

Administration

Office of the Regional Clerk

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September 26, 2022

CL 17-2022, September 22, 2022

PEDC 7-2022, September 14, 2022

PDS 16-2022, September 14, 2022

LOCAL AREA MUNICIPALITIES

SENT ELECTRONICALLY

Smarter Niagara Incentive Program (SNIP) Tax Increment Grant 2022 Update

PDS 16-2022

Regional Council, at its meeting held on September 22, 2022, passed the following recommendation of its Planning & Economic Development Committee:

That Report PDS 16-2022, dated September 14, 2022, respecting Smarter Niagara Incentive Program (SNIP) Tax Increment Grant 2022 Update, **BE RECEIVED** for information, and **BE CIRCULATED** to Local Area Municipalities.

A copy of PDS 16-2022 is enclosed for your reference.

Yours truly,



Ann-Marie Norio

Regional Clerk

:cv

CLK-C 2022-121

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

Subject: SNIP Tax Increment Grant 2022 Update

Report to: Planning and Economic Development Committee

Report date: Wednesday, September 14, 2022

Recommendations

1. That this Report **BE RECEIVED** for information; and
2. That Report PDS 16-2022 **BE CIRCULATED** to Local Area Municipalities.

Key Facts

- This report provides information to Council on Regional funding for tax increment grants (TIGs) under the Smarter Niagara Incentive Program (SNIP), or SNIP TIGs. Brownfield TIGs (BTIGs) are included under the SNIP TIG program. This report also provides information on Brownfield Tax Assistance Program (BTAP) grants, also included under SNIP.
- TIGs are grants based on the difference between pre-project taxes and post-project taxes on a development. Following reassessment, a portion of this tax increment is granted back to the developer, usually over a ten year period.
- BTAP grants encourage remediation of brownfield sites by freezing or cancelling property taxes on a property that is undergoing remediation and redevelopment, to assist with the cost of environmental remediation.
- A Local Area Municipality may request Regional matching funding for TIGs and BTAP grants approved under one of its Community Improvement Plan (CIP) programs provided agreements have been executed and they conform to Regional program parameters.
- Approved, pending and anticipated SNIP TIG and BTAP grant requests for Regional matching funding are outlined in this report. Anticipated requests are based on data received in July 2022 from seven of the ten local municipalities with eligible programs responding.
- As part of the Regional incentive review, the SNIP TIG program was recommended to be replaced in the new Niagara Region Incentive Policy (PDS 31-2021) with more sustainable TIG programs targeting Regional priorities. While Council approved the new Policy, it also extended the current SNIP TIG program through October 1, 2024.

- TIGs are one of the most expensive Regional incentive programs. In the ten local municipalities with programs, there is an estimated total allocation of \$44.9M for active SNIP TIGs, \$740,000 paid out in completed TIGs, and an estimated \$18.8M in pending and forecasted requests. Funding requests for projects not included in this forecasting, some with significant financial implications, are also anticipated before the expiry of the SNIP TIG program in 2024.

Financial Considerations

The SNIP TIG incentive is funded with budget established through allocation of assessment growth revenue. Annual budget requirements vary depending on the approved projects and timing of development. The 2022 budget for SNIP TIGs is \$2.2 million. This amount is anticipated to increase annually based on existing and anticipated SNIP TIG grants through at least 2027, though likely longer as new projects come forward. The Region will be providing SNIP TIG payments on currently approved projects through 2037.

There is no cap on the amount of SNIP TIG funding the Region may allocate.

Table 1: Regional SNIP TIG Funding as of August 2022

	Number of Regional TIG projects or requests	Estimated amount of Regional TIG funding allocated or requested
Actively approved for Regional TIG funding Total	75	\$44.9M
Pending applications for Regional TIG funding	10	\$8.0M
Local Municipalities' forecast for Regional TIG funding*	13	\$10.8M

*It is important to note that sizable properties in several municipalities which are expected to request SNIP TIG funding are not represented in this forecasting. The number and amount of SNIP TIG funding requests are expected to significantly exceed those forecast here before expiration of the program on October 1, 2024.

Brownfield Tax Assistance Program (BTAP) incentives are also tracked through annual TIG forecasting. Through direction in PDS 31-2021 and PDS 3-2022, Regional participation in the BTAP program has been extended through October 1, 2023.

Table 2: Estimated Regional BTAP Funding as of August 2022

	Number of Regional BTAP funding projects or requests	Amount of Regional BTAP funding allocations/requests
Total Approved for Regional BTAP funding	8	\$200,000
Pending and forecasted Regional BTAP funding requests	7	\$100,000

While several variables affect the final amount and timing of TIGs, BTIGs and BTAPs, three are particularly important to note. First, projects are frequently completed in a different time frame, in different phases, and involve different costs from original estimates. Second, forecasts of anticipated SNIP TIG and BTAP projects from local municipalities do not take into account several, often significant, projects which are expected to apply for incentives. This may be because project information is not yet available, or projects have not finalized applications for local incentives, thus future forecasts of potential Regional funding requests may appear smaller than they will eventually be. This is exacerbated by the third factor: given the expiry of the BTAP program in 2023 and the SNIP TIG program in 2024, more applications are anticipated closer to these deadline than may normally be submitted. All of these factors may affect annual SNIP TIG and BTAP budgets for the next few years.

Analysis

Background

Tax increment grants are based on the difference, or increment, between pre-project taxes and post-project taxes on a development. Following project completion and reassessment, a portion of this tax increment is granted back to the developer, usually over a ten year period. Most TIGs are approved by local municipalities through their Community Improvement Plans (CIPs). Once approved, municipalities can apply to the Region for matching funding for eligible projects.

