STAFF REPORT

Department: Economic Development

Date: November 15, 2024

Item: Community Improvement Plan – Tax Increment Grant

Recommendation: Be It Resolved That: The Town of Espanola pauses the intake of new applications for the Community Improvement Plan Tax Increment Grant retroactive to November 29, 2024, the date on which this report was published, until 2027 following the establishing of the Town's next Strategic Plan. Staff will engage Council in a discussion on whether to re-open the program at that time.

Background: In 2014 Council received funding for a Community Improvement Plan from the Northern Ontario Heritage Fund Corporation (NOHFC) and the Federal Economic Development Agency of Northern Ontario (FedNor). Under Planning Act provisions, Council was able to adopt the CIP to provide incentives to businesses located in the Downtown Core, Highway 6 Corridor & Residential Project Areas in the community. Incentive categories within the CIP include improvements under Façade, Signage, Accessibility, Parking Area & Landscape, as well as rebates toward Architectural/Engineering Design, Municipal Application/Permit Fees & Tax Increment Programs.

The Tax Increment Program supports properties within the downtown core and/or highway 6 corridor as well as multi-residential, seniors housing or affordable housing projects within the community. Since the adoption, 30 property owners have made successful application to the CIP program. Eight of the 30 applicants have also qualified for the tax incentive program.

The purpose of the Tax Increment Grant program is to stimulate private investment in the CIP Project Areas and to promote the undertaking of building improvements and development on vacant land in accordance with the CIP Design Guidelines.

Since its inception, the CIP has provided 26 local businesses with $130,882.18 in improvement grants and five commercial/multi-residential properties with incremental property tax relief.

The current Incremental Tax Grant program relieves commercial property owners of a percentage of the increase to their property taxes (This grant excludes the education portion of the tax bill. The Town is only able to rebate the municipal portion of the tax bill.) following reassessment by MPAC on the following scale:

100% in year 1
80% in year 2
60% in year 3
40% in year 4
20% in year 5

And multi-residential property owners on the following scale:
100% rebate in years 1-3
50% rebate in years 6-4
25% rebate in years 7-9

The Grants are disbursed as follows:
    100% after payment of taxes, once the property has been reassessed by MPAC, following completion of the CIP project.

The Town collects the full amount of property taxes owed for each of the years of the program's applicability and issues the grant to the approved applicant after final tax bills for each year have been collected. If the tax bill is not paid in full, the Town cancels all future grants and collect past grants made as part of this program.

Analysis: Over the last five years, interest in the Tax Increment Grant has remained steady and manageable. These numbers are exclusive of 2024 grants, some of which do not have final totals yet as they have not been closed and paid out.

Since 2020, the CIP Incremental Tax Grants have totaled:

2020 - $10,529.76
2021 - $21,100.46
2022 - $16,380.93
2023 - $16,270.19

In 2024, it is projected that the Town of Espanola will pay out $17,406.94 in incremental tax relief grants to three different properties. This amount is projected to increase substantially in 2025 as there are 3 additional properties currently under development and pre-approved to begin receiving the grants in 2025.

The projected grant totals for 2025-2030 total:

2025 - $97,947.20
2026 - $125,232.06
2027 - $115,081.47
2028 - $74,779.32
2029 - $61,136.89
2030 - $54,832.99

In 2025 alone, the three new projects already slated to receive the Tax Increment Grant will add more than 15 new Geared-To-Income, Accessible, or Seniors housing units to the Espanola community.

Payouts will begin to decrease again in 2027 when the first of the properties currently receiving the increment grant reaches the end of its funding period.

Since the 2019 Tax Increment Grant program extension, all properties in the Industrial Park have been sold. Furthermore, several multi-residential housing projects have gone up without assistance from the Tax Increment Grant.

It is the recommendation of the CAO/Clerk and Manager of Economic Development & Transit that after 10 years of the CIP, and to reduce the impact of lost property tax revenue on the municipal budget, the Tax Increment Grant program be paused until 2027 following the establishing of the Town's next Strategic Plan. Staff will engage Council in a discussion on whether to re-open the program at that time.

Existing Policy: Currently, any property owner that submits an application in full prior to starting renovations/construction and whose property meets the parameters described in the Community Improvement Plan is approved for the Tax Increment Grant.   The CIP has not been expanded or reviewed since 2019.

Strategic Goal: Housing: Reviewing and updating the Town's Community Improvement Plan (CIP) and investigating the provision of a tax increment grant incentive for all new rental units, accessory units in existing homes, and encouragement for new units to meet accessibility standards.

Financial Commitment: 2025 - $97,947.20 2026 - $125,232.06 2027 - $115,081.47 2028 - $74,779.32 2029 - $61,136.89 2030 - $54,832.99 For a total commitment of $529,009.93 in 2025-2030

Budgeted: **Yes** ☒   **No** ☐

Implementation: The Town will immediately pause the intake of any new applications for the Incremental Tax Grant program offered by the Community Improvement Plan, retroactive to November 29, 2024, until 2027 following the establishing of the Town's next Strategic Plan. Staff will engage Council in a discussion on whether to re-open the program at that time.

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CAO/Clerk: J. Burke

Approval of Recommendation: **Yes** ☒   **No** ☐

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Comments: