

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF AUGUST 26, 2013
FROM:	MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	STRATEGIC CHANGE IN DELIVERY OF DEVELOPMENT CHARGE EXEMPTIONS AND INCENTIVES POLICIES

RECOMMENDATION

That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to Development Charge (DC) Exemptions Policy for the 2014 Development Charges Study:

1. The following Development Charge exemptions outlined in the current Development Charges By-law **BE MAINTAINED** for the 2014 Development Charges By-law:
 - a. all mandatory statutory DC exemptions:
 - i. expansions of existing industrial buildings to the extent reflected in the *Development Charges Act* (generally up to 50%);
 - ii. municipal and school board buildings; and,
 - iii. construction of additional dwelling units, as prescribed in the DC Act regulations.
 - b. a parking building or structure;
 - c. a bona fide non-residential farm building;
 - d. a structure that does not have municipal water and sanitary facilities and that is intended for seasonal use only;
 - e. a temporary garden suite installed in accordance with the provisions of the Planning Act, as amended; and,
 - f. an air supported structure or arch framed structure clad with fabric-type material, temporary in nature, the purpose of which is to provide indoor facilities for recreational and sports activities owned and operated by a non-profit organization for public use;

it being noted that the above exemptions maintain existing City policy, and are for uses that have no perceptible impact on growth infrastructure requirements.

2. The City Planner **BE DIRECTED** to prepare or amend Community Improvement Plans (CIPs), listed in order of priority, for the following forms and areas of development to provide the basis for providing grants to individuals for a portion of, or all of, development charges paid:
 - a. Existing exemptions/grants/discounts to be provided for in CIPs effective on the effective date of the 2014 Development Charges By-law (no later than August 4, 2014):
 - i. residential units, Downtown Area, Old East Village Area, and SoHo Area;
 - ii. new industrial buildings and expansions not exempt by statute, city-wide; and,
 - iii. hospitals, universities, places of worship/cemeteries and not-for-profit organizations that are exempt from taxation by the Assessment Act, city-wide (currently 50% of CSRF rate exempted).

- b. New grant to be considered for adoption in a CIP following Council adoption of the 2014 Development Charges By-law:
 - i. small businesses/minor commercial expansion, city-wide;

it being noted that the Staff report outlines the implementation plan for bringing forward these CIPs for Council consideration, including input opportunities from interested stakeholders.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

April 30, 2012	“Initiation Report 2014 Development Charges Background Study and DC By-law Update,” Strategic Priorities and Policy Committee.
June 13, 2011	“Application by: City of London SoHo Community Improvement Plan Public Participation Meeting,” Built and Natural Environment Committee
November 26, 2008	“Industrial Development Charge Policy,” Board of Control
November 26, 2008	“Phase Out of Downtown Residential Development Charge Exemption,” Board of Control
August 13, 2008	“Old East Village Community Improvement Project Area Residential Development Charge Exemption By-law Amendment,” Board of Control
May 28, 2008	“Old East Village Community Improvement Project Area Residential Development Charge Exemption,” Board of Control
February 2, 2005	“Development Charges Policy – Recommendations to Approved Supplementary Background Studies, Amend DC Policy, Rates, & By-law,” Board of Control
December 1, 2004	“2004 Development Charges Industrial DC Rate Policy – Supplementary Background Study to the DC Study, May, 2004,” Board of Control

PURPOSE OF REPORT

This report provides Council with a recommended change in approach for exempting forms of development in the upcoming Development Charges By-law, as well as the use of Community Improvement Plans to strategically provide for and finance grants for development charges paid related to economic development or area re-development. Information is provided to describe the rationale for the change in approach and implementation measures are outlined for Council consideration. **A one-page summary of the proposed changes is provided in Appendix A.**

CURRENT DEVELOPMENT CHARGE EXEMPTIONS

Development Charges (DCs) are a means of collecting money to pay for new infrastructure and service expansions that are required to support the growing city. In accordance with the provisions of the Development Charges Act, municipalities undertake a background study to:

- Determine the amount of future residential and non-residential growth, and where in the city that growth is anticipated to occur;
- Model the required infrastructure and services that will be required by the future growth;
- Set the growth costs that will be recovered through development charges and those that are the responsibility of the land developer;
- Calculate the cost of future growth infrastructure needs recoverable through development charges; and,
- Establish development charge rates to pay for the infrastructure identified in the background study. The rates are collected from both new housing and non-residential floor space.

