

Municipality of Chatham-Kent

Development Services

Planning Services

To: Mayor and Members of Council
From: Gabriel Clarke, MES, BA, RPP Candidate
Date: September 12, 2023
Subject: Adjustments to the Community Improvement Plan

Recommendations

It is recommended that:

1. Council approve the recommended adjustments to Chatham-Kent's Community Improvement Plan
2. Council direct Administration to continue investigating the use of Community Improvement Plan incentives to contribute to the realization of a number of community priorities listed in Council's 2023-2026 Term Priorities.

Background

Overview of Chatham-Kent's Community Improvement Plan Program

For several years, Chatham-Kent has offered a wide range of business development services and programs. Among these are Community Improvement Plans (CIP) which provide financial incentives to stimulate private sector investments in the commercial, employment, and residential development sectors.

Chatham-Kent's first CIP – titled the Downtown Community Improvement Plan (DCIP) was implemented in 2004 and offered financial incentives to improve commercial properties and residential conversions in the downtown and main street areas of: Blenheim, Bothwell, Chatham, Dresden, Eriean, Highgate, Merlin, Morpeth, Ridgetown, Thamesville, Tilbury, Wallaceburg, and Wheatley.

The Commercial Community Improvement Plan (CCIP) was introduced in 2012 and offered financial incentives for the improvement of private commercial property in certain commercial corridors in Blenheim, Chatham, Dresden, Ridgetown, Tilbury and Wallaceburg.

In 2014, Chatham-Kent introduced the Employment Community Improvement Plan (ECIP) to stimulate private sector investments in new and existing industrial buildings.

In 2020, Chatham-Kent introduced the Chatham-Kent Community Improvement Plan (CKCIP). The CKCIP effectively replaced the previous Downtown, Commercial and Employment CIPs. It carried forward or enhanced the most popular programs from the previous CIPs and introduced new incentives focused on encouraging much needed rental housing and affordable housing in the Municipality.

Overview of the CIP Review Project

In late 2022, the Municipality initiated the CIP Review project to review the performance of the 2020 Chatham-Kent CIP, to consider adjustments to the financial incentive programs offered under the CKCIP and to ensure that the CKCIP continues to reflect Council's evolving priorities related to growth and development. The initiation of the CIP Review project was driven by the following considerations:

- The economic conditions under which local residential, commercial, and employment-related development sectors were operating in late 2022 had shifted significantly since the CKCIP was introduced on March 2, 2020 – days before the onset of the COVID-19 pandemic.
- A cursory review of CKCIP participation results revealed a noticeable difference in the participation rates for the various CKCIP programs, suggesting that certain CKCIP components were more successfully incentivizing the kinds of development activities they were meant to encourage than others.
- The Provincial Government has been active on the housing front over the last few years. For example, Ontario struck the Ontario Housing Affordability Task Force in 2021, established a goal of building 1.5 million new homes in Ontario over ten years and introduced several pieces of legislation, including Bill 108, More Homes, More Choices Act, 2019, Bill 109, More Homes for Everyone Act, 2022, and Bill 23, More Homes Built Fast Act, 2022, which focus on policy and legislative changes to speed up home construction and increase the supply of housing. Some of these changes impacted the relevance or applicability of certain aspects of the existing CKCIP.
- Council's newly approved 2023-2027 Term Priorities Document contains a number of strategic priorities related to growth and development. These include increasing attainable and affordable housing supply, supporting the renewal of Chatham-Kent's downtown areas and growing the Municipality's employment base.

The CIP Review Project Involved 3 main steps:

1. Quantifying the [uptake and financial impact of the 2020 Chatham-Kent Community Improvement Plan](#).
2. Assessing how effective each funding stream was in terms of encouraging the kind of development it was meant to incentivize.
3. Developing recommendations for a renewed Community Improvement Plan.

The CIP Review project also included a Best Management Practices review of Community Improvement Plans from other community targeted stakeholder engagement process which included consultations with CIP participants, members of the business community and various internal Municipal departments.

