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October 25, 2021

CL 20-2021, October 21, 2021
COTW 5-2021, October 7, 2021
PDS 37-2021, October 7, 2021

LOCAL AREA MUNICIPALITIES

SENT ELECTRONICALLY

<u>Regional Incentives Information and Alternatives</u>
PDS 37-2021

Regional Council, at its meeting held on October 21, 2021, passed the following recommendation from its Committee of the Whole meeting:

> That Report PDS 37-2021, dated October 7, 2021, respecting Regional Incentives Information and Alternatives, **BE RECEIVED** for information; and
>
> That Report PDS 37-2021 **BE CIRCULATED** to the local municipalities.

A copy of Report PDS 37-2021 is enclosed for your reference.

Yours truly,

Ann-Marie Norio
Regional Clerk

CLK-C 2021-162

cc: M. Bannerman, Incentives and Grants Program Manager
M. Sergi, Commissioner, Planning and Development Services
N. Oakes, Executive Assistant, Planning and Development Services

Subject: Regional Incentives Information and Alternatives

Report to: Committee of the Whole

Report date: Thursday, October 7, 2021

Recommendations

1. That this report **BE RECEIVED** for information; and

2. That Report PDS 37-2021 **BE CIRCULATED** to the Local Municipalities.

Key Facts

- This report is in response to Council direction to provide additional information, proposals and clarifications regarding Niagara Region incentives: existing incentives; newly aligned incentives proposed through the Niagara Region Incentives Policy outlined in Report PDS 31-2021; and potential incentive programs as outlined in the proposed amendment to Report PDS 31-2021.

- Report PDS 31-2021 presented the Niagara Region Incentives Policy, which consolidated into a single document Regional incentive programs aligning with the four Priority Areas directed by Regional Council: Affordable Housing, Employment, Brownfield Remediation and Public Realm. The incentives included in the Niagara Region Incentives Policy comprised the majority of existing Regional incentive programs as shown in Slide 5, Appendix 3 of this report. These programs have been updated and repurposed to accomplish the incentive review goals of aligning with Regional priorities and responsibilities, addressing current and future needs, providing meaningful and measurable results, and being sustainable, clear and accountable.

- On August 5, 2021, Committee of the Whole (COTW) considered Report PDS 31-2021, Niagara Region Incentives Policy, amending the report recommendations. Minutes of this COTW meeting were considered at Regional Council on August 26, 2021 where further amendments to the report were considered (Appendix 1). A final vote was not taken on this occasion as meeting time expired.

- At a Special Council meeting held on August 31, 2021, Council approved a motion (Appendix 2) to refer the report to a COTW meeting on October 7, 2021, to be accompanied by a report from staff.

- This report provides the information requested through the August 31 referral motion that includes:

  1. What programs would be cancelled in moving to the 4 Pillar Suite of Incentives;
  2. Articulates which of those programs would attain any of the 4 Pillar objectives;
  3. Identify what programs from the Old Suite or the 4 Pillar Suite incentivize greenfield development;
  4. Provides recommendations for grandfathering and expiration timelines;
  5. Provides recommendations for annual reporting to Council on program costing;
  6. Provides an incentive option for the 4 Pillar model pertaining to "Downtown Core" improvements/developments for Council consideration;
  7. Provides a full costing to maintain both program Suites (Old & 4 Pillar) in accordance with the recommended changes;
  8. Articulates how each scenario (Old Suite, 4 Pillar or dual offering) will impact the upcoming levy budget.

Financial Considerations

Two of the information requests in the referral report have financial implications associated with them and the alternatives put forward to address them. These items (7 and 8) will be included in the Analysis section below in the order of the referral motion.

Analysis

A. Terminology

The following clarifications are very important to ensure shared understanding of what programs are being discussed and proposed.

Community Improvement Plan (CIP) – this refers to plans which outline CIP project areas and incentive programs which may be operative in those areas. "CIP" refers to the plan itself, not to the programs within CIPs.

Smarter Niagara Incentive Program (SNIP) – an umbrella term for a Regional suite of eleven incentives, which operate differently and have different legislative and funding sources. It will be important to specify what SNIP incentives are being referenced when considering recommendations to continue or transition these programs.

Table 1 Smarter Niagara Incentive Program (SNIP) grants

SNIP Simple Grants These are funded through an annual budget line (more recently, through reserves), and match eligible, locally approved CIP projects within Regional program parameters
Residential Grant
Planning Grant (CIP/Secondary Plan)
Environmental Assessment Study Grant
Building and Façade Improvement Grant
Heritage Restoration and Improvement Grant
SNIP Tax-related Grants These require different approval processes from simple grants, are longer in duration, and are deducted from assessment growth
Property Rehabilitation and Redevelopment Tax Increment Grant
Brownfield Tax Assistance Program
Other SNIP Grants These have had no uptake (agriculture grants); were never developed or funded (affordable housing grant); or were replaced (public domain, by the Public Realm Improvement Program).
Agricultural Buildings and Facilities Revitalization Grant (TIG)
Agricultural Feasibility Study Grant
Affordable Housing Grant
Public Domain Incentive Grant

Tax Increment Grant (TIG) – A TIG refunds back to the developer/property owner a portion of the incremental increase in taxes on a property related to assessment increase following development. TIG rates vary from 10-100% of the tax increment depending on the municipality’s program. They may be at a flat, unchanging percentage rate for the duration of the grant, or on a sliding scale. Typically, TIGs are for more money over a longer period of time (usually 10 years) than other grants. Currently RDC grants represent the largest share of the annual budget for incentives; however, as Slide 11, Appendix 3 demonstrates, the growth in incentives is primarily in TIGs, particularly for brownfields.