Once the background study has established the required infrastructure, services and fees for new development, a Development Charges By-law is prepared and approved by Council.

The Development Charges Act provides municipalities with the ability to exempt certain forms of development from the payment of DCs. In providing a DC exemption, a municipality is generally either:

- a) recognizing that the exempted form of development has no perceptible impact on future growth servicing, or
- b) offering an incentive to an especially desirable category of development.

The Act does not specifically define what an exemption is, nor does it restrict the forms of development that are eligible for an exemption. This provides municipalities with the ability to establish their own policies and approach to DC exemptions. At the same time however, the Act specifies that the costs allocated to one form of development that is exempted cannot be recovered from another form of non-exempt development (DCA s.5(6)).

Some forms of development are not required to pay development charges province-wide. The Development Charges Act requires municipalities to exempt certain forms of development through DC by-laws. The required exemptions are the following:

- expansions of existing industrial buildings (generally up to 50% of the existing building);
- municipal and school board buildings; and,
- a maximum of two units constructed within an existing dwelling unit (i.e., “secondary units”).

Historically, the City of London has provided several non-statutory, policy-based exemptions and discounts in its DC By-law. At present, these exemptions and discounts by City policy are:

- a parking building or structure;
- a bona fide non-residential farm building;
- a structure that does not have water and sanitary facilities and that are intended for seasonal use only;
- a temporary garden suite installed in accordance with the provisions of the Planning Act, as amended;
- an air supported structure or arch framed structure clad with fabric-type material, temporary in nature, the purpose of which is to provide indoor facilities for recreational and sports activities owned and operated by a non-profit organization for public use;
- industrial building additions above 50% of the existing floor area;
- new industrial buildings;
- residential development in the defined Downtown and Old East Village areas;
- commercial truck service establishments; and,
- 50% of the City Services Reserve Fund rate for hospitals, universities, places of worship/cemeteries and not-for-profit organizations that are exempt from taxation by the Assessment Act.

While several of the City’s exemptions relate to buildings that do not place demands on new or existing infrastructure, many forms of development are included in the By-law in order to provide a financial incentive to desired construction for the purposes of economic development or to promote the re-development of targeted areas of the City. The DC By-law has been used as a tool to provide businesses with a financial incentive through the non-payment of development charges without violating the Municipal Act restrictions against bonusing. However, the DC exemption has not been an ideal tool as it generally is not supported by a strategy that defines program goals, parameters and measures to evaluate the effectiveness of the program for monitoring or at program completion. Such a coordinated strategy is available through the use of Community Improvement Plans (CIPs) under the Planning Act.

<p>PROPOSED CHANGES TO DEVELOPMENT CHARGE EXEMPTIONS POLICY AND THE USE OF COMMUNITY IMPROVEMENT PLANS TO FUND GRANTS FOR DCs PAID</p>

Going forward, Staff recommend that a distinction be made between policy tools used for recovering costs associated with growth infrastructure (the DC By-law) and those used for incenting desired forms of development (CIPs).

Future of DC Exemptions in the DC By-law

In the future, it is recommended that the DC By-law contain a limited number of exemptions. The two (2) types of exemptions to be continued are discussed below:

- a) **DC Act mandatory exemptions:** Some of the Development Charges Act required exemptions outlined above are mandatory (schools, municipal buildings, secondary residences), and will continue to be provided in future DC by-laws.
- b) **Exemptions for accessory uses or similar structures having no perceptible demand on growth infrastructure:**

Outside of the statutory exemptions, Civic Administration believes that DC exemptions should only apply to forms of development that would not have been included in forecasted residential and non-residential growth, and/or forms of

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development that are not perceived to place any demands on new or existing servicing through their construction. These forms of development are secondary to the need that would trigger the need for new growth infrastructure (e.g., a parking structure is secondary to the commercial retail space that triggers the need for infrastructure), and therefore, have no cost implications necessitating cost recovery through development charges.

