

MANAGEMENT REPORT

Date: July 14, 2025
To: Mayor and Council
From: Kendra Fry, investStratford
Report Number: COU25-086
Attachments: Appendix A: Adoption of TIEG's by other municipalities

Title: Introduction of the Tax Increment Equivalency Grant to Incentivize Affordable Housing New Builds

Objective: To seek Council authorization to commence the consultation process and the holding of a public meeting on a Tax Increment Equivalency Grant as the first program of the Community Improvement Plan ("CIP").

Background: In May of 2023, the Stratford Attainable Housing Project brought forth three recommendations to expand affordable housing initiatives in the City:

1. Develop a Community Incentive Toolkit with an implementing Community Improvement Plan to financially support the creation of attainable housing.
2. Consider municipally owned land as a tool to further support the creation of additional attainable housing.
3. Launch an awareness campaign to inspire the community to be informed, and to engage and act on matters related to attainable housing, including the creation of additional residential units (accessory suites).

Having significantly acted on initiatives 2 and 3, investStratford staff are now recommending proceeding with the development of Community Improvement Plan ("CIP") initiatives.

The originally proposed programs within the CIP were the following financial incentives as follows:

- Tax Increment Equivalency Grant ("TIEG")
- Development Charge Rebate Program (*subject to Bill 23)
- Planning and Building Permit Fees Grant
- Design Feasibility and Study Grant

- Accessory Suite Development Incentive Program
- Housing Rehabilitation and Conversion Program

Currently, investStratford is only proposing consideration of the first-listed incentive: the Tax Increment Equivalency Grant ("TIEG").

Analysis: A Community Improvement Plan ("CIP"), is a planning and economic development instrument available to municipalities under Section 28 of the Ontario Planning Act. CIPs enable municipalities to target specific geographic areas or community needs to stimulate revitalization, encourage private sector investment, and facilitate improvements in land use, infrastructure, buildings, and overall community well-being. Through financial incentives, policy direction, and strategic programming, CIPs support a wide range of local priorities, including, but not limited to downtown redevelopment, the availability and attainability of suitable and adequate housing (the focus of this report), brownfield remediation, heritage preservation, and accessibility enhancements.

Section 106 of the Municipal Act prohibits municipalities from directly or indirectly assisting businesses through financial means, a practice known as "bonusing." However, Section 28 of the Planning Act provides an exception to this rule when a municipality has an approved CIP in place. Under a CIP, the City is permitted to offer financial incentives to support improvements to private properties within designated Community Improvement Project Areas ("CIPAs"). The Attainable Housing Community Improvement Plan was developed in accordance with Section 28 of the Planning Act, which authorizes the creation of CIPs for areas identified as requiring community improvement. This may include activities such as planning or replanning, design or redesign, clearance, development or redevelopment, construction, reconstruction, or rehabilitation. The Draft CIP proposes the following definitions:

Affordable: Residential unit, rented: A residential unit intended for use as a rented residential premise shall be considered an affordable residential unit if it meets the following criteria:

1. The rent is no greater than 80 per cent of the average market rent.
2. The tenant is dealing at arm's length with the landlord.

Residential unit, ownership: A residential unit not intended for use as a rented residential premise shall be an affordable residential unit if it meets the following criteria:

1. The price of the residential unit is no greater than 80 per cent of the average purchase price.
2. The residential unit is sold to a person who is dealing at arm's length with the seller.

During the lifespan of this CIP, should the Province determine another definition of 'Affordable,' that definition will supersede the above.

It is recommended that Council commence the required consultation and public meeting process for the development and implementation of a Tax Increment Equivalency Grant pursue adopting a CIP.

Section 28(5) of the Planning Act incorporates the provisions of Section 17 respecting consultation and public meetings, submissions and comments, adoption of the community improvement plan, and prescribed notice. Section 17 of the Planning Act states:

"Consultation and public meeting

(15) In the course of the preparation of a plan, the council shall ensure that,

- (a) the appropriate approval authority is consulted on the preparation of the plan and given an opportunity to review all supporting information and material and any other prescribed information and material, even if the plan is exempt from approval;
- (b) the prescribed public bodies are consulted on the preparation of the plan and given an opportunity to review all supporting information and material and any other prescribed information and material;
- (c) adequate information and material, including a copy of the current proposed plan, is made available to the public, in the prescribed manner, if any; and
- (d) at least one public meeting is held for the purpose of giving the public an opportunity to make representations in respect of the current proposed plan."

The Tax Increment Equivalency Grant ("TIEG"), where eligible, provides a sliding reduction in required property taxes over a 10-year period. Year 1 of the project is proposed to provide a 90% property tax reduction grant, and the reduction is further reduced to 10% by Year 9.