The Region currently offers TIGs in both the SNIP and Gateway CIP incentive programs: two SNIP TIGs – the Property Rehabilitation and Redevelopment TIG (which includes brownfield and non-brownfield TIGs) and the Agricultural Buildings and

Facilities Revitalization Grant – and a Gateway CIP TIG. Regional funding for TIGs is budgeted annually based on forecasting from the local municipalities indicating what projects will be invoiced in the coming year, usually aligned with project completion and collection of the incremental taxes from the property.

All new construction in the Region creates new assessment that must go into the calculation of the tax rates. All properties, including those eligible for a TIG, must be billed their share of taxes at the tax rate for that property class times the assessment for the property. This tax revenue is part of the overall general tax levy collected by the Region. Once taxes are paid by a property owner who has a TIG, the owner is then entitled to a refund of the approved TIG amount of those taxes, and the payment to the property owner is recorded as an operating expense in the general levy budget. Regional TIGs are funded each year in the budget from annual assessment growth revenue, as it generally incorporates the new tax revenue from the development be entitled to the grant.

It is assumed that when item 1(a) of the proposed amendment to Report PDS 31-2021 (Appendix 1) refers to “the current Regional TIG,” what is meant is the SNIP Property Rehabilitation and Redevelopment Tax Increment Grant. This program matches brownfield and non-brownfield TIG projects approved by local municipalities in their CIP areas in alignment with Regional program parameters.

It is assumed that when item 1(b) in the proposed amendment to Report PDS 31-2021 (Appendix 1) refers to “SNIP,” what is meant is one or more programs in the group listed as SNIP simple grants in Table 1.

Clarity and confirmation regarding what incentives are specifically intended in items 1(a) and (b) is required.

B. Responses to Referral Motion Information Requests

This section addresses information requested in items 1-6 of the referral motion.

(1) What programs would be cancelled in moving to the 4 Pillar Suite of Incentives

The majority of existing incentive programs would be repurposed in the new Regional Incentives Policy, as specified in Slides 3 and 4 in Appendix 3 of this report. The majority of these programs are in the Priority Area identified as most important – Affordable Housing – with the remainder falling into the remaining Priority Areas of Employment, Brownfield Remediation, and Public Realm. Most existing programs have been updated or repurposed to realize the goals of the incentive review: aligning Regional incentives with Strategic Priorities of Council, to make sure incentives are addressing key current and future needs; stipulating meaningful metrics to measure program performance; targeting programs and budget dollars to ensure sustainability and effectiveness; and improving administration and reporting to provide timely adjustment and accountability.

The following programs would have Regional funding discontinued under the proposed Niagara Region Incentive Policy:

- Waterfront Investment Program
- Niagara Investment in Culture Program
- Heritage Tax Rebate
- SNIP
    - Brownfield Tax Assistance Program
    - Building and Façade Improvement Grant/Loan
    - Heritage Restoration and Improvement Grant/Loan
    - Agricultural Feasibility Study Grant

It is important to note that the only programs which are entirely cancelled are the two Regionally-run programs: Waterfront Investment Program and Niagara Investment in Culture program. The other programs on the list (SNIP programs and Heritage Tax Rebate program) are not cancelled: they are owned or funded by local municipalities or the province and can continue to be run. The Region just would not participate as a funding partner.

Development charge incentives are subject to the approval of the new RDC By-law in 2022 and informed by the work of the RDC Policy Task Force. However, it is recommended that the following RDC discretionary grants be removed from the RDC By-law and not continue:

- Hotel/Motel
- Long-Term Care Homes
- Phase-in Rates
- Parking Structures
- Agriculture
- Place of Worship
- Canopies [i.e., Gas Stations]

(2) Articulates which of those programs would attain any of the 4 Pillar objectives

The only one of the programs above which falls into one of the four Priority Areas is the Brownfield Tax Incentive Program (BTAP), which falls into the Brownfield Remediation Priority.

This program was not recommended to continue with Regional funding due to the fact that eligible costs under most BTAP incentives are also eligible costs under the proposed Brownfield Tax Increment Grants (BTIGs) and the Brownfield Regional Development Charge (RDC) Deferral, which are both included in the proposed Niagara Region Incentive Policy; the smaller grant amounts relative to the administrative and legislative requirements of the program; the fact that the BTAP incentives provided in Niagara rarely leverage eligible matching provincial incentives; and inconsistent and incomplete information on invoicing/payment of these grants from local municipal partners making them challenging to track.

(3) Identify what programs from the Old Suite or the 4 Pillar Suite incentivize greenfield development

The term “greenfield” refers more to geography than to characteristics of land. Designated Greenfield Areas (DGAs) were established by the Province in the 2006 Growth Plan, and designated through mapping completed in 2008. DGAs are land inside settlement areas but outside built up areas – that is, land in settlement areas that was not developed as of 2008. Appendix 4 provides a map of DGAs in Niagara Region.

DGAs that did not have development in 2008 may have developed since that time in a variety of ways. DGAs may also have properties with different characteristics and planning uses on them. For instance, it is possible to have residential or employment development in DGAs. It is also possible to have contaminated lands, or brownfields, in DGAs.

Existing incentives do not incentivize development in DGAs because they are greenfields. However, some properties within DGAs have received Regional incentives because they are permitted under current incentive and CIP program parameters. Proposed incentives similarly do not incentivize development in DGAs because they are greenfields. However, they may also provide incentives to projects in greenfield areas that achieve goals within the four Priority Areas, such as affordable housing, employment or brownfield remediation. The key difference is that proposed incentives achieve objectives in Council’s strategic Priority Areas; existing incentives may not.

(4) Provides recommendations for grandfathering and expiration timelines

Three options may be considered regarding start and end dates for programs and program transitions.