The Use of Community Improvement Plans to Provide a Grant for DCs Paid

Should Council wish to provide funding for development charges payable on developments based on desired policy outcomes, this funding can be provided for through grants under a Community Improvement Plan (CIP). CIP grants for the amount of DCs paid (or payable) can provide a similar incentive to a DC exemption, but the CIP provides a coordinated and transparent strategy for offering the DC grant. Unlike DC exemptions outlined in a DC Background Study, a CIP provides a clear framework for establishing a financial incentive program. CIPs identify a defined project area, the rationale for the incentive, goals for providing grants provided by the CIP, program parameters, and performance measures to use for evaluative purposes in order to determine the results that the program has produced.

The City’s current industrial exemption represents a financial incentive program that lacks a comprehensive strategy for its use. Through successive previous DC Background Study processes, Council has made policy decisions to encourage economic development through the DC exemption without the creation of an explicit economic development program. By establishing a CIP to accomplish the effect of the former DC exemption, Council will gain a clear

“By establishing a CIP to accomplish the effect of the former DC exemption, Council will gain a clear understanding of what the program seeks to accomplish, how it will operate, any limitations or horizons to the program, and the ability to evaluate the impacts of grants provided for DCs paid; Council will have greater control and flexibility with its subsidy programs.”

understanding of what the program seeks to accomplish, how it will operate, any limitations or horizons to the program, and the ability to evaluate the impact of grants provided for DCs paid; Council will have greater control and flexibility with its subsidy programs.

Currently, Council-approved CIPs are in place for the Downtown and the Old East Village. These CIPs provide goals for the re-development of their targeted areas, including DC exemptions on newly constructed units as one of several financial incentives available. However, at present, the DC grants do not have defined program parameters, a horizon date¹, or targets for the measurement of program results. Amendments can be made to the Downtown and Old East Village CIPs in order to incorporate these features and to bring the CIPs into consistency with the proper terminology of grants vs. exemptions.

Appendix B provides further discussion of some of the defining parameters of using CIPs as the tool for providing DC exemptions and the steps in the CIP process. The CIPs are recommended to be used for Industrial, Institutional, and targeted residential DC grants instead of using exemptions in the DC rate by-law.

Benefits of the New Approach

The new approach of providing DC grants through a CIP will provide the following benefits:

- **Use of the appropriate tool:** As stated previously, CIPs can provide a coordinated strategy for economic development or area re-development purposes, unlike using the DC By-law to provide DC exemptions. There will be an improved distinction between Council's stated desire to recover costs associated with growth infrastructure and other initiatives and incentives not related to financing growth projects.
- **Improved strategic approach to providing incentives:** The CIP approach will provide Council with a greater degree of comfort over the intent and results of programs used to stimulate industrial, institutional and targeted residential development. Members of the public as well as those benefiting from the program will be able to access the CIP to understand the purpose of the program, its parameters and what change is desired as a result of the program.
- **Additional flexibility for program management:** Currently, the consideration of DC exemptions is tied to the Development Charges Background Study process. The principal aim of this process, however, is to gather relevant data about future locations of growth, growth servicing needs, and the costs of growth infrastructure. Discussions pertaining to the industrial, institutional and Downtown/Old East Village DC exemptions are indirectly related to the DC Study, and generally require a great deal of Staff analysis and Committee deliberations during the tight timeline of the DC Study. Changes to DC exemptions outside of a regular DC By-law review require an amendment to the By-law supported by a DC Background Study, which is an onerous and risky process. By "de-linking" the economic development/area re-development incentives from the DC By-law, Council will have greater flexibility to consider/adjust program parameters at a time period convenient to Council's need through amendments to the CIPs. Debates and discussion about the CIP programs will also centre on the aims of the programs (i.e., economic development or area re-development), rather than being held in the context of deliberations about recovery of growth infrastructure costs.
- **Enhanced monitoring and improved transparency:** Switching to a CIP grant program for DCs paid will provide a more simple and transparent means of providing the incentive funding. The CIP grant program will be supported by a yearly Operating Budget contribution to a dedicated CIP reserve fund that will transfer funds payable for the grant (this financing method is discussed in greater detail below). At any point in time, Staff will be able to provide Council with year-to-date spending on CIP grants through a simple report that analyzes the transactions of the reserve fund account. At the same time, the new approach will eliminate the onerous current process of analyzing the sources of funding for individual growth infrastructure projects benefiting industrial and institutional growth.

