive programs and the draft incentives programs have been prepared so that where applicable, they align to the Regional programs to ensure consistency.

Staff are not asking for endorsement of the draft incentive programs from Council at this stage, since the next stage in the CIP review process is further consultation with the public, stakeholders and agencies on the draft incentive programs, funding for those

programs, and the draft project evaluation criteria. The draft incentive programs are outlined in Appendix B and the draft TIG evaluation criteria are outlined in Appendix C.

Although CIPs do typically include a number of incentive programs, there is the option of only activating the programs which best serve the needs of the community. This will be detailed in a subsequent report when the final CIP is presented to Committee.

CIP Project Area

Currently each of the 3 CIPs apply to specific project areas and there is some overlap of those project areas, which can be confusing to stakeholders as to what programs apply and where. As well, applicants are permitted to apply for a grant program in 1 CIP and a different grant program in another CIP. It can also be confusing when it comes to matching Regional funding since some programs have matching funding in the Beamsville and Vineland CIP, but no matching funding is provided by the Region in the Mixed-Use CIP.

In Report AD-21-21 Staff advised that consideration would be given to combining the 3 CIPs into 1 CIP for ease of administration or alternatively, preparing a completely new CIP which incorporates the positive aspects of the 3 existing CIPs, and addresses Council priorities. Although this will be detailed in a subsequent report when the draft CIP is presented to Committee, Staff's initial recommendation is to prepare a completely new CIP with incentive programs that align with Council's priorities and reflect the needs of the community.

In the earlier report, Staff also advised that Prudhommes CIP is on hold pending activity on the draft plan of subdivision and the outcome of the overall CIP review and that rather than a stand-alone CIP for Prudhommes Staff will consider the inclusion of the Prudhommes area into a recommended CIP that encompasses all of Lincoln, as there are similarities between the goals in Prudhommes and other jurisdictions in Lincoln. The initial work on the Prudhommes CIP included a TIG grant and the percentage and duration of the TIG grant depended on the number of evaluation criteria that were met. Although the draft TIG incentive program did contain some criteria for affordable housing, it did not include any specific programs to address affordable housing. Staff's initial recommendation is that the new CIP should also include the Prudhommes area, but only for the High-Rise Residential, Main Street Mixed-Use and the Commercial/Mixed Use designations. This would allow for the draft TIG project evaluation criteria outlined in Appendix C to be applied in the 3 CIP Project Areas and the Prudhommes Project Area.

Financial, Legal, Staff Considerations:

As part of any CIP, the Town must be satisfied that its participation in the improvements and incentives offered are within the financial capability of the Town. The Town allocates funds annually through the operating budget to fund the CIP program. Any unused funds at the end of the year are transferred to the CIP Reserve Fund to be used in years where there is a higher volume of CIP payments. As of part of the CIP review a financial analysis is being undertaken to ensure financial stability over the long-term.

Staffing: There are no additional staffing requirements anticipated as a result of the consideration of this report.

Legal: There are no legal costs anticipated as a result of the consideration of this report.

Public Engagement Matters:

A Speak Up Lincoln CIP Project Page for the CIP review was set up on Nov. 30, 2021. The page included a survey for the public and one for the business community in order to obtain initial input regarding CIPs and the incentive programs. The reason for the separate survey to the business community was to solicit some general economic development information and to gauge their views on the programs and potential changes. The BIA, Chamber of Commercial, CIP Applicants, Builders/Developers and Consultants were contacted by email in early Dec. 2021 asking them to complete the survey. The Housing and Homelessness Community Partnership Committee members were also advised of the survey since one of the needs in the community is affordable housing.

The survey was open until Jan. 14, 2022. The site received 142 visits as of Jan. 19, 2022. Of the 142 visits 42 responses were received for the public survey and 6 responses were received for the business survey. A summary of the public responses is included in Appendix D and a summary of the business community responses is included in Appendix E.

The next step in the process is to solicit input on the draft incentive programs and funding provided in Appendix B and the draft TIG evaluation criteria provided in Appendix C from the public, stakeholders, the Region, the Ministry of Municipal Affairs and Housing, and the Housing and Homelessness Community Partnership Advisory Committee. This input is required in order to prepare the draft CIP.

Conclusion:

This report provides recommended changes to the incentive programs that are currently contained within the Beamsville, Vineland and Mixed-Use CIPs. This report also recommends new incentive programs for affordable housing to encourage the construction of affordable housing, in particular affordable rental housing. Although, the 3 CIPs have provided positive results for the Town, including improvements to existing buildings, the construction of new buildings, an increase in the housing mix such as apartments, the creation of new commercial floor space and new business offerings, new and updated incentive programs are required to bring the incentive programs into alignment with Council priorities, as well as address best practices, the needs of the community and to address fiscal responsibility.

As outlined in this report, Staff are not asking for endorsement of the draft incentive programs from Council at this stage since the next stage in the CIP review process is further consultation with the public, stakeholders, the Region, the Ministry of Municipal

Affairs and Housing, and the Housing and Homelessness Community Partnership Advisory Committee on the draft incentive programs, funding for those programs, and the draft project evaluation criteria.

Respectfully submitted,

Kathleen Dale, MCIP, RPP
Director Special Projects

Appendices:

Appendix A List of Community Improvement Plan Incentive Programs by Municipality
Appendix B Draft Community Improvement Plan Incentive Programs
Appendix C Draft Project Evaluation Criteria for Tax Increment Financing Grant Programs
Appendix D Public Survey Results
Appendix E Business Survey Results

Report Approval:

This report has been reviewed by the Director, Finance, Administration & Innovation; the Director of Planning and Development; and the Director, Economic Development and Communications. Final approval is by the Chief Administrative Officer.