Option 1 Original recommendation in Report PDS 31-2021

Dec 31, 2021	Expire: all current non-RDC incentive programs
Jan 1, 2022	Begin: all NR Incentive Policy programs
Aug 31, 2022	Expire: all discretionary RDC incentives Begin: NR Incentive Policy RDC incentives (subject to new RDC bylaw)

- Transition time to new programs: 3 months
- Transition policies: 0
- Overlapping Programs: 0

Option 2 Proposed amendment to Report PDS 31-2021

Dec 31, 2021	Expire: WIP, NIC, Heritage Tax Rebate
Jan 1, 2022	Begin: all NR Incentive Policy programs except RDC programs
Aug 31, 2022	Expire: all discretionary RDC incentives except Smart Growth RDC Begin: NR Incentive Policy RDC programs (subject to new RDC bylaw)
Oct 1, 2024	Expire: SNIP Rehabilitation & Redevelopment TIG, Smart Growth RDC grant -- unless replaced earlier by "residential intensification, employment enhancements and brownfield remediation" programs

- Transition time to new programs: 3 – 35 months
- Transition policies: 0
- Overlapping Programs: 4

Option 3 Alternative proposal for potential consideration

Dec 31, 2021	Expire: WIP, NIC, Heritage Tax Rebate, Public Housing Partnership pilot (repurposed as Partnership Housing Program), SNIP -- Affordable Housing, Public Domain, Agriculture Study, Agriculture TIG
Jan 1, 2022	Begin: Partnership Housing Program

Aug 31, 2022	Expire: all discretionary RDC incentives Begin: NR Incentive Policy RDC incentives (subject to new RDC bylaw)
Mar 31, 2023	Expire: SNIP -- Façade Improvement, Heritage, Planning, ESA, BTAP, Rehabilitation and Redevelopment TIG; Secondary Suite program
Apr 1, 2023	Begin: all NR Incentive Policy programs; Downtown Intensification TIG, Façade Improvement grant

- Transition time to new programs: 3 -18 months
- Transition policies: 3
- Overlapping Programs: 0

Recommended Transitions:

Smart Growth RDC grant - Applicants that have received preliminary assessments that they meet eligible criteria and where building permits are pulled by Aug 31, 2022 will be eligible for the grant provided the project is completed and a formal application is submitted by Aug 31, 2023.

SNIP Rehabilitation and Redevelopment TIG - Applicants with projects approved by a local municipality by Mar 31, 2023 will be eligible under the existing program if the municipality submits a complete Regional matching funding application by June 1, 2023.

Downtown Core Incentives - Existing overlapping programs (i.e., SNIP Rehabilitation and Redevelopment TIG, SNIP Façade Improvement grant) will expire on the start date of new incentives, with the SNIP Rehabilitation and Redevelopment TIG transitioning as outlined above.

Given the strong and polarized views expressed to date by Council, option 3 was developed to reflect a compromise (middle ground) for potential consideration. It provides reasonable timelines for expiry and transition of existing incentive programs and the beginning of the proposed aligned incentives, while minimizing the potential confusion and cost of overlapping programs.

Any projects currently allocated funding by Niagara Region will continue under the program parameters and agreements in place at the time of their approval regardless of which timelines are adopted.

(5) Provides recommendations for annual reporting to Council on program costing

Reports to Council on incentive programs, including program costs but also other key performance indicators and the achievement of Priority Area objectives, is recommended annually. To accurately report on program costs and effectiveness, the assistance of local area municipalities in providing data for matching programs in a timely and complete manner will be key.

It is further recommended that a comprehensive report to Council be provided within one year of expiration of existing programs (date to be determined). If adopted the Niagara Region Incentive Policy also recommends a comprehensive review of its incentive programs after five years from the date of their start.

To ensure Council receives the most useful reporting on incentives, it is also recommended that existing and proposed programs which overlap not be run simultaneously. To do so may prove expensive; may confuse applicants, stakeholders and funding partners; could skew understanding and reporting on program effectiveness; and might delay accomplishing strategic objectives.

To take TIGs as one example, if the existing SNIP Rehabilitation and Redevelopment TIG were to continue to run simultaneously with the proposed Brownfield TIG program, the Niagara Business Attraction TIG and potentially a Downtown Intensification TIG all of which would overlap with it, it would be difficult to be clear on the various program criteria, to calculate which program would be most advantageous, to know how to budget for the programs, to understand how matching funding would work, which programs may be stackable, what administrative requirements (application, invoicing, forecasting) would be operative, which programs may be achieving which strategic objectives and why, what programs, grant levels or criteria may continue, how costs could be forecast over time, and how data could be accurately provided and usefully analyzed.

(6) Provides an incentive option for the 4 Pillar model pertaining to "Downtown Core" improvements/developments for Council consideration

Most proposed incentives in the Niagara Region Incentive Policy are eligible in Downtown Core areas, if they align with the four Priority Areas. It would be possible to receive several different proposed incentives which would improve and intensify Downtowns that also attain strategic objectives identified by Council.

Should Council wish to consider additional incentive options for Downtown Core areas, the following two program suggestions are offered:

	Downtown Intensification Tax Increment Grant	**Façade Improvement Grant**
Description and Objective	A matching tax increment grant program to encourage intensification, i.e., increase residential and employment options, in downtown core areas	A matching grant program to encourage improvement of facades of commercial or mixed use buildings in downtown core areas
Key Parameters	• Matching fixed TIG for 10 years at 45% (65% if affordable housing is included) • Available in Downtown Cores as currently identified in the Official Plans of local area municipalities, with appropriate matching programs • Phasing and sunset clauses as per other Regional TIG programs • Can only stack with eligible RDC incentives	• Matching grant for up to $10k/property, $15k/property for heritage building • One grant per property every 5 years • Must be eligible improvement to façade only (includes signage) • Biannual intake up to annual program budget determined by Council • Available in local municipal CIP areas
Metrics	• Number and types of residential units built • Amount of affordable housing generated • Number and types of businesses opening • Number and types (FT, PT) of jobs generated • Increase in assessment value generated	• Number of grants provided • Location of grants provided • Before/after photos for qualitative assessment

These programs would have some advantages: The Downtown Intensification TIG would promote non-brownfield intensification in downtown core areas; could increase assessment value and thus longer-term tax revenues; could make efficient use of existing infrastructure and transit options; and though not directly aligned with the four Priority Areas, has the potential to generate affordable housing and employment. The Façade Improvement Grant could enhance attractiveness and improve urban design of downtown commercial, mixed use buildings, and could be seen as a support to small businesses.