Greater control, accountability and transparency for Council of its economic incentive programs will be gained with the new approach.

¹ The Downtown Community Improvement Plan outlined a DC exemption horizon date of 5 years from the commencement of the program (i.e., 2000). Subsequently, Council extended the program duration and there is currently no program horizon date for the Downtown DC exemption.

- **Program evaluation opportunities and improved accountability:** CIPs are intended to be strategic documents that outline desired benefits from a financial incentive program and the measures to be used for evaluating program results. From time to time, Staff will be able to provide Council with an update on the CIP grant program to assess the take-up and impact of the incentives. The CIP provides a framework for this evaluation that is currently lacking with the use of DC exemptions.

In the future, all CIPs that provide funding for DCs paid should include the following elements to maximize the benefits of the new approach:

- a horizon date;
- goals and objectives;
- the applicable area of the city;
- targets/program measures; and,
- a “subject to budget and availability of funding” clause.

Proposed Community Improvement Plans and Amendments to Existing CIPs

In order to transition to the new approach to funding financial incentives in the form of DCs paid for economic development or area re-development purposes, CIPs will need to be drafted for some forms of development and amended for others, prior to the adoption of the new DC By-law. Detailed information about the requirements for the items below is provided in **Appendix C**.

- **Downtown and Old East Village** – existing CIPs to be amended to change program parameters and change of language from “exemption” to “grant”
- **SoHo** – existing CIP to be reviewed and amended to change language from “exemption” to “grant”
- **Industrial** – new CIP required to replace existing DC exemption
- **Institutional** – new CIP required to replace existing 50% institutional discount
- **Small business** – new CIP required to introduce **NEW** subsidy
- **Commercial Truck Service Establishment** – consider the need for grant funding associated with this use as part of the industrial CIP

Staff intend to bring forward new CIP or amendments to CIPs as discussed above in the coming months with the stipulation that the required CIP framework be in place when the 2014 DC By-law is approved by Council (given that DC exemptions will no longer be in place for new industrial buildings, 50% of the CSRF charge for institutional buildings, and residential units constructed in the Downtown and Old East Village in the DC By-law).

PROPOSED TECHNICAL CHANGES TO FINANCING GROWTH PROJECTS
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In concert with the proposed changes to DC exemptions policy and the use of CIPs to grant DCs paid, Civic Administration intends to modify the way in which CIP incentives are financed, particularly related to new industrial and institutional buildings. In previous years, DC exemptions were funded through the City’s Capital Budget (based on contributions from the capital levy and/or water and sewer rate reserves). This funding was used to pay for growth costs allocated on a project by project basis to industrial and institutional growth. In contrast, the financing of DC exemptions in the Downtown and Old East Village has been provided by a dedicated reserve fund that makes contributions to the City’s DC funds each time a building permit is issued for qualifying unit construction in these areas. This reserve fund is also funded from taxpayer contributions and included in the City’s Operating Budget.

With the shift in tools from ‘DC exemptions to grants provided under a CIP’, it is intended that all development granted funds to cover DCs paid will be financed through a “building permit-based” approach, similar to that used currently for the Downtown and Old East Village. As qualifying development obtains a building permit, the City will pay the DC rates applicable to that form of development according to the qualifying criteria in the Council approved CIP program, rather than making direct financial contributions to growth infrastructure projects.

In order to transition to the new approach, Staff will be reviewing areas of the City that are currently serviced by infrastructure paid for under the old Capital Budget approach to ensure that the City taxpayer does not “pay twice” as future buildings are constructed in these areas. Implementation measures will include a reduced industrial DC rate (i.e., a rate that excludes

selected DC service components) for areas with previous infrastructure investments. The new “CIP based program” will entail the creation of new reserve funds dedicated to the payment of CIP incentives, including DC grants.