Comments

Guiding Principles for the Recommended Program Adjustments

Guiding Principles were identified to inform the evaluation of the existing Community Improvement Plan and to guide development of the program adjustments that are recommended for Chatham-Kent's Community Improvement Plan going forward. Each recommended adjustment is directly related to one or more guiding principle. The Guiding Principles were informed through a variety of sources including input and information collected through the process described above, provincial legislative changes, recent economic trends and priorities from Council's 2023-2027 Strategic Plan. The guiding principles are:

- Increase Housing Supply.
 - o Additional Dwelling Units.
 - o Affordable Housing.
- Grow the Employment Base.
- Revitalize Downtown Areas.
- Support Commercial Activity.
- Encourage a Higher Level of Investment.
- Inflation.
- Program Simplification.
- Changes to Provincial Legislation (Bill 23).
- Stakeholder Input.

The guiding principles are expanded upon below:

Increase Housing Supply

Increasing the supply of housing is a Council priority. The CIP can provide financial incentives to encourage residential development activity across the housing continuum. A number of recommended program adjustments are aimed towards increasing the supply of housing in areas that continue to experience challenges – such as affordable housing. Recommended adjustments on this front are generally aimed at increasing the

differentiation between the incentives offered for market housing vs. those offered for affordable housing under the CIP to further encourage affordable housing developments.

Other recommended adjustments, such as those related to Additional Dwelling Units (ADUs), are designed to encourage this form of housing as it is one of the lowest cost ways to increase dwelling unit counts in the municipality, is aligned with provincial housing policy objectives (i.e. Bill 23), and creates opportunities to increase dwelling counts in established neighbourhoods that are already served by existing Municipal servicing infrastructure. In addition, ADUs provide opportunities for regular homeowners throughout Chatham-Kent to contribute to the housing supply solution.

Grow the Employment Base

Growing the employment base is a longstanding Council priority. The CIP can provide financial incentives to encourage the growth of new and existing employment options. A number of recommended program adjustments are aimed at encouraging private sector investments to grow Chatham-Kent's employment base.

Revitalize Downtown Areas

Revitalizing Chatham-Kent's Downtown areas is a Council priority. Vibrant Downtown areas are key to a community's sense of place and quality of life, yet economic trends over the last several decades have created challenges for businesses located in Downtown areas. The CIP can provide financial incentives to encourage private sector investments in Downtown buildings and businesses. A number of recommended program adjustments provide a signal that private sector investments to revitalize Downtown areas is a high priority for Chatham-Kent.

Encourage Commercial Activity

Commercial activity (i.e. retail businesses, service establishments etc.) is a key component of Chatham-Kent's economy. The CIP can provide financial incentives to support existing commercial businesses and to encourage new commercial activity. Recommended program adjustments for commercial developments are aimed at:

- Continuing to support commercial activity throughout Chatham-Kent.
- Increasing the difference between the incentives offered for Downtown businesses and those located outside of downtown areas.

Encourage a Higher Level of Investment

A number of recommended program adjustments are aimed at encouraging a higher level of private sector investment by increasing the minimum project cost that renders a project eligible to receive a financial incentive under the CIP.

Inflation

Certain recommended program adjustments are meant to account for recent inflation in materials and labour costs, leading to higher project costs.

Program Simplification

Certain recommended adjustments are meant to simplify elements of the CIP. These changes are expected to make it easier for applicants to interpret and participate in the CIP.

Provincial Legislation

Recent changes made to Provincial Legislation through Bill 23 (More Homes Built Faster Act, 2022) have impacted the applicability of certain CIP programs. Specifically, Bill 23 mandates that affordable housing developments receive a 100% exemption from all Development Charges otherwise applied by a Municipality, which affects the affordable housing stream under the Development Charges Partial Exemption Program.

Stakeholder Input

Certain recommended program adjustments were informed through input and feedback that was collected through the stakeholder engagement process.

Overview of the Recommended Program Adjustments

Table 1 below provides a detailed overview of the program adjustments that are recommended for Chatham-Kent's Community Improvement Plan going forward. The table identifies the CIP program, the relevant program component, the recommended adjustment, and the guiding principle or principles that have served as the basis for the recommended adjustment. All recommended program adjustments are included in Appendix 1 to this Report.

Table 1: Overview of Recommended Adjustments to Chatham-Kent's Community Improvement Plan

Existing CIP Program	Relevant CIP Program Component	Recommended Change	Guiding Principle Informing the Change
Commercial Façade Improvement Program	Existing Funding Structure - Currently covers 50% of eligible costs to a maximum grant based on length of works: - 0-50 feet: max grant: \$7,500 - 50-100 feet: max grant \$15,000 - 100-150feet: max grant \$22,500 - 150ft +: max grant \$30,000 This funding structure works out to approximately \$150 per foot.	Reconfigure the funding structure: 50% grant to a maximum of \$200 per linear foot and a grant cap of \$40,000.	Support Commercial Activity. Inflation: Upward adjustment of the maximum grant per foot to account for the increased cost of façade improvements. Simplification: Elimination of the tiered grant structure.
	Eligible costs: windows only projects are currently eligible for funding.	Render windows-only ineligible for funding (applicant must include another building façade enhancement).	Stakeholder Input: Limited beautification impact of windows-only projects.
Development Charge (DC) Partial Exemption Program	Existing program: -Major Residential Rental (50+ units): 50% reduction in water and wastewater DCs charged by the PUC. - Affordable Housing: 50% reduction in water and wastewater DCs charged by the PUC.	Eliminate the PUC Development Charges Partial Exemption Program.	-Increase Housing Supply: Further encourage affordable housing developments. - Provincial Legislation: Bill 23 requires a 100% exemption from all DCs for affordable housing developments.
Building & Planning Fee Rebate Program	Eligible developments: Additional Dwelling Units (ADUs) are not currently eligible.	Introduce a New Funding Stream for Additional Dwelling Units: 100% Building Fee rebate for ADUs in existing homes to a maximum of \$5,000. Limit eligibility to homes that are 5 years or older.	Increase Housing Supply: Further encourage Additional Dwelling Units. Note: Ontario Bill 23 and CK Zoning By-law amendment (April '23) allow ADUs in numerous residential zones.

	<p>Commercial and Mixed Use Developments: Currently, eligibility for the commercial and mixed use funding stream under the Building and Planning Fee Rebate Program is not limited by geography in Chatham-Kent.</p>	<p>Adjust eligibility:</p> <ul style="list-style-type: none"> - Commercial: Focus eligibility to Downtown areas. - Mixed Use: Focus eligibility to Downtown areas 	<ul style="list-style-type: none"> - Revitalize Downtown Areas: Focus Building and Planning Fee Rebate Investments for commercial and mixed use developments towards Downtown revitalization.
	<p>Minimum Eligible Cost: Currently set at \$250,000 for mixed use and employment developments.</p>	<ul style="list-style-type: none"> -Mixed Use: Raise minimum eligible investment to \$500,000. - Employment: Increase the minimum eligible investment to \$1million. 	<ul style="list-style-type: none"> - Encourage a Higher Level of Investment. - Inflation. - Grow the Employment Base.
<p>Residential Conversion & Affordable Housing Program</p>	<p>Existing Grant:</p> <ul style="list-style-type: none"> - Affordable Housing: \$2,500 grant per unit to a maximum of \$50,000 (20 units) 	<p>Increase the grant to \$7,500 and eliminate the maximum grant/unit cap.</p>	<p>Increase Housing Supply: Further encourage affordable housing developments.</p>
	<p>Existing Grant:</p> <ul style="list-style-type: none"> - Additional Dwelling Units (ADUs): \$2,500 grant per unit to a maximum that is limited by the Zoning By-law (one or two units depending on zone) 	<p>Increase the grant to \$5,000.</p>	<p>Increase Housing Supply: Further encourage Additional Dwelling Units.</p>
	<p>Existing Grant:</p> <ul style="list-style-type: none"> - Mixed Use: \$7,500/unit to a maximum of \$60,000 (8 units) 	<p>Eliminate the grant maximum grant cap and focus eligibility to Downtown areas.</p>	<p>Revitalize Downtown Areas: Focus CIP investments on Downtown revitalization.</p> <p>Increase Housing Supply: Encourage residential development in downtown areas.</p>