There could also be disadvantages: A TIG such as the one proposed would likely divert funding from programs targeting strategic priorities, especially affordable housing, though this may be mitigated if a more advantageous grant level were added to the program similar to that for the proposed Brownfield TIG. The similar existing SNIP Rehabilitation and Redevelopment TIG has not produced significant increases in affordable housing or employment. A more focused façade program may address some issues with the current broad patchwork of programs, but may also fund work that would have happened anyway.

(7) Provides a full costing to maintain both programs Suites (Old Suite and 4 Pillar) in accordance with the recommended changes

It is difficult to understand the full cost of maintaining both the existing and proposed suite of incentives as staff do not have a comprehensive listing of all proposed development in the Region. Staff have used historical experience and knowledge of several significant brownfield and other developments which are in the planning stages to make estimates of their eligibility under current and new programs. These estimates are based on the information at the time of this report, but it should be noted other funding requests and construction delays are likely to affect the amounts and timing reflected here.

The bars on the graph in Slide 11, Appendix 3 illustrate the estimated cost of existing and proposed incentives. The solid bars represent the forecast of new incentives broken down by policy priority. The hashed area of the bars represents the incremental cost of supporting existing incentives in addition to the proposed programs. The new incentive programs are projected to increase the current cost from $12M to $27M mainly due to brownfield tax increment grants. Existing incentives are estimated to add anywhere from $3.8M to $9.8M to the cost depending on the timing of development, but in total an amount in excess of $47M over the 10 year period. Unaligned incentives have also been included as the cost of these has been committed through existing agreements and funding must be maintained until their expiry.

Staff have included in this estimate the cost of brownfield transition agreements from the 2012 to the 2017 RDC bylaw which preserve developers' right to use the 2012 incentives which were not capped at remediation costs. These agreements are set to expire August 31, 2022; however Council has already been requested to extend one of those agreements, and further requests are likely forthcoming. Therefore, the full estimated amount of these agreements has been included in 2022 and 2023 to ensure a comprehensive assessment of the cost of all incentives in flight.

(8) Articulates how each scenario (Old Suite, 4 Pillar or dual offering) will impact the upcoming levy budget.

The incentives are funded either from base budget levy increases or assessment growth revenue each year. Both have an impact on budgets as they limit the available levy dollars or growth dollars (new levy) to fund base programs and services and growth-related costs in accordance with the Budget Planning By-law as follows:

- Infrastructure gap funding
- Incremental operating costs of growth -- for example, more new roads result in increased cost to maintain them which should be funded from growth dollars
- New capital assets or services -- for example, Canada Summer Games Park, transit consolidation
- Council strategic priorities – for example, GO, hospitals, hospice

The background shading in Slide 11, Appendix 3 identifies the dollars funded from base levy versus assessment growth. Funding required for RDC programs begins to decline in 2022 due to the revised new suite of incentives. However, it is not recommended that the budget be decreased at that time as it would be required to address funding of brownfield transition agreements if extended, and could be repurposed to other priorities such as affordable housing incentives. In the absence of available funding for the brownfield agreements, deficits would result, which have to be funded either from:

- Tax levy increases
- Regional Taxpayer Relief Reserve reserves which limits available funding for other unknowns and tax mitigation
- DC reserve payback to the levy, but this may impact RDCs available for crucial growth capital projects

The growth in the new incentives is primarily in the area of brownfield TIGs, which are funded from assessment growth. Slide 12, Appendix 3 provides a look at the historical assessment growth dollars used to fund TIGs, as well as a projection based on a 2% budget increase applied to growth to demonstrate the proportion of assessment growth that would be incrementally dedicated to incentives based on best estimates. Similar to the information on Slide 11, Appendix 3, these forecasts are subject to change.

Alternatives Reviewed

This report provides information and recommendations in response to a Council request. Alternatives as outlined in the report, and the recommended option, are:

(1) Adopt the recommendations in Report PDS 31-2021;
(2) Adopt the proposed amendment to Report PDS 31-2021 which would institute the proposed incentives in the Niagara Region Incentive Policy but also continue certain existing incentive programs;
(3) Adopt the incentive programs and alternative reporting, timelines and transitions associated with them as outlined in Option 3 and elsewhere in this report.

The incentive review and the recommendations stemming from it in the Niagara Region Incentive Policy fulfilled Council direction to align Regional incentives into four Priority Areas and make the programs more consistent, sustainable and accountable. The three year review conducted wide-ranging research, careful data analysis, program comparisons and engagement to produce competitive, data-driven, best-practice recommendations that align with Council strategic priorities. Staff proposals in this report incorporate subsequent Council feedback and direction, and would further optimize this important opportunity to clearly, reasonably and sustainably transition from existing to newly aligned and focused incentives.

