

Presented To:	Planning Committee
Presented:	Monday, Nov 20, 2017
Report Date	Monday, Oct 30, 2017
Type:	Managers' Reports

Request for Decision

Downtown Sudbury Community Improvement Plan, and Brownfield Strategy and Community Improvement Plan Applications 185 – 227 Lorne Street

Resolution

THAT the City of Greater Sudbury accepts the Downtown Sudbury Community Improvement Plan application, and the Brownfields Strategy and Community Improvement Plan application, for lands located at 185 – 227 Lorne Street, as outlined in the report entitled “Downtown Sudbury Community Improvement Plan and Brownfield Strategy and Community Improvement Plan Applications – 185 – 227 Lorne Street”, from the General Manager of Growth and Infrastructure, presented at the Planning Committee meeting on November 20, 2017.

AND THAT Staff be directed to table a business case for Council’s consideration as part of the 2018 Budget for up to \$9,507,785 over 15 years, which includes up to \$7,756,432 for the Downtown Sudbury Community Improvement Plan application and up to \$1,751,353 for the Brownfield Strategy and Community Improvement Plan application, and which is based on anticipated maximum cash outflow to fund the applications at 185 – 227 Lorne.

Relationship to the Strategic Plan / Health Impact Assessment

Priority B under the Growth and Economic Development pillar directs the City to "implement or assist in implementing economic development related plans approved by Council, with the necessary resources to support them, or continue planning to include the execution of [said plans].

Report Summary

The City has received applications for grants and loans under both the Downtown Sudbury Community Improvement Program (DSCIP) and the Brownfield Strategy and Community Improvement Plan (BSCIP) for

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Manager Review

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Recommended by the Division

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Financial Implications

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Recommended by the Department

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lands located at 185 – 227 Lorne Street. The total financial request is \$9,507,785 over 15 years.

Financial Implications

The applicant has requested approximately \$9.5 million in incentives under both the Downtown Sudbury Community Improvement Plan (DSCIP) and the Brownfield Strategy and Community Improvement Plan (BSCIP). The details from the programs: Tax Increment Equivalent Grants represents a total of approximately \$3.78 million of which \$1.58 million (under the BSCIP) for the first 5 years and then the \$2.2 million (under the DSCIP) would be over the following 10 years resulting in less property taxation revenue to the City; Residential Incentive Program of \$1,000,000; Multi-Residential Interest Free Loan Program of \$4.5 million; Planning Fee and Building Permit Fee Rebates of \$180,000; Tax Assistance Program of \$30,330, and the Facade Improvement Program (under the DSCIP only) of \$15,000.

Some of the components of this request exceed the program limits of the DSCIP and BSCIP by \$5.165 million as outlined in this report. This request is being presented to Council as per the DSCIP that applications that exceed the maximum program amounts may be considered by Council.

There is no funding approved for the DSCIP or BSCIP, so a business case would be required as part of the 2018 Budget (or a future budget year) for funding of any applications. The funding source for these applications would be on the property tax levy. If Council approves the resolution to proceed to the 2018 Budget, then the property tax impacts on the 2018 Budget will be outlined in the business case to be tabled.

Downtown Sudbury Community Improvement Plan, and Brownfield Strategy and Community Improvement Plan Applications
185 – 227 Lorne Street
Report Date: October 30, 2017

Background

The City adopted the Downtown Sudbury Community Improvement Plan (DSCIP) in December 2016 (See Reference 1). The stated objectives of the DSCIP are to:

1. Revitalize Downtown Sudbury;
2. Increase the residential population of the downtown;
3. Create and retain employment opportunities;
4. Grow the municipal assessment base;
5. Grow the municipal property tax revenue;
6. Repair and intensify the existing urban fabric with compatible projects;
7. Take advantage of existing infrastructure; and,
8. Enhance the quality of the public realm.

The City adopted the Greater Sudbury Brownfield Strategy and Community Improvement Plan (BSCIP) in October, 2011 (See Reference 2). The stated objectives of the BSCIP are to:

1. Create and retain employment opportunities
2. Increase assessment and tax revenues
3. Increase economic competitiveness
4. Enhance environmental quality, health and safety
5. Intensify and revitalize neighbourhoods and communities

The applicant seeks to convert the former industrial building along with a five storey addition as a mixed use development with 50 dwelling units and approximately 1 673 m² (18,008 ft²) of commercial and light industrial uses. A one-storey parking garage is proposed on the lands located west of Alder Street. The property is subject to planning application 751-6/15-26. Planning Committee considered a staff report on the matter on November 21, 2016 (See Reference 3).

