
Subject: Brownfield Tax Assistance Incentive Funding Request

Report to: Planning and Economic Development Committee

Report date: Wednesday, May 11, 2022

Recommendations

1. That Regional matching funding for a request to partner on a Brownfield Tax Assistance Program (BTAP) grant in the amount of \$99,092 in the City of Niagara Falls **BE APPROVED**; and
2. That Report PDS 15-2022 **BE CIRCULATED** to Local Area Municipalities.

Key Facts

- This report requests Council direction on Regional participation in a Brownfield Tax Assistance Program (BTAP) grant at the property adjacent to 3659 Stanley Avenue in Niagara Falls. Typically Niagara Region matches requests from local municipalities for BTAP incentives. This report outlines for Council ways in which the current request differs from those received to date.
- BTAP grants encourage remediation of brownfield sites by providing a freeze or cancellation of the property taxes on a property that is undergoing remediation and redevelopment, to assist with the cost of environmental remediation. This grant is provided for a time period specified in a municipality's program and the project agreement.
- Requests for matching Regional funding for BTAP grants must be approved by Council resolution.
- The structure and financial implications of this BTAP incentive differ from past BTAP incentives approved by Council. This request results in a more expensive grant, paid out after both remediation and redevelopment, for a longer duration than most BTAPs, as outlined below (close to 10 times more than BTAP grants calculated under other programs). One other municipality in Niagara has a similarly structured program (West Lincoln).
- This BTAP application is the first request from the City of Niagara Falls, though more may be forthcoming. No BTAP requests have been made from the Township of West Lincoln under a similar program though one is expected.

- Through PDS 3-2022, Council has approved expiry of the Region's BTAP matching program on October 1, 2023.
- A related matching Regional funding request for a Brownfield Tax Increment Grant (BTIG) on this property has been received and is anticipated to be approved by staff through delegated authority (PDS 30-2015).

Financial Considerations

Regional Brownfield Incentive Funding

Niagara Region funds several brownfield incentive programs, primarily as matching programs with local municipalities. These include Brownfield Regional Development Charge (RDC) reduction grants, Brownfield Tax Increment Grants (BTIGs), Brownfield Tax Assistance Program grants (BTAPs), and Environmental Assessment Study grants (ESAs). Two of these programs, BTAPs and ESA grants, will expire on October 1, 2023. Brownfield projects may access several Regional incentives during their assessment, remediation and redevelopment stages. Annual budget requirements for these programs vary depending on the approved projects and timing of development, but potential Regional commitments to brownfield incentives is currently estimated to be approximately \$57 million. Several million more in brownfield incentive requests are anticipated over the next few years.

Niagara Falls BTAP Funding Request

The 2022 budget for the Region's BTAP is \$38,000. It was funded through assessment growth as part of the annual budget process. Should the current BTAP request be approved, it would not be paid out until project completion, and the total grant (estimated to be \$99,092) would be paid over five annual installments. These funds would be included in the operating budget approval process, to be funded with assessment growth in the years payment is projected

Key figures regarding the Niagara Falls brownfield project:

- Eligible remediation costs: \$1,010,411
- Eligible redevelopment costs: \$507,933
- Estimated pre-project assessment value: \$250,000
- Estimated post-project assessment value: \$2,137,920
- Pre-project taxes (City and Region): \$3,886
- Estimated post-project taxes (City and Region): \$42,882

Table 1: Regional Incentive Funding Requests for Niagara Falls Project

Regional Grant (Totals)	Amount Requested	Amount Paid / Committed
SNIP Environmental Assessment Study grant	\$5,000	Paid
Brownfield Regional DC Reduction grant	\$464,891	Pending
SNIP Property Rehabilitation and Revitalization Tax Increment grant (BTIG)	\$158,547	Pending
Brownfield Tax Assistance Program grant (BTAP)	\$99,092	Pending
TOTAL Regional incentive requests	\$727,530	

Total City incentive funding for the project is estimated to be \$256,770.

There is a substantial difference between BTAP grants calculated under a program used by seven Niagara municipalities, and BTAP grants calculated under a program used by two other Niagara municipalities. Table 2 below is a specific comparison of the different ways these grants are calculated. Though it is difficult to predict the amount of BTAP funding that will be requested given the nature and timing of remediation and development for each project, if there were several requests as is anticipated, the financial implication could be significant.

Analysis

Niagara Region has been requested to provide matching funding for a BTAP grant in the City of Niagara Falls. A municipal address has not yet been provided for the project site, which is located near Stanley Avenue (Appendix 1). The intended use of the BTAP project site is as an industrial storage facility with industrial storage units, self-storage units, and office space.

BTAP grants encourage remediation of brownfield sites by providing a freeze or cancellation of the property taxes on a property that is undergoing remediation and redevelopment, to assist with the cost of environmental remediation. This grant is provided for a time period specified in a municipality's program and the project agreement.