Relationship to Council Strategic Priorities

The recommendations in this report support the following 10 objectives in all four Council strategic priorities:

Priority 1: Supporting Businesses and Economic Growth

- Objective 1.1: Economic Growth and Development
- Objective 1.2: Support retention and development of skilled labour force
- Objective 1.3: Collaborative Approach to Business Growth and Retention
- Objective 1.4: Strategically Target Industry Sectors

Priority 2: Healthy and Vibrant Community

- Objective 2.1: Enhance Community Wellbeing
- Objective 2.3: Addressing Affordable Housing Needs

Priority 3: Responsible Growth and Infrastructure Planning

- Objective 3.2: Environmental sustainability and stewardship (14)

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

- PDS 42-2017 Overview of 2018 Incentive Review
- 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
- PDS 22-2019 Regional Incentives Financial Information
- PDS 34-2019 Grants and Incentives Review
- CSD 55-2020 Sustainability Review Final Report
- RDCPTF-C 7-2021 Development Charges Grant Expenditures under 2017 Regional Development Charges By-law
- PDS 31-2021 Niagara Region Incentives Policy

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Recommended by:
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Commissioner
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Submitted by:
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Chief Administrative Officer

This report was prepared in consultation with the Regional Incentive Review team (Community Services: Donna Woiceshyn, Director, Niagara Housing Services, CEO of Niagara Regional Housing; Corporate Services: Todd Harrison, CPA, CMA, Commissioner of Corporate Services,/Treasurer; Helen Chamberlain, CPA, CA, Director, Financial Management and Planning/Deputy Treasurer; Robert Fleming, Senior Tax and Revenue Analyst; Lyndsey Ferrell, Program Financial Specialist; Economic Development: Valerie Kuhns, Associate Director; Ken Scholtens, Manager, Business Development and Expedited Services; Planning and Development Services: Michelle Sergi, MCIP, RPP, Commissioner, Planning and Development Services; Doug Giles, BUS, MEP, Director, Community and Long-Term Planning; Marian Bannerman, Program Manager, Grants and Incentives).

Appendices

Appendix 1	Proposed Amendment to Report PDS 31-2021
Appendix 2	Referral Motion August 31, 2021
Appendix 3	PDS 37-2021 Presentation
Appendix 4	Designated Greenfield Areas in Niagara Region

Appendix 1: Pending Motion to Amend PDS 31-2021

The following motion to amend PDS 31-2021 was on the floor for consideration at the Special Council meeting on August 31, 2021:

1. That the Niagara Region Incentives Policy (Appendix 1 of Report PDS 31-2021) which promotes Council's four Priority Areas for Niagara Region, namely Affordable Housing, Employment, Brownfield Remediation, and Public Realm, BE APPROVED with the following additions:

    a) That the current Regional TIG and Smart Growth DC programs be maintained in municipal 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;

    b) that the SNIP (Smarter Niagara Incentive Program) be maintained with a maximum dollar figure available for grants that is determined during the annual budget process;

2. That staff PROVIDE sunset clause policies for currently approved programs that include reasonable expiration dates;

3. That staff formally 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;

4. That staff BE DIRECTED to explore the inclusion of the Niagara Investment in Culture Program as part of the updated policy; and

5. That Report PDS 31-2021 BE CIRCULATED to the Local Area Municipalities.

Appendix 2: Referral Motion from August 31, 2021 Special Council Meeting

The following motion was approved at the Special Council Meeting on August 31, 2021 to refer PDS 31-2021 to a Committee of the Whole meeting on October 7, 2021 and directing staff to provide a report at that time which includes:

1. What programs would be cancelled in moving to the 4 Pillar Suite of Incentives;
2. Articulates which of those programs would attain any of the 4 Pillar objectives;
3. Identify what programs from the Old Suite or the 4 Pillar Suite incentivize greenfield development;
4. Provides recommendations for grandfathering and expiration timelines;
5. Provides recommendations for annual reporting to Council on program costing;
6. Provides an incentive option for the 4 Pillar model pertaining to "Downtown Core" improvements/developments for Council consideration;
7. Provides a full costing to maintain both program Suites (Old & 4 Pillar) in accordance with the recommended changes;
8. Articulates how each scenario (Old Suite, 4 Pillar or dual offering) will impact the upcoming levy budget.

Niagara Region
Incentive Information and Alternatives

Regional Council Committee of the Whole

October 7, 2021

Terms

Smarter Niagara Incentive Program (SNIP)

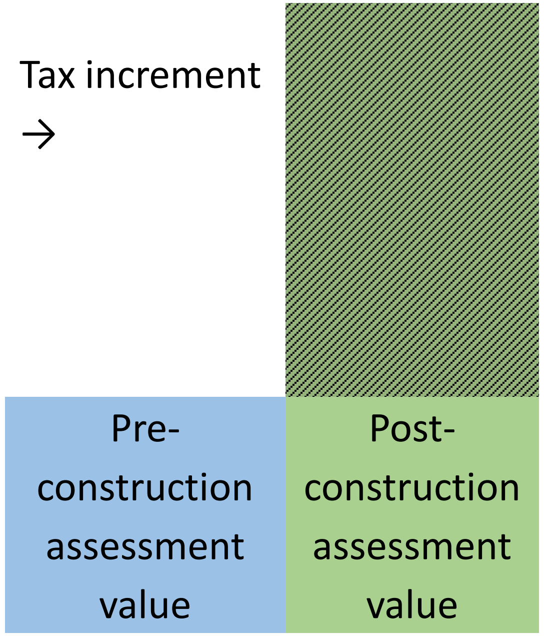
Residential Grant
Planning Grant (CIP/Sec Plan)
Environmental Assessment Study Grant
Building and Façade Improvement Grant
Heritage Restoration and Improvement Grant
Property Rehabilitation and Redevelopment Tax Increment Grant
Brownfield Tax Assistance Program

Agricultural Buildings and Facilities Revitalization Grant
Agricultural Feasibility Study Grant
Affordable Housing Grant
Public Domain Incentives Program