IMPLEMENTATION PLAN FOR RECOMMENDED APPROACH

In the coming months, Civic Administration will bring forward plans and by-laws to implement the recommended approach outlined in this report. The components and their anticipated dates for Committee consideration are as follows:

- **Amendments to the Downtown and Old East Village and SoHo CIPs (Planning and Environment Committee – November 26, 2013)**
 - Program alternatives
 - Revised program parameters (including a horizon date)
 - Revised performance measures
 - Comments from Stakeholders
- **Industrial CIP initiation report (Planning and Environment Committee – December 10, 2013)**
 - Defined Community Project Area and associated by-law
 - Proposed program goals
 - Program alternatives for Council consideration
 - Program parameters for inclusion in the draft CIP
 - Proposed performance measures
 - Comments from Stakeholders
- **Institutional CIP initiation report (Planning and Environment Committee – December 10, 2013)**
 - Defined Community Project Area and associated by-law
 - Proposed program goals
 - Program alternatives for Council consideration
 - Program parameters for inclusion in the draft CIP
 - Proposed performance measures
 - Comments from Stakeholders
- **Draft Industrial CIP (Planning and Environment Committee – March, 2014)**
 - Finalized program goals, parameters and performance measures
- **Draft Institutional CIP (Planning and Environment Committee – March, 2014)**
 - Finalized program goals, parameters and performance measures
- **Final Industrial CIP (Planning and Environment Committee – May, 2014)**
 - Public participation meeting to adopt Industrial CIP
- **Final Institutional CIP (Planning and Environment Committee – May, 2014)**
 - Public participation meeting to adopt Institutional CIP
- **Draft Development Charges By-law (Strategic Priorities and Policy Committee – May, 2014) – Public Meeting**
- **Final Development Charges By-law (Strategic Priorities and Policy Committee – July, 2014) – (if necessary)**
- **Small Business CIP initiation report (Planning and Environment Committee – September, 2014)**
 - Defined Community Project Area and associated by-law
 - Proposed program goals
 - Program alternatives for Council consideration
 - Program parameters for inclusion in the draft CIP
 - Proposed performance measures
 - Comments from Stakeholders

Prior to commencing with the preparation of CIPs, Staff will seek Council confirmation of the purpose, intent and scope of the proposed Plans. When the CIPs are brought forward for Council consideration, Staff will provide information on different program alternatives to off-set DCs paid by eligible development. Additionally, the reports will contain information on the previous financial costs and program benefits of the former DC exemptions (where applicable) in order to provide context for the discussions of future program alternatives. Staff are also consulting with relevant stakeholders in order to gain feedback, differing perspectives and perceived implications of the CIP program alternatives under consideration.

CONCLUSION

This report has provided Civic Administration’s recommended approach for Development Charges Exemptions Policy and the use of Community Improvement Plans as the appropriate tool to provide financial incentives for economic development and area re-development purposes. Going forward:

- Development charge exemptions included in the DC by-law will only be used for statutory exemptions and forms of development that are believed to not place demands on growth infrastructure.
- Economic development and area re-development grant programs to off-set DCs for desired forms of development defined will be provided through CIPs.

In the future, CIP grants for DCs paid will be financed consistently for all programs using an approach whereby the City pays for grants at the time of building permit issuance. Transitional measures will include a review of lands where services associated with CIP-eligible development have already been installed and paid for to ensure that the City taxpayer does not “pay twice” for future development that occurs on these lands.

Civic Administration will be bringing forward Community Improvement Plans and amendments to existing CIPs in the coming months to implement the approach outlined in this report.

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RECOMMENDED BY:	CONCURRED IN:
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August 19, 2013

- c.c. George Kotsifas, Managing Director, Development and Compliance Services and Chief Building Official
 Peter Kokkoros, Manager, Building Permits and Deputy Chief Building Official
 John Braam, Managing Director, Engineering and Environmental Services and City Engineer
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 Gregg Barrett, Manager, Policy Planning and Programs
 Harvey Filger, Director, Corporate Investments and Strategic Partnerships
 Kapil Lakhotia, President and CEO, London Economic Development Corporation
 Mark Henderson, Director, Business Liaison