Most municipalities in Niagara have BTAP grants limited by the earlier of:

- the remediation period
- a specified period (usually three or five years)
- until the grant provided equals total eligible remediation costs
- other limits (e.g., sale of the property)

However, two Niagara municipalities, Niagara Falls and West Lincoln, have BTAP programs which include post-development taxes rather than only remediation period taxes in their calculation. In these cases, BTAP grants are based on the difference in property taxes assessed at the time an agreement is executed (pre-project) and the property taxes assessed following both the rehabilitation and the redevelopment phases (post-project). The implications of this approach are that:

- the BTAP grant is paid late in the process, after redevelopment
- the length of the remediation period is not relevant to the grant amount
- the BTAP grant is greater than that calculated based only on the remediation period – in the current case, close to ten times more than a BTAP grant calculated under other programs

BTAP grants must be approved through a bylaw at the local municipal level, and any matching participation by the Region must be approved through a resolution of Council. (There is an option for the province to participate by matching the education tax portion through its Brownfield Financial Tax Incentive Program, though most recent projects to not pursue this option.) Bylaw 2022-10 approving this BTAP grant was passed by the Niagara Falls City Council January 18, 2022.

All past BTAP grant requests have been approved by Council for matching Regional funding. However, as acknowledged in the Niagara Falls Brownfield Community Improvement Plan under which this BTAP incentive was approved, “[t]he matching Regional portion of the property taxes to be frozen is subject to approval by Regional Council. The tax assistance provided by the Region may be delivered differently than the tax assistance provided by the City and may be subject to additional conditions.” Regional Council may wish to consider the options outlined in Table 2 regarding funding this BTAP grant.

Table 2 Estimated Regional BTAP Grant Options

Funding Option	Basis of Calculation	Estimated Regional BTAP grant amount
<u>Option 1</u> : Provide a Regional BTAP grant calculated under the City of Niagara Falls' BTAP	Grant based on difference between current and post-project taxes for a five year period	\$99,092
<u>Option 2</u> : Provide a Regional BTAP grant for the remediation period (similar to other local municipal BTAPs)	Grant based on current taxes cancelled during the remediation period (approximately four months)	\$658
<u>Option 3</u> : Provide a Regional BTAP grant for five years	Grant based on current taxes cancelled during remediation period rate for five years	\$9,875
<u>Option 4</u> : Provide no Regional BTAP grant	---	\$0

Implications

The City's current request for Regional matching BTAP funding would result in a grant close to ten times what the estimated amount would be if calculated under most local municipal BTAPs. This would be in addition to one confirmed and two other potential brownfield grants from the Region. These four Regional grant requests alone would amount to over 70% of the remediation costs for the property.

The Regional BTAP program is slated to expire on October 1, 2023. Should Regional Council approve matching this BTAP grant at the level requested by the City, it is difficult to know how many additional grants calculated in this manner may be forthcoming prior to the end of the program. At least one is soon expected from West Lincoln, which has a similar BTAP incentive. Niagara Falls has brownfield properties which may be eligible to submit BTAP applications before the program deadline, including some of magnitude, particularly redevelopment for residential projects.

Brownfield remediation was identified as a key priority area for incentives by Council. The new Niagara Region Incentives Policy includes brownfield incentives that remain robust while becoming more sustainable and accountable. Many substantial brownfield

incentive applications are expected in the next few years. Millions of dollars in Regional incentives are likely to be requested under existing and continuing Regional brownfield incentive programs such as BTAPs, BTIGs and Brownfield RDC grants and deferrals. Recent reports to the Regional Development Charge Task Force have outlined the Region's exposure regarding Brownfield RDC costs (RDCPTF-C 5-2022). Background on Regional BTIG commitments was provided as part of the Regional incentive review (PDS 31-2021). A more complete forecast of BTIG requests will be available following local municipal Tax Increment Grant forecasting in July. These considerations may be helpful to Council in determining how to fund requests for expiring brownfield incentive programs in light of anticipated requests for new incentives for an increasing range, size and number of brownfield sites in Niagara.

Alternatives Reviewed

The recommendation in this report is to approve Option 1 in Table 2 above, i.e., matching Regional BTAP funding at the level requested by the City. This practice is consistent with Regional matching of most incentives approved by local municipalities. It is also noted that future financial exposure may be limited by the expiry of Regional participation in the BTAP program on October 1, 2023. Alternative options to this recommendation are presented in Table 2.

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

RDCPTF-C 5-2022	Regional Development Charge Bylaw Policy Considerations
PDS 31-2021	Niagara Region Incentives Review

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Appendices

Appendix 1 Map of Niagara Falls BTAP Request Site

Appendix 1: Map of Niagara Falls BTAP Request Site (adjacent to 3659 Stanley Avenue)

