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**To:** Mayor and Council

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**RE:** Cottam Community Improvement Plan – Financial Incentive Options

**Report No.:** PDS-2017-025

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## **AIM**

To provide Council with potential financial incentive options, including the advantages and disadvantages of each option, for inclusion in the Cottam Community Improvement Plan.

## **BACKGROUND**

In late 2015 Council adopted a recommendation for administration to review the Cottam, Ruthven and Kingsville downtown areas to determine which areas would benefit from the implementation of a Community Improvement Plan. As part of the review and based on Council's direction Cottam was the area that was to be the initial area for review and potential implementation of a CIP. As the first step in development of a CIP it was necessary to establish the specific limits of the CIP as such a by-law was presented to and approved by Council in June of 2016 to establish a total of three CIP areas (See Appendix A) including Kingsville, Cottam and Ruthven with Cottam being the initial area for CIP consideration and development.

## **DISCUSSION**

An initial draft of the Cottam CIP has been prepared and circulated for comment to Town management staff. As part of the review the Director of Financial Services and Manager of Planning and Development Services reviewed the proposed financial incentive options in more detail. It was determined that prior to presenting the final CIP to Council that it would be advisable to provide a list of all possible financial incentive options to Council outlining the advantages and disadvantages of each. This would then lead to a recommendation on the best incentive options to include in the CIP. Given the overall importance of this aspect of the CIP this will then give a clearer direction to the public in moving forward with the

final public input portion of the CIP. It is also hoped that this will make the final decision process more streamlined.

## The Incentive Programs

The following are various programs that can be used individually or in combination to encourage private sector investment. The goal is to stimulate revitalization in the downtown Cottam area by reducing vacant store fronts and providing beautification opportunities to attract attention to the revitalized area.

- 1) Façade and /or Signage Improvement Grant Program: Grants will be available for a percentage of the total cost for exterior design changes to the front of existing buildings in the Cottam CIP area with a maximum grant amount.

Advantages –

- i) encourages revitalization of the streetscape
- ii) program administration is straight forward once criteria is established
- iii) results are more immediate

Disadvantages –

- i) qualification criteria need to be developed to provide consistent application
- ii) there are no urban design guidelines in the area to provide direction

- 2) Fee Grant Equivalent Program: a percentage of the Town portion of planning application fees, building permit fees and a portion of development charges would be refunded upon approval of the application and successful completion of the project with a maximum grant amount.

Advantages –

- i) this is a rebate program so no additional tax dollars are used to fund the program
- ii) may help to encourage new uses or expansion of existing

Disadvantages –

- i) reduction of development charges is not recommended as current pool is limited
- ii) lost revenue for Building and Planning which requires a replacement of tax dollars

- 3) Tax Increment Equivalent Grant Program: As a result of the rehabilitation, development and/or redevelopment the Town portion of the property taxes (based on the difference between pre-development , post-development assessment as a result of the approved development or redevelopment would be returned to the owner as a percentage of the increase over a set timeframe, typically 5 years.

Advantages –

- i) this is a rebate program so no tax dollars are used to directly fund the Program
- ii) provides potential for new development

Disadvantage –

- i) program is very administrative heavy requiring considerable resources which the Town does not currently have
- ii) lag in assessment update increases need for monitoring and increases the complexity of administration of the program
- iii) changes in the ownership cause issues regarding who is entitled to the original rebate
- iv) lost revenue from year one to four is not recovered in year five

4) Vacancy Rebate Program: Commercial or industrial property owners unable to find tenants to fill vacancies can make application to the program for a partial rebate on property taxes.

Advantages –

- i) provides financial relief to owners to offset loss of revenues
- ii) provides a measure of building security through lean economic times by reducing the incentive to demolish vacant buildings
- iii) tax savings can be used to reinvest in the vacant property to increase rental viability in the future

Disadvantages –

- i) rebate program tends to be contrary to the goals of a CIP to encourage reduction in vacancies and support growth
- ii) no guarantee that savings will be used to reinvest in a property
- iii) cost-benefit is low when administrative resource commitment is factored in
- iv) a vacancy rebate program within a CIP targets rebate dollars to a specific area rather than the entire municipality

5) Residential Conversion/Intensification Program: Grants for the conversion of vacant and underutilized second floor commercial space or limited ground floor space to residential units, renovation of existing residential use in mixed use buildings, and construction of new residential units through infilling. Increased grant for affordable residential units.