- Appendix A: Summary of Recommended Changes to Development Charge Exemptions Policy and Community Improvement Plan Grants
- Appendix B: Planning Act Requirements and CIP Process
- Appendix C: Amendments to Existing CIPs or New CIPs Required to Implement New Approach

**APPENDIX A: SUMMARY OF RECOMMENDED CHANGES TO
DEVELOPMENT CHARGE EXEMPTIONS POLICY AND COMMUNITY
IMPROVEMENT PLAN GRANTS**

*Policy
Change:
Development
Charge
Exemptions*

- The purpose of a Development Charges By-law is to provide a framework for recovering costs associated with growth infrastructure. Should Council wish to provide financial incentives for desired forms of development, there are more effective policy tools available than exempting development in the DC By-law.
- It is recommended that the 2014 Development Charges By-law provide exemptions that are required by the DC Act (e.g., industrial additions <50%, municipal buildings, etc.) and for listed or specified buildings that do not impact growth servicing needs (e.g., parking garages, farm buildings, etc.).
- DC Exemptions/Discounts will not be included in the 2014 DC By-law for new industrial buildings, institutional buildings (50% CSRF exemption) and residential buildings constructed in the defined Downtown and Old East Village areas, as future incentive funding is intended to be made available by Community Improvement Plan (CIP) grants.

*Community
Improvement
Plans as
Funding
Vehicles for
Financial
Incentives*

- CIPs provide municipalities with a tool for providing grants to individuals, based on desired policy objectives. CIPs define a project area, establish program goals, parameters, and performance measures related to the financial incentive provided. By using a CIP, Council has a strategy related to providing grants for DCs paid, rather than just exempting DCs through its DC By-law.
- Use of CIPs as a funding vehicle for DC grants “de-links” economic development and area re-development initiatives from both the DC Study process and the DC By-law. Council gains added flexibility to modify these initiatives at any time through amendments to the CIPs, rather than having to amend the DC By-law with its significant impediments and risks (e.g., the DC Act requires a background study to amend the by-law).

*Consideration
of
Alternatives
for the DC
Grants
Provided
through CIPs*

- In the coming months, Staff will bring forward reports related to a CIP to fund a DC grant for new industrial buildings, and amendments to the Downtown and Old East Village CIP related to the DC grants provided by these CIPs. The reports will provide program alternatives for Council consideration.
- Council will benefit from the discussion of alternatives in the context of the coordinated CIP strategy and will be able to examine the industrial grant, institutional grant (50%) and residential grants in isolation, rather as part of one large exemptions “soup.”

APPENDIX B: PLANNING ACT REQUIREMENTS AND CIP PROCESS

In order to provide grants to individuals or businesses for DCs paid, the adoption of a CIP according to the provisions of Section 28 of the Planning Act is required to avoid the prohibitions against bonusing, as outlined in the Municipal Act. Council-adopted CIPs are a legislative tool available to Council to provide grants to businesses, and the CIP process is defined in the Planning Act. According to the Planning Act, CIP grants can be provided based on eligible costs as defined in the CIP; for the purpose of providing a grant for development charges paid, DCs would be outlined as an eligible cost in the CIP. The CIP process is as follows:

- **Step 1: Initiation report to Council:** The initiation report provides information on the need for the CIP, the CIP study process and timelines, and requests authorization to proceed with CIP preparation.
- **Step 2: Prepare the Community Improvement Plan:** Staff assemble all relevant information needed to prepare the plan. Creation of the CIP also involves establishing goals, a description of the project area, types of incentives offered, eligibility requirements, program administration, duration of the CIP, and performance measures.
- **Step 3: Report to Council recommending a by-law to establish a community improvement project area:** Prior to consideration of a draft CIP, Council must pass a by-law to establish the community improvement project area that defines the location within the municipality where the CIP will apply. (The definition of a project area can also be part of Step 1).
- **Step 4: Table draft report with Council:** Once completed, the draft CIP is provided for Council and stakeholder consideration for further direction and feedback opportunities.
- **Step 5: Return to Council with final CIP and formal Public Meeting:** Once comments are received on the draft CIP, the final plan is completed and provided for Council approval. Approval of a CIP requires a public meeting, and, once approved, is appealable as per the provisions of the Planning Act.
- **Step 6: Council adoption of CIP by by-law:** Once adopted, the Plan comes into effect 20 days following approval if no appeal is made to the CIP.