Tax Increment Grant (TIG)

Existing:
Gateway CIP TIG
SNIP Agricultural Buildings and Facilities
SNIP Rehabilitation and Redevelopment (incl BTIG)

Proposed:
Gateway CIP TIG
Niagara Business Attraction TIG
Brownfield TIG (two tiers)



Repurposed and Continuing Programs

New/ Repurposed Programs	Repurposed from	Existing Program
Affordable Housing		
Public Housing Partnership	→	Partnership Housing Program (pilot)
		SNIP Affordable Housing Grant
		Municipal Housing Project Facility RDC Grant
Non-Profit RDC Grant Program	→	Non-Profit RDC Grant Program
Intensification RDC Grant	→	Intensification RDC Grant
		Granny Flats RDC Grant
Affordable and Supportive Housing RDC Grant	→	Affordable Housing RDC Grant
Residential Rental Grant	→	Niagara Renovates Secondary Suite
Small Building Rental Grant	→	SNIP Residential Grant
Welcome Home Niagara -- Home Ownership Downpayment Assistance	→	Welcome Home Niagara -- Home Ownership Downpayment Assistance
Niagara Renovates for Homeowners	→	Niagara Renovates for Homeowners
Niagara Renovates Multi-residential	→	Niagara Renovates Multi-residential
Non-Profit and Co-op Capital Repair Costs	→	Non-Profit and Co-op Capital Repair Costs
Housing Provider Capital Loan Program	→	Housing Provider Capital Loan Program
Employment		
Gateway CIP Tax Increment Grant	→	Gateway CIP Tax Increment Grant
Gateway CIP Regional DC Reduction Grant	→	Gateway CIP Regional DC Reduction Grant
Niagara Business Attraction Tax Increment Grant	→	SNIP Property Rehabilitation and Redevelopment Tax Increment Grant
Employment RDC Grant	→	Industrial RDC Grant
50% Industrial Expansion RDC Grant	→	50% Industrial Expansion RDC Grant

Repurposed, Continuing and Unaligned Programs

New/ Repurposed Programs	Repurposed from	Existing Program
Brownfield Remediation		
Brownfield Tax Increment Grant (Tiers 1 and 2)	→	SNIP Property Rehabilitation and Redevelopment Tax Increment Grant
		SNIP Environmental Assessment Study Grant
Brownfield RDC Deferral	→	Brownfield RDC Grant
Public Realm		
Public Realm Improvement Program	→	SNIP Public Domain Incentives Program
Other		
PDS Departmental Resourcing	→	SNIP CIP/Secondary Plan Planning Grant

Unaligned Grants

Continuing (mandatory)	
Local Municipality, Board, Region RDC Grant	Board of Education RDC Grant
Not continuing	
SNIP Building and Façade Improvement Grant	Smart Growth RDC Grant
SNIP Heritage Restoration and Improvement Grant	Hotel/Motel RDC Grant
SNIP Agricultural Feasibility Study Grant	Long-Term Care Home RDC Grant
SNIP Agricultural Buildings and Facilities Revitalization Grant	Phase-in Rates RDC Grant
SNIP Brownfield Tax Assistance Program	Parking Structures RDC Grant
Niagara Investment in Culture (NIC) Program	Agriculture RDC Grant
Waterfront Investment Program (WIP)	Place of Worship RDC Grant
Heritage Tax Rebate Program	Canopies (i.e., Gas Station) RDC Grant

Programs and Priority Areas

	Number of Programs	Repurposed/ Continuing	Not Continuing	Discontinued Program In a Priority Area
Smarter Niagara Incentive Program (SNIP)	11	6	5	1 Brownfield Tax Assistance Program
Gateway CIP	2	2	--	--
NRH programs	6	6	--	--
Regional DC Incentives	18	10	8	0
Other Incentives	5	2	3	0
New Incentive	1	1	--	--

- Of 42 programs, 26 continuing, 16 not continuing, 1 new
- Only 1 of 16 discontinued programs is in a Priority Area
- All Incentive Policy programs are in Priority Areas

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Greenfield Incentives

Designated Greenfield Area (DGA) – land in settlement areas undeveloped as of 2008 provincial mapping

- Refers to geography not characteristics (e.g., not opposite of brownfield)
- Can have brownfield, employment or residential in DGAs
- Development has occurred in DGAs since 2008
- Existing /proposed incentives could be permitted in DGAs
- Neither existing/proposed incentives expressly target DGA development

Key difference: Proposed incentives achieve objectives in Priority Areas; existing incentives may not

Potential Downtown Core Incentives

Most proposed incentives are eligible in downtown cores and align with priority areas

	Downtown Intensification TIG	Façade Improvement Grant
Description and Objective	A matching tax increment grant program to encourage intensification, i.e., increase residential and employment options, in downtown core areas	A matching grant program to encourage improvement of facades of commercial or mixed use buildings in downtown core areas
Key Parameters	• Matching fixed TIG for 10 years at 45% (65% if affordable housing is included) • Available in Downtown Cores as currently identified in the Official Plans of local area municipalities, with appropriate matching programs • Phasing and sunset clauses as per other Regional TIG programs • Can only stack with eligible RDC incentives	• Matching grant for up to \$10k/property, \$15k/property for heritage building • One grant per property every 5 years • Must be eligible improvement to façade only (includes signage) • Biannual intake up to annual program budget determined by Council • Available in local municipal CIP areas
Metrics	• Number and types of residential units built • Amount of affordable housing generated • Number and types of businesses opening • Number and types (FT, PT) of jobs generated • Increase in assessment value generated	• Number of grants provided • Location of grants provided • Before/after photos for qualitative assessment