The proposal at 185 – 227 Lorne meets the intent of the DSCIP and the BSCIP. The total monetary request of the City is \$9,507,784.34. Some of the requests are beyond the program caps established under the DSCIP (e.g. Residential Loan Program, Interest-Free Loan Program). However, policy 8 of Section 3.2.1 of the DSCIP states that the City "may receive applications that exceed the maximum program amounts outlined in this Community Improvement Plan. At its sole discretion, Council may provide incentives that are greater than the amounts outlined herein, provided that all other applicable criteria are met." The total private investment leveraged would be approximately \$20,000,000, representing a ratio of 1: 1 should City Council approve the request as part of the 2018 Budget.

Funding the City's Community Improvement Plans

As part of the 2017 Budget process, Council examined the funding of 4 CIPs (Brownfields CIP, Town Centre CIP, Capreol 2018 CIP, and the Downtown Sudbury CIP), and passed the following resolution on December 14, 2016:

"[FA2016-43A8] THAT the [CIP] [...] be removed from the 2017 Budget, with the understanding that Council fully supports the community and town centre CIPs and that an application process is yet to be developed and that any applications submitted will come to Council for decision."

In 2017, the City launched an Expression of Interest (EOI) process to implement the DSCIP. The EOI process garnered 40 applications. 35 of these applications were deemed eligible based on DSCIP eligibility criteria and EOI requirements. One proponent has since withdrawn his application, resulting in a total monetary request of the City for the 34 applications of \$ 2,715,083 over 5 years, while the total private investment leveraged would be \$35,218,888, representing a ratio of 1:12 should City Council approve the requests as part of the 2018 Budget. Staff outlined its findings in an August 21, 2017 report to Planning Committee (See Reference 4). City Council directed staff to bring forward a business case for its consideration as part of the 2018 Budget process.

185 – 227 Lorne Street - DSCIP

185 – 227 Lorne Street is the first application the City has received under the new DSCIP outside of the EOI process. This application is being brought forward for consideration pursuant to resolution FA2016-43A8 above.

The applicant has applied for the following financial incentive programs under the DSCIP:

- Tax Increment Equivalent Grant (TIEG)
- Planning Fee Rebate
- Building Permit Fee Rebate
- Façade Improvement Program
- Residential Incentive Program
- Multi-Residential Interest-Free Loan Program

Overview

TIEG

The applicant is applying for the Enhanced Tax Increment Equivalent Grant ('SUPER TIEG'). Under SUPER TIEG, the grant to the property owner/tenant is equal to 100% of the tax increment in years one through four, and 50% of the tax increment in years five through ten. To qualify for this 10-year incentive, the subject property must have been vacant on the date of adoption of the DSCIP. The proposal must also include ground-level retail, above-ground residential, and include structured parking. This application meets all criteria.

The post development increase in taxes (i.e. the tax increment) is estimated to be \$315,204.53. Under SUPER TIEG, the ten year grant would total \$2,206,431.69.

Planning Fee and Building Permit Fee Rebates

The applicant has applied for the maximum amounts permitted under both the Planning Fee and Building Permit Fee rebate programs (\$5,000 and \$30,000, respectively). While the applicant's previous applications would not qualify as eligible costs to the current proposal, future applications made after the DSCIP application date such as those for Condominium Plans and Site Plan Control Agreements could be considered as eligible costs.

For the planning rebate program, all collected fees would be refunded upon release of the building permit. For the building permit fee rebate program, the fees would be refunded upon final inspection approved of the completed and occupied project.

Façade Improvement Program

The applicant has applied for the maximum amount (\$15,000) under the Façade Improvement Program. Under the program requirements, should the application be approved, payment will be made only upon the completion of the work.

Residential Incentive Program

The purpose of the Residential Incentive Program is to jump-start the downtown residential market. A grant of \$10 per sq foot of newly-created habitable residential space, or \$20,000 per dwelling unit, whichever is lesser, is available. Payment is made when the occupancy permit is issued.

Under the DSCIP, the total amount of incentive provided under this program will not exceed \$800,000 annually, and the maximum amount of incentive provided under the program to any approved eligible property will not exceed \$200,000. The applicant has applied for \$1,000,000 (50 dwelling units at \$20,000 each), which is beyond both the total program cap, and the individual property cap.

Multi-Residential Interest-Free Loan Program

This interest-free loan program offers financial assistance to projects that result in predominately residential development. The program provides interest-free loans of up to 25% of the project costs, to a maximum of \$250,000 to property owners who undertake the creation of multiple dwelling units. The total amount on loan at any one time under this program shall not exceed \$1,000,000.

The applicant seeks a \$4,500,000 loan from the City, which is beyond the program cap. Should the loan be approved, the City's funding would be advanced in three stages, upon completion of 60%, 80% and substantial completion of the project. Loan payments would commence six months following completion, on a monthly basis calculated based on a five-year amortization period.