Advantages –

- i) can increase the population in a CIP area helping to support the existing commercial businesses
- ii) helps reduce vacancy and helps to encourage more than minimal maintenance

Disadvantages –

- i) can reduce the available commercial square footage available in a CIP
- ii) often CIP areas have limited parking resources so you have a commercial need versus residential need which are considerably different
- iii) parking issue can lead to a need for the Town to develop additional parking or introduce monetary programs to help pay for future parking development

- 6) Reduced Parking and Parkland Dedication Requirements: Owners would be granted relief from parking required for new development or intensification of existing development based on availability of other parking alternatives or parkland dedication requirements would be waived for lot creation within the designated CIP area.

Advantages – i) neither program has a direct cost impact on tax dollars

Disadvantages – i) lot creation opportunities in CIP areas tend to be very limited  
ii) requirement for parkland dedication in CIP areas is often unnecessary as this was either not required at the time of original development or was dealt with at the time of original development  
iii) relief from parking is unwise as it is simply ignoring a requirement of the by-law for the benefit of encouraging development

- 7) Heritage Property Tax Relief: Property owners agreeing to participate in the designation of their building(s) would be provided with a percentage rebate on their property taxes.

Advantages – i) this type of program already exists in Kingsville so it would not require development of a new process  
ii) can help to further encourage additional designations of properties in the CIP that may not otherwise participate.

Disadvantages – i) has limited impact as there may be limited properties of interest for designation  
ii) may require additional administrative resources  
iii) would have a direct financial impact as tax dollars are lost

- 8) Brownfields/Environmental Site Assessment Assistance Program: Many CIP areas contain existing or former uses where there is the possibility of environmental contamination.

Advantages – i) encourages clean-up and redevelopment of Brownfield sites  
ii) can lead to relocation of non-traditional downtown uses  
iii) can have a beneficial spin-off effective on surrounding properties

Disadvantages – i) initial investigations can lead to additional costs  
ii) program can require significant financial resources in order to truly encourage full remediation  
iii) program can require significant administrative resources and a need for a certain level of technical understanding  
iv) limited focus as Brownfield sites are limited in number

## Public Realm Improvements

As noted in the initial report to Council, which introduced the basics involved in CIP development, it was noted that CIP programs often include a private investment portion along with a public investment portion. This investment by the Town is an additional piece of encouragement to the private sector and could include the addition of street signage, gateway features, pedestrian infrastructure, landscaping, intersection improvements, benches, public spaces etc. As part of the complete draft CIP a streetscape is being prepared to highlight the potential look of the above noted items. Financial impact will be based on further discussion with Municipal Services and potentially the County to determine what options are pursued and what budgetary consideration will be required.

### **LINK TO STRATEGIC PLAN**

Overall the introduction of a CIP program is positive for the community and from a review of the Strategic Plan the program will have some linkage to each of the Objective, Priorities and Projects through the encouragement of improvement and expansion within the designated CIP area.

### **FINANCIAL CONSIDERATIONS**

The financial considerations will be explored in greater detail once specific options have been chosen for inclusion in the CIP. Initially the general funding target would span a five year timeframe with a \$30,000 to \$50,000 per year commitment. There are two implementation options worth consideration:

- 1) A per year commitment based on the previous year's uptake of the programs. i.e. year one \$30,000 is allocated, those funds are exhausted within 6 months, year two a suggested allocation increase to \$40,000 is recommended.
- 2) A five year funding cap that would allow for adjustment on an annual basis again based on the overall program uptake. i.e. five year cap is \$150,000 per year allocations are then adjusted based on overall participation in the program.

### **CONSULTATIONS**

Management staff was circulated with the draft CIP. More detailed consultation was undertaken with Financial Services to review and provide feedback on the various financial incentive options outlined in this report. Once Council has decided on the preferred options the full draft CIP will be presented to Council for review and a recommendation of presentation to the public for comment and feedback.

## RECOMMENDATION

It is recommended that Council:

- 1) Provide administration with its preferred financial funding options for inclusion in the draft Community Improvement Plan, and
- 2) Provide administration with its preferred funding options being either the annual program commitment or five year funding cap.

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