The Region currently participates in two TIG programs: the SNIP TIG and the Gateway CIP TIG. Estimated total allocation for Gateway TIGs is \$27.9M. Gateway incentive programs are reported on separately by Economic Development.

In 2021, the Niagara Region Incentive Policy was approved by Council, which contained new more sustainable TIG programs targeting Council priority areas (Affordable Housing, Employment, Brownfield Remediation) designed to replace the SNIP TIG. At the same time these programs were approved, Council also approved an extension to the SNIP TIG through October 1, 2024. This report provides data only on the SNIP TIG.

The SNIP TIG matches funding for eligible projects approved under local municipal CIPs. Ten of 12 local municipalities currently have CIPs with some form of TIG program. These programs differ within and between local municipalities, and may be for brownfields or non-brownfields, and for any sort of development permitted by the local CIP. There is no cap on the amount of funding the Region can allocate for SNIP TIGs. SNIP TIGs are often stacked with other incentive programs.

Over 90% of SNIP TIGs are estimated to have funded residential, including some mixed use, development. Approximately 45% of SNIP TIGs are for brownfield projects. Less than one percent (0.04 %) of projects are estimated to include affordable housing. Sufficient data is not available to determine whether or what kind of employment may have been generated by the projects. While it has historically been challenging to obtain information on these projects, initiatives are underway with Local Area Municipalities to improve the range and timeliness of TIG program data-sharing to better understand what is being funded and how the projects relate to local and Regional priorities.

Current SNIP TIG Information

Ten local municipalities currently have TIG programs matched under SNIP, with nine of these municipalities having matching Regional funding for their TIGs allocated at an estimated \$44.9M. In 2022, seven of the ten local municipalities with TIG programs -- Fort Erie, Lincoln, Niagara Falls, Pelham, St. Catharines, Welland, West Lincoln -- submitted SNIP TIG Forecasting forms. Niagara-on-the-Lake and Wainfleet do not have TIG programs; Grimsby, Port Colborne and Thorold did not submit forecasting information. Based on current information, highlights of funding allocations and requests for Regional SNIP TIGs (including BTIGs) include:

- Nine municipalities have 75 TIGs which have been allocated a total of \$44.9M in Regional funding.

- Four municipalities have submitted matching Regional funding requests for 10 TIGs which are pending, estimated at a total of \$8M in Regional funding.
- Six municipalities have forecast 13 TIGs anticipated to request matching Regional funding (estimate is a minimum of \$10.8M, based on available data).
- Two municipalities have received \$740,000 in Regional funding for eight TIGs which are now paid in full.

Since the extension of the SNIP TIG program in October 2021 through August 2022, three municipalities have had eight TIGs approved for a total of \$20.7M in Regional funding (See Table 3). Six of these eight TIGs are brownfields; seven projects are primarily residential with limited mixed-use development, and one is for industrial and self-storage. No information on potential employment was provided. No affordable housing was reported to be generated by any of these projects.

Table 3: TIGs approved for Regional matching funding October 2021-August 2022

Location	Grant Type	Estimated Total Regional Funding	Other Regional Funding
Niagara Falls			
Stanley Ave (adjacent 3659)	BTIG	\$158,547	BTAP, Brownfield Regional Development Charge (RDC) grant, SNIP ESA grant
Ferry St/Allandale Ave/Stanley Ave	TIG	\$6,764,547 (Phases 2 and 3)	Phase 1 TIG (\$1,616,975), eligible for Smart Growth RDC grant
4261 Fourth Ave	BTIG	\$1,486,186	Brownfield RDC grant, SNIP ESA grant
St. Catharines			
63 Lakeport Rd	BTIG	\$3,625,660	TBD
405 Merritt St	TIG	\$43,729	Brownfield RDC grant
75 Niagara St	BTIG	\$88,341	TBD

Location	Grant Type	Estimated Total Regional Funding	Other Regional Funding
Welland			
401 Canal Bank St	BTIG	\$8,000,000	BTAP, Brownfield RDC grant
115 Lincoln Ave	BTIG	\$497,869.76	BTAP application pending

Current BTAP Information

Since the extension of the SNIP BTAP program in October 2021 through August 2022, two BTAP requests have been had an estimated total of \$111,287 in Regional funding allocated. There are currently seven BTAP applications in three local municipalities requesting matching Regional funding which are forecast or pending, but insufficient information was submitted to provide an estimated total for these projects. Council will receive regular updates of approvals for Regional matching SNIP TIG and BTAP funding and annual program reporting.

Alternatives Reviewed

This report is for information so no alternatives were reviewed.

Relationship to Council Strategic Priorities

The information in this report relates to the following Council strategic priorities:

Priority 1: Supporting Businesses and Economic Growth

- Objective 1.1: Economic Growth and Development

Priority 4: Sustainable and Engaging Government

- Objective 4.3: Fiscally Sustainable

Other Pertinent Reports

PDS 3-2022 Regional Transitional Incentive Timelines

PDS 31-2021 Niagara Region Incentives Review

PDS 30-2015

Authority to Delegate Approvals for Conforming Applications: Tax-Based Incentive Programs

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Program Manager Grants and
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Planning and Development Services

Recommended by:

Michelle Sergi, MCIP, RPP
Commissioner
Planning and Development Services

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Lyndsey Ferrell, Program Financial Specialist, Financial Management and Planning, Corporate Services. This report was reviewed by Erik Acs, Manager Community Planning and Angela Stea, Director Community and Long Range Planning, Planning and Development Services.

Appendices

None