In preparation for consultation activities and the public meeting on the TIEG, the following documents were drawn up in May 2023:

- CIP Adoption By-law
- Public Notice of Adoption
- Internal Evaluation form for staff use
- Application Form
- On-title Agreement

The TIEG is a deferral in receiving new tax revenues related to affordable new builds for a 10-year period. While the exact impact is not quantifiable for any one property until MPAC assesses a new property, this example may assist to illustrate. If a unit were to generate \$2,500 in taxation without an incentive program, it would provide the city with \$25,000 over 10 years. With the proposed incentive program, the tax collected in the same period would be \$11,250 and the grant would be \$13,750. In the 11th year, the incentive would be complete, and the property would be paying the full \$2,500. This example is provided for illustrative purposes only, but it is noted there are currently eight new affordable units scheduled for completion in 2026.

In the 2025 budget process, Council approved a \$150,000 expansion initiative to fund attainable housing incentive initiatives from the Municipal Accommodation Tax (MAT) Reserve Fund. Regardless of the amount, the incentive program represents an investment by the rest of the tax base to support the program, and therefore a direct levy impact to the other taxpayers unless otherwise funded. As the direction was to utilize MAT revenues for this program, there was no direct impact to the tax levy and there is no anticipated impact expected for 2026 and beyond until or unless further units are identified.

Financial Implications:

Financial impact to current year operating budget:

In the current year's operating budget, the only new affordable housing unit known was 246 Railway Avenue, and this property does not have an incentive attached to it, as it is municipally-owned. The \$150,000 approved in the 2025 budget may be used until it is depleted, otherwise further funded, or otherwise reallocated by Council.

Financial impact on future year operating budget:

As noted above, the impact depends on the number of units and the assessed value. Once the assessments are added to the city's assessment roll, the impact to the specific property owner is a direct reduction in taxes paid and thereby received by the City as noted in the illustration.

Link to asset management plan and strategy:

Not applicable, as tax incentive programs would apply to non-city-owned properties and therefore not impact the City's asset management plan.

Legal considerations:

Prior to considering the adoption of a CIP, the City must complete the consultation process and public meeting required in section 17 of the Planning Act. The creation of the CIP framework contained legal agreements to be entered between property owners and the city and registered on the title of the property for the duration of the program or until the property changed hands, whichever came first.

Insurance considerations:

None

Alignment with Strategic Priorities:

Enhance our Infrastructure

This report aligns with this priority as it encourages new affordable housing builds.

Build Housing Stability

This report aligns with this priority as it encourages new affordable housing builds.

Work Together For Greater Impact

This report aligns with this priority as many departments worked together in the development of the original Affordable Housing Report from which this report is taken. Departments included Corporate Services, investStratford, Social Services, Infrastructure Services, Building and Planning Services, and many external agencies, businesses, and citizens.

Intentionally Change to Support the Future

This report aligns with this priority as we adapt to creating new ways to encourage affordable housing.

Alignment with One Planet Principles:

Health and Happiness

Encouraging active, social, meaningful lives to promote good health and wellbeing.

Equity and Local Economy

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

Culture and Community

Nurturing local identity and heritage, empowering communities, and promoting a culture of sustainable living.

Staff Recommendation: THAT Council direct the public process outlined in section 17 of the Planning Act be initiated to consider the proposed Tax Increment Equivalency Grant Community Improvement Plan;

AND THAT a Public Meeting be scheduled on Thursday, August 14, 2025, or on an alternative date as deemed appropriate.

Prepared by:

Kendra Fry, investStratford

Recommended by:

Joani Gerber, investStratford

Approved for Council by:

Adam Betteridge, Interim Chief Administrative Officer

Appendix A: Examples of Other Municipalities Utilizing the TIEGH

The Municipality of North Perth:

Purpose and Anticipated Benefits:

The *Tax Increment Equivalency Grant* (TIEG) program will provide a grant to *eligible applicants*, which is equivalent to a percentage of the Municipal portion of a property *Tax Increment* that is incurred because of an *attainable* housing project.

The purpose of the TIEG is to stimulate investment by effectively deferring part of the increase in property taxation because of an *attainable* housing project.