Timeline Options

Option 1 PDS 31-2021

Dec 31, 2021	**<u>Expire</u>**: All current non-RDC incentive programs	Transition time to new programs: 3 months Transition policies: 0 Overlapping Programs: 0
Jan 1, 2022	**<u>Begin</u>**: All NR Incentive Policy programs	
Aug 31, 2022	**<u>Expire</u>**: all discretionary RDC incentives **<u>Begin</u>:** NR Incentive Policy RDC incentives (subject to new RDC bylaw)	

Option 2 Pending Motion

Dec 31, 2021	**<u>Expire</u>:** WIP, NIC, Heritage Tax Rebate	Transition time to new programs: 3 - 35 months Transition policies: 0 Overlapping Programs: 4
Jan 1, 2022	<u>Begin</u>: All NR Incentive Policy programs; Continue: SNIP simple grants (TBD), SNIP Rehabilitation and Redevelopment TIG	
Aug 31, 2022	**<u>Expire</u>**: All discretionary RDC incentives except Smart Growth RDC **<u>Begin</u>**: NR Incentive Policy RDC incentives (subject to new RDC bylaw)	
Oct 1, 2024 latest	**<u>Expire</u>:** SNIP Rehabilitation and Redevelopment TIG, Smart Growth RDC grant -- unless replaced earlier by ”residential intensification, employment enhancements and brownfield remediation” programs	

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Timeline and Transition Option

Option 3 PDS 37-2021 Alternative

Dec 31, 2021	**Expire**: WIP, NIC, Heritage Tax Rebate, Public Housing Partnership pilot, SNIP Affordable Housing, SNIP Public Domain, SNIP Agriculture Feasibility Study, SNIP Agriculture TIG	Transition time to new programs: 3 - 18 months Transition policies: 3 Overlapping Programs: 0
Jan 1, 2022	**Begin**: Partnership Housing Program	
Aug 31, 2022	**Expire**: All discretionary RDC incentives **Begin**: NR Incentive Policy RDC incentives (grants subject to new RDC bylaw)	
Mar 31, 2023	**Expire**: SNIP -- Façade Improvement, Heritage, Planning, ESA, BTAP, Rehabilitation and Redevelopment TIG; Secondary Suite program	
Apr 1, 2023	**Begin**: all NR Incentive Policy programs	

Transition Policies

Smart Growth RDC Grant -- Applicants that have received preliminary assessments and where building permits are issued by Aug 31, 2022 will be eligible for the grant provided the project is completed and a formal application is submitted by Aug 31, 2023

SNIP Rehabilitation and Redevelopment TIG –Applicants with projects approved by local municipalities by Mar 31, 2023 will be eligible under current program if municipality submits complete Regional funding application by June 1, 2023

Downtown Core Incentives -- If adopted, existing overlapping programs (e.g., SNIP Rehabilitation and Redevelopment TIG, SNIP Façade Improvement) expire on the start date of new incentives, with SNIP Rehabilitation and Redevelopment TIG transitioning as outlined

Incentive Reporting

Operating Regional Incentive Programs: Annual

Including program costs but also other key performance indicators and the achievement of Priority Area objectives

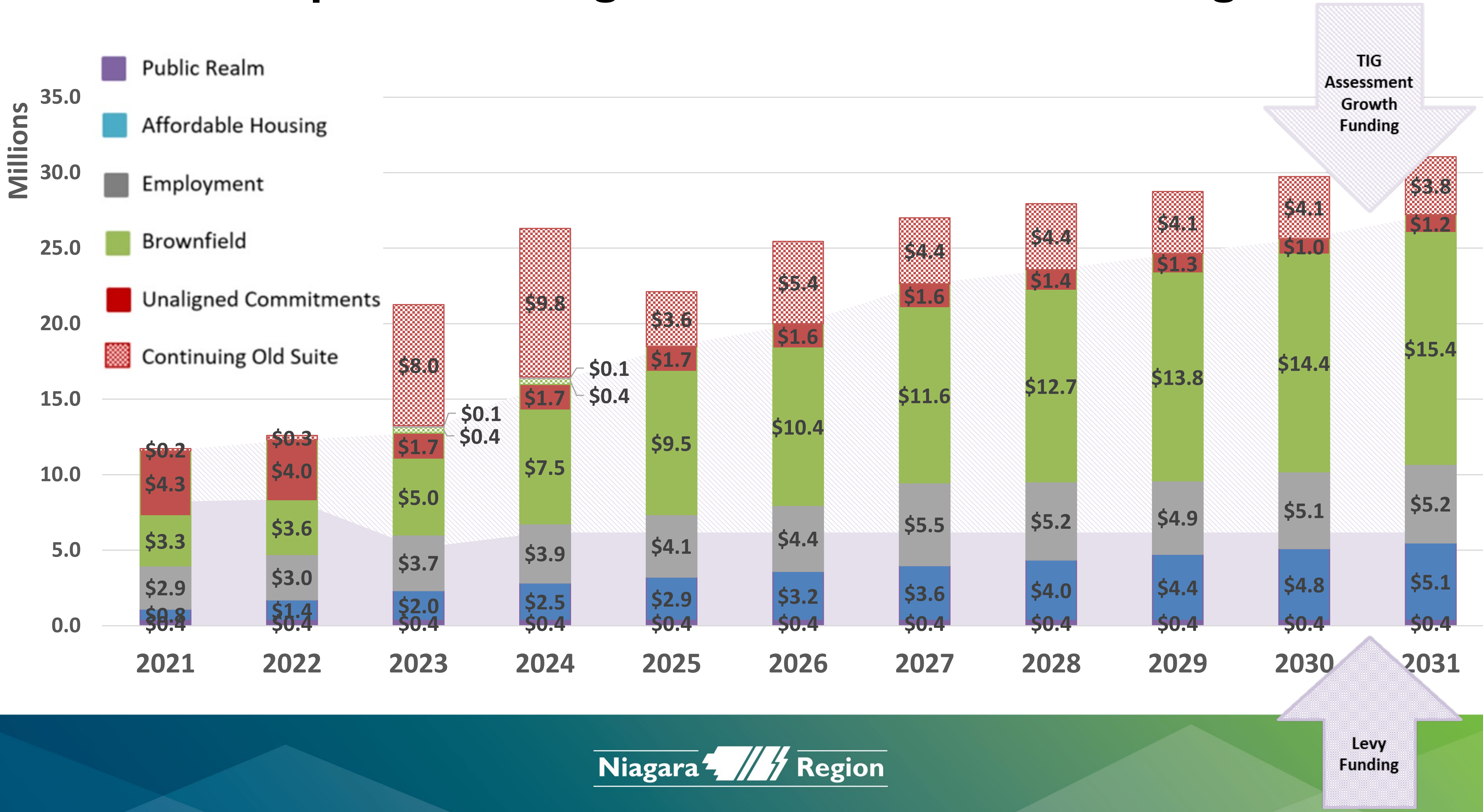
Existing Incentive Programs: Within a year of expiry (TBD)