Should the loan be approved, the loan commitment would expire if construction does not commence within 1 year of the City of Greater Sudbury's approval. In the event of such an occurrence, the applicant would have to reapply.

185 – 227 Lorne Street - BSCIP

The applicant has applied for the following financial incentive programs under the BSCIP:

- Tax Increment Equivalent Grant
- Tax Assistance Program
- Planning Fee Rebate
- Building Permit Fee Rebate

Overview

To qualify for the urban property programs under the BSCIP, the property must have been previously used for commercial or industrial purposes; be vacant, derelict or at risk; be the subject of a residential or mixed use, re-use or redevelopment proposal which conforms to the official plan; and, have a Phase II Environmental Site Assessment which demonstrates that a Record of Site Condition cannot be filed. The subject property meets these criteria.

Tax Increment Equivalent Grant

Under the BSCIP TIEG, the grant to the property owner/tenant is equal to 100% of the tax increment in years one through five. The post development increase in taxes (i.e. the tax increment) is estimated to be \$315,204.53. Under BSCIP TIEG, the five year grant would total \$1,576,022.65.

Tax Assistance Program

The tax assistance program would see the deferral or cancellation equivalent to up to 100% of the municipal and provincial education portion of the property tax. The assistance would begin with the passage of Council's by-law and extend through the rehabilitation period (maximum 18 months) and/or development period (a time period from the rehabilitation period, as defined by Council through the by-law), subject to such provincial and municipal conditions specified in the by-law.

The municipal portion of tax assistance (based on 36 months, and based on the 2017 assessment) would be an estimated \$30,330.00

Planning Fee and Building Permit Fee Rebates

Similar to above, the applicant has applied under the Planning Fee and Building Permit Fee rebate programs (\$7,760 and \$145,000, respectively). The total amount of incentive provided under the planning fee component of the program is \$50,000 annually, and \$10,000 per eligible property. The total amount of incentive provided under the building permit fee component of the program is \$300,000 annually, and \$60,000 per eligible

property. The application therefore exceeds the building permit fee caps under the BSCIP.

Stackable Incentives

The financial incentives of the DSCIP and BSCIP may be used in combination (i.e. the incentives are considered "stackable"). There are some exceptions, however. For example, rebates of planning fees will not exceed the actual cost of the fees.

Should Council approve these applications, staff foresees that the incentives would be provided in the following order:

1. Tax Assistance (maximum up to 36 months)
2. Multi-Residential Interest Free Loan
3. Planning and Building Fee Rebate (upon occupancy)
4. Residential Incentive Program (upon occupancy)
5. Façade Improvement Program
6. BSCIP TIEG (Years 1 to 5 at 100%)
7. DSCIP Super TIEG (years 6 to 9 at 100%, and years 10 to 15 at 50%)

Summary

The applicant has applied for grants and loans under both the Downtown Sudbury Community Improvement Program (DSCIP) and the Brownfield Strategy and Community Improvement Plan (BSCIP). Staff has prepared the following table for Council's consideration:

	DSCIP REQUEST	BSCIP REQUEST	TOTAL GRANT/LOAN	Amount above Cap
TIEG	\$2,206,431.69	\$1,576,022.65	\$3,782,454.34	N/A
Tax Assistance Program	N/A	\$30,330 (based on 2017 figures with 36 month cap in BSCIP)	\$30,330	N/A
Planning Fee Rebate	\$5,000	\$7,760*	\$5,000 *	\$0
Building Permit Fee Rebate	\$30,000	\$145,000**	\$175,000**	\$115,000

Façade Improvement Grant	\$15,000	N/A	\$15,000	\$0
Residential Incentive	\$1,000,000	N/A	\$1,000,000	\$800,000
Multi-residential Interest-Free Loan	\$4,500,000	N/A	\$4,500,000	\$4,250,000
TOTAL	\$7,756,431.69	\$1,751,352.65	\$9,507,784.34	\$5,165,000

*Not stackable. Only Condo and Site Plan Agreement would apply. Zoning application was submitted prior to CIP application and therefore not eligible. \$7,760 therefore not calculated in column total.

**Amount request above cap established in BSCIP. BSCIP does not anticipate Council will exceed program caps.

Should Council accept these applications, they should be forwarded to the 2018 Budget Process.

References

1. Downtown Sudbury Community Improvement Plan
<https://www.greatersudbury.ca/play/downtown-sudbury/the-downtown-sudbury-master-plan/downtown-community-improvement-plan/community-improvement-plan/>
2. Brownfield Strategy and Community Improvement Plan
<https://www.greatersudbury.ca/linkservid/BC874905-FD36-3989-E4A00284073C255B/showMeta/0/>
3. November 21, 2016 Staff Report
<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=995&itemid=12317&lang=en>
4. August 21, 2017 Staff Report
<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=12&id=1112>