APPENDIX C: AMENDMENTS TO EXISTING CIPs OR NEW CIPs REQUIRED TO IMPLEMENT NEW APPROACH

In order to transition to the new approach to funding financial incentives in the form of DCs paid for economic development or area re-development purposes, CIPs will need to be drafted for some forms of development and amended for others, prior to the adoption of the new DC By-law.

- **Downtown and Old East Village – existing CIPs to be amended to change program parameters and change of language from “exemption” to “grant”:** Currently, CIPs are in place for both the Downtown area and the Old East Village area. Amongst several financial incentives offered by the CIPs, both Plans provide for a DC grant for any residential units constructed within the respective Downtown and Old East Village areas. However, the CIPs do not provide for objectives associated with the DC grant, horizon dates or measures of performance. It is intended that amendments to these CIPs will be brought forward for Council consideration to incorporate these items, as well as Council’s desired program alternative related to the revised grant program.
- **SoHo – existing CIP to be reviewed and amended to change language from “exemption” to “grant”:** The SoHo CIP was approved by Council in the fall of 2011 pending further review of adequacy of funding and effectiveness of existing programs and exemptions. This review will be provided in the context of Council deliberations of proposed amendments to the Downtown, Old East Village and SoHo CIPs as outlined in the implementation plan of this report.
- **Industrial – new CIP required to replace existing DC exemption:** A CIP related to industrial uses does not exist at present. Industrial construction is exempted from the payment of DCs by the DC By-law and the costs associated with the external major infrastructure to service industrial lands is paid for by tax and water/sewer rate payers through the City’s Capital Budget (discussed further below). The proposed new approach will require the creation of a city-wide CIP to provide grant funding – based on Council’s desired level of support – for DCs paid by industrial business at the time of building permit issuance. Staff have begun exploring an industrial CIP as part of the Industrial Land Development Strategy.
- **Institutional – new CIP required to replace existing 50% institutional discount:** The current DC By-law provides for a 50% discount of City Services Reserve Fund components of the DC fee for qualifying institutional development (hospitals, universities, places of worship/cemeteries and non-profit construction that is exempt from taxation by the Assessment Act). No strategy exists for this discount to identify the rationale for the reduced charge, its goals, or measures for program evaluation. This category of DC exemption can be considered as a mix of an economic development program and a subsidy for socially-desirable development. The qualifying institutional uses represent forms of development that would place demands on growth infrastructure with their construction. In order to transition to the new incentive-based approach, a CIP would need to be prepared should Council wish to retain this incentive.
- **Small business – new CIP required to introduce NEW subsidy:** As part of the 2014 Development Charges Background Study, Staff were asked to consider a form of small business discount (i.e., a discount for a minor commercial expansion). These forms of development are not perceived by some stakeholders to place an excessive amount of demand on services, thus warranting a reduced DC fee. The proposal represents an economic development incentive to promote small business expansion, given the reduced amount of DCs that would be payable at the time of construction. With Staff’s recommended approach to the future use of DC exemptions, the small business discount would be best addressed through a CIP related to small business development. The CIP would provide overall goals, financial incentives (and costs), program parameters and performance measures, forming a comprehensive strategy for Council’s intent. At present, Civic Administration has not extensively pursued the qualifying criteria for a potential CIP. Due to the proposed “de-linking” of the DC By-law from incentives for economic development, a small business CIP could be prepared outside of the DC Study timelines. This flexibility provides an example of one of the benefits of the new approach.

- **Commercial Truck Service Establishment – consider the need for grant funding associated with this use as part of the industrial CIP:** Presently, commercial truck service establishments – transport truck fueling and repair stations, generally located along 400 series highways—are exempted from the payment of DCs. More than a decade ago, this exemption was included in the DC By-law in order to provide an incentive for the construction of a single business located near the Forest City Industrial Park. Given the “one off” nature of this exemption and the lack of other existing exemptions for commercial uses, it is recommended that it be removed from the upcoming DC By-law and that the future need for grant funding associated with this use be examined as part of the industrial CIP.