<p>Property Tax Increment Equivalent Grant Program - Commercial Stream</p>	<p>Existing Program Funding Structure:</p> <ul style="list-style-type: none"> - 60% tax increment grant (100% March '20 to March 2022) for 5 years; minimum eligible cost: \$250,000. 	<p>Establish 2 funding streams:</p> <ul style="list-style-type: none"> - Stream 1: Commercial developments located in Downtown areas: 100% tax increment grant for 5 years; minimum eligible cost: \$250,000. - Stream 2: Commercial developments located outside Downtown areas: 50% tax increment grant for 1 year; minimum eligible cost: \$1million. 	<p>Revitalize Downtown Areas: Provide a higher incentive for commercial developments located in Downtown areas.</p> <p>Support Commercial Activity.</p> <p>Encourage a higher level of investment.</p>
	<p>Highway Commercial zoned properties are currently eligible for the tax grant (fast food, car dealerships, gas stations etc.)</p>	<p>Render ineligible starting January 1 2024: Highway Commercial zoned properties.</p>	<p>Stakeholder Input.</p>
	<p>The existing Property Tax Increment Equivalent Grant Program does not include a funding stream for Hotels.</p>	<p>Introduce a 100% tax increment grant for 5 years; minimum eligible cost: \$1million</p>	<p>Stakeholder Input.</p>
<p>Property Tax Increment Equivalent Grant Program - Mixed Use Stream</p>	<p>Existing Program Funding Structure:</p> <ul style="list-style-type: none"> - 100% tax increment grant for 5 years; minimum eligible cost: \$250,000. 	<p>Focus eligibility to Downtown Areas and increase the minimum eligible cost to \$500,000.</p>	<p>Revitalize Downtown Areas.</p> <p>Increase Housing Supply: Encourage residential development in Downtown areas.</p>
		<p>Establish a funding stream for affordable housing developments in mixed use buildings located in Downtown areas: 100% tax grant for 10 years; minimum eligible cost: \$500,000.</p>	<p>Revitalize Downtown Areas.</p> <p>Increase Housing Supply: Encourage affordable housing developments in Downtown areas.</p>

<p>Property Tax Increment Equivalent Grant Program - Employment Stream</p>	<p>Existing Program Funding Structure: - 100% tax increment grant for 10 years; minimum eligible cost: \$250,000.</p>	<p>Increase the minimum eligible cost to \$1million.</p>	<p>Grow the Employment Base. Encourage a Higher Level of Investment. Inflation.</p>
<p>Property Tax Increment Equivalent Grant Program - Major Employment Stream</p>	<p>Existing Program Funding Structure: - 100% tax increment grant for 10 years; minimum eligible cost: \$5 million.</p>	<p>Increase the minimum eligible cost to \$10million.</p>	<p>Grow the Employment Base. Encourage a Higher Level of Investment. Inflation.</p>
		<p>Introduce a new funding stream: \$50+ million investment: Provides Council with the option to negotiate incentive levels at Council's discretion.</p>	<p>Grow the Employment Base: Introduces a funding stream for "once in a generation" employment investments and provides Council with the means to negotiate the incentive level they may wish to offer.</p>
<p>Property Tax Increment Equivalent Grant Program - Major Residential Rental Stream</p>	<p>Existing Program Funding Structure: - 100% tax increment grant for 10 years; minimum eligibility: 50+ rental units.</p>	<p>Retain a 100% tax increment grant for 10 years. Provide developers with a 70% of the grant value and allocate 30% of the grant value towards a Municipal Affordable Housing reserve to build up funding for future Municipal affordable housing projects.</p>	<p>Increase Housing Supply: Fund affordable housing developments.</p>