Comprehensive report on existing incentive programs

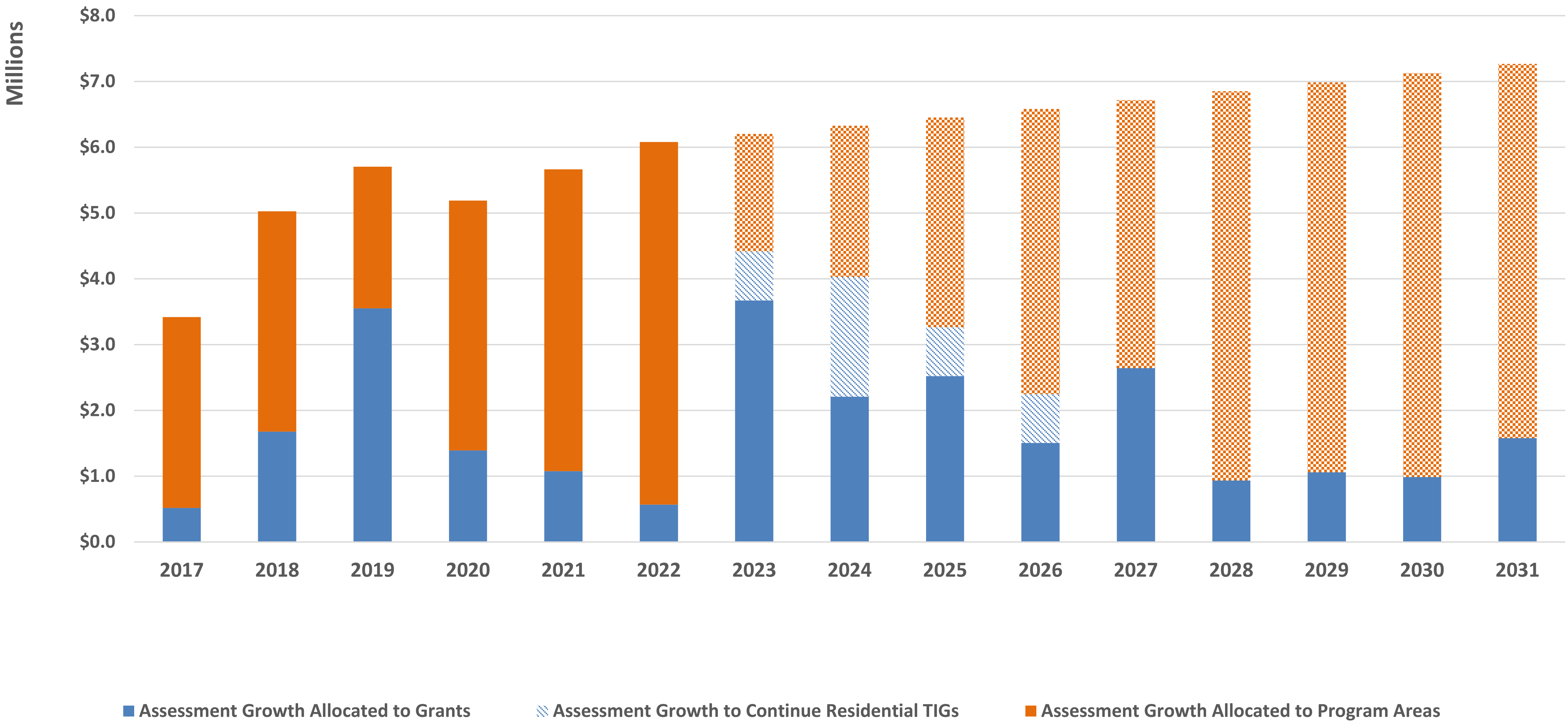
Niagara Region Incentive Policy: Five years from start date

Comprehensive report on newly aligned incentives

Forecast of Proposed/Existing Incentive Costs and Funding Sources



Assessment Growth Dollars Used for Tax Increment Grants



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Preferred Alternative

- Provides reasonable timelines for expiry and transition of existing incentive programs to the newly aligned incentives, without the potential confusion and cost of overlapping programs
- Includes input from Council to propose downtown core intensification incentives in a targeted and sustainable way
- Uses wide-ranging research, careful data analysis, program comparisons and engagement to produce data-driven, best-practice recommendations that align with Council Priorities
- Ensures annual program reporting and regular comprehensive reporting on existing and new incentive policies and programs
- Tracks meaningful and measurable results to ensure programs remain successful and accountable

Appendix 4
PDS 37-2021
October 7, 2021

Appendix 4: Designated Greenfield Areas in Niagara Region