Value of Grant:

Where a proposed project satisfies the eligibility requirements, a TIEG may be provided on approved applications as follows:

Grants will be provided for a period of 10 years;

- In year one, a grant that is equivalent to 100% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- In year two, a grant that is equivalent to 90% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- In year three, a grant that is equivalent to 80% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- In year four, a grant that is equivalent to 70% of the Municipal portion of the *Tax Increment* will be provided to a property owner; and
- In year five, a grant that is equivalent to 60% of the Municipal portion of the *Tax Increment* will be provided to a property owner.
- In year six, a grant that is equivalent to 50% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- In year seven, a grant that is equivalent to 40% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- In year eight, a grant that is equivalent to 30% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- In year nine, a grant that is equivalent to 20% of the Municipal portion of the *Tax Increment* will be provided to a property owner; and
- In year ten, a grant that is equivalent to 10% of the Municipal portion of the *Tax Increment* will be provided to a property owner.

Where a proposed project satisfies the eligibility requirements, meets the general intent of the design guidelines of this CIP, and meets the definition of a sustainable building or green building to the satisfaction of the *Municipality's* Chief Building Official, a TIEG may be provided on approved applications as following:

- Grants will be provided for a period of 15 years;
- In years one - five, a grant that is equivalent to 100% of the Municipal portion of the *Tax Increment* will be provided to a property owner;
- Following the first five years of the TIEG for *sustainable buildings*, for years six to fifteen, a grant will be provided that is equal to the percentage of the Municipal portion of the *Tax Increment* that is provided in the ten-year TIEG for non-sustainable buildings.

To determine the suitability of the TIEG, the *Municipality* will attempt to estimate the total potential value of the grant prior to the submission of an application for the program.

The estimate will consider current assessment value, total anticipated investment, and the potential reassessment based on completing the approved community improvement works. Applicants should refer to the definition for *Tax Increment* provided in the Glossary of the CIP documents to further understand how grant values will be calculated.

Eligibility Criteria:

- Eligible applicants will only include the registered owner/assessed owner of the subject property. Tenants will not be eligible for the TIEG.
- Only those projects that are anticipated to generate an increase in assessment will be eligible.
- Properties will be eligible for the TIEG if the proposed use is in accordance with the list of eligible uses in Section 6.2.
- Projects must contribute to achieving five (5) or more attainable and/or affordable rental dwelling units to be eligible for the TIEG, subject to annual monitoring by the CIP Implementation Committee.

Eligible Projects and Costs:

Eligible projects and costs for the TIEG include the following:

- Costs associated with the *redevelopment* of a property for the purpose of a new eligible uses;
- Costs associated with the restoration or improvement of an existing building to accommodate an additional eligible use;
- The conversion or *adaptive reuse* of an existing building to accommodate an eligible use;
- The expansion of a building that results in an increase to the gross floor area of an eligible use;
- Infrastructure work including the improvement or reconstruction of existing on-site public infrastructure (water services, sanitary and storm sewer); and

- The services of a professional engineer, architect, or planner to design the project, if implementation is completed;
- Other types of projects may also be considered eligible, at the discretion of the CIP Implementation Committee and/or *Council*.

Payment:

All completed projects must comply with the description as provided in the grant application form.

Grants may be provided in accordance with a Financial Assistance Agreement made between the *Municipality* and the owner(s) upon successful completion of the approved project, to the satisfaction of the *Municipality*, and payment of the full reassessed value of Municipal taxes.

If a property is sold, in whole or in part, before the grant period lapses, the original owner is not entitled to receive the remaining grant payments, and the grant program is cancelled.

Summary of Other Municipalities Plans According to opencouncil.ca

Source: <https://opencouncil.ca/municipal-affordable-housing-initiatives/> published March 7, 2024, pulled May 15, 2025

Municipality	Programs	Affordability
<u>Barrie</u>	Residential unit incentive (\$20,000 per unit or \$10 per sq ft) Grants for: -Application and development charges -Building permit fees -Tax increment-based funding (5 years)	Provincial Policy
<u>Guelph</u>	Grants of up to \$70,000 per unit (20 years)	Provincial Policy
<u>Kitchener</u>	For non-profit corporations: Development application fee exemption Building permit fee exemption Development charge deferral	80% of AMR
<u>Orillia</u>	Grants (20 years) for: -Development charges -Purchase price of land -Planning application, building permit and review fees (up to \$25,000)	80% of AMR (rental), 30% of income (ownership)
<u>Peterborough</u>	Tax increment grant (10 years) Exemption for:	90% of AMR

	-Development charges (20 years)	
	-Planning fees (20 years)	
	-Property tax (10 years) (90% of AMR)	
<u>Region of Waterloo</u>	Capital grants (25 years)	
	Development charge grant	rent + utilities < AMR
	Lower multi-residential property tax	

Payment

Assistance will be in the form of forgiving up to 100% of the applicable Town Development Charges.

6.3.4. Tax Increment Equivalency Grant

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Figure 2: TIEG example