Property Tax Increment Equivalent Grant Program - ADU Stream	The existing PTIEG program does not include a funding stream for Additional Dwelling Units (ADUs).	Introduce a \$1000/year grant for 15 years for newly built or renovated ADUs in existing dwellings. Minimum eligible cost: \$15,000. ADU must be legally built and primary dwelling must be 5+ years old.	Increase Housing Supply: Further encourage Additional Dwelling Units.
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Additional Opportunities to Employ Incentives to Achieve Various Council Priorities Throughout the Course of the CIP Review Project

Numerous additional opportunities were identified where incentives could potentially be applied to support several priorities identified by Council over the years. These include, but are not necessarily limited to the following:

- Rural economic development and diversification
- Innovative housing solutions
 - o Modular housing
 - o Co-operative and non-profit housing
 - o Life lease, land trust, small homes and other affordable housing models
 - o First-time home buyers
- Talent attraction
 - o Doctor and medical practitioner recruitment
 - o Childcare facilities and Early Childhood Educators (ECEs)
- Public Art
- Universal Accessibility Improvements

These opportunities constitute topics that were identified by stakeholders through the engagement process for the CIP Review Project as potential candidates for incentives. As such, staff are proposing to launch a separate project that would involve exploring possible incentives to support these areas and other priorities included in Council's 2023-2027 Strategic Plan and developing options for Council's consideration. If Council is supportive of this concept, staff will return to Council with a project framework at a future Council meeting that will outline a proposed scope of work, major steps, a timeline, and deliverables.

Areas of Strategic Focus

This report supports the following areas of strategic focus:

			
Economic Prosperity	Healthy & Safe Community	People & Culture	Environmental Sustainability
1.3			

Consultation

Numerous internal departments were consulted and provide input that informed the development of the recommended CIP program adjustments. These include staff from Planning Services, Building Development Services, Economic Development Services, Housing Services, Community Culture and Connections, Financial Services, the Public Utilities Commission, as well as the Executive Management Team.

Communication

Communication is proposed to be through an update to the Community Improvement Plan page on the www.chatham-kent.ca website, a corporate press release and the inclusion of this report on the Council agenda related communications.

Diversity, Equity, Inclusion and Justice (DEIJ)

As noted, a number of the proposed CIP adjustments are aimed at increasing the supply of housing by providing financial incentives to encourage residential development activity across the housing continuum. A number of recommended program adjustments are aimed towards increasing the supply of housing in areas that continue to experience challenges, such as affordable housing. While Chatham-Kent is growing and becoming more diverse, at the same time, the number of people who do not have access to attainable housing in our community is also growing. At the July 10, 2023 meeting, Council were provided with information about some of the drivers behind this trend. Equity-deserving communities such as those who are racialized, Indigenous, 2SLGBTQIA+, newcomers, women, people with disabilities, and those with lower incomes are disproportionately impacted. Initiatives to build new housing units will consider the unique needs of these populations and work in tandem with efforts to address underlying causes. Investing in additional housing units will help to ensure more equitable access to housing, which in turn supports individual, family, and community wellbeing.

Financial Implications

There will be foregone income to the Municipality in areas relating to the front-end incentives namely the Building & Planning Fee Rebate Program, Facade Improvement Program, and Residential Conversion and Affordable Housing Grant Program. These programs are funded and administered by a base budget allocation of \$734,000 per year.

Grants approved through the Property Tax Increment Equivalent Grant Program result in forgone taxation revenue for the duration of the grants provided under this funding stream. However, developments that participate in this funding stream have an immediate positive impact on the Municipality's assessment base, which will lead to an increase in taxation revenue for the Municipality once the grant period ends.

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Consulted and confirmed the content of the consultation section of the report by:

Gord Quinton, MBA, CPA, CGA, Chief Financial Officer, Treasurer

Attachment: Appendix 1: Chatham-Kent Community Improvement Plan – A Plan to Support the Chatham-Kent Growth Strategy and the 2023-2027 Council Term Priorities