

City of North Bay

Report to Council

Report No.: CSBU 2005-46

Date: May 4, 2005

Originator: Karen Jones / John B. Fior

Subject: 2004 Annual Report – Council's Downtown Community Improvement Plan

File No.: D00/2004/CNB/DCIP

ITEM FOR CONSIDERATION

1) That the 2004 Annual Report for the Council's Downtown Community Improvement Plan be received.

2003/2004 Summary

Funding:

- Total Grant Funding 2003/2004	\$440,000.00
- Total Loan Funding 2003/2004	\$700,000.00

Applications:

- **99 Funding Applications processed (45 Applicants/99 applications)**

Impact:

- Estimated Private Sector Investment	\$3.0 million
- Total New Businesses	14
- Total vacant Buildings Purchased for Revitalization/Re-Use	9
- Estimated Short-Term Jobs Created	200
- Estimated Permanent Jobs Created	100

BACKGROUND

Program Highlights

2004

- 52 Funding Applications Processed (23 Applicants / 52 Applications)
- 5 Funding Applications/11 Applicants carried over to 2005
- 4 Vacant Buildings Purchased for Revitalization and Re-Use
- 8 New Businesses Established with DCIP Assistance
- New Employment: 110 Short - Term Jobs
40 New Permanent Jobs (Full Time and Part Time)
- Estimated Value of Private Sector Investment/Reinvestment: \$1.8 Million
- Investment Ratio (Private Sector/Public Sector): 7/1 (excluding building, business, and/or franchise purchases)

2003

- 47 Funding Applications Processed (22 Applicants / 47 Applications)
- 5 Vacant Buildings Purchased for Revitalization and Re-Use
- 6 New Businesses Established with DCIP Assistance
- New Employment: 88 Short-Term Jobs
56 New Permanent Jobs (Full Time and Part Time)
- Estimated Value of Private Sector Investment/Reinvestment: \$1.1 Million
- Investment Ratio (Private Sector/Public Sector): 5/1 (excluding building, business, and/or franchise purchases)

Program History

In December 2002, Council approved the Downtown Community Improvement Plan (DCIP) for implementation. Since that time, Council's DCIP has provided significant advantages for Downtown North Bay and has been a positive mechanism to promote investment in a very important historical commercial area of the city. The plan has been an incentive for business owners, property owners and potential investors looking at the downtown.

The key funding components of Council's DCIP are the grant, loan and exemption programs. These include:

- Planning and Building Fees Rebates
- Exemptions from Parking Requirements
- Exemptions from Development Charges
- Feasibility Study Grants
- Facade Improvement Grants
- Tax Increment Based Grants
- Rehabilitation and Redevelopment Loans

The response to Council's DCIP was overwhelming throughout 2003 and this positive response continued in 2004. In 2003, Council originally allocated \$90,000 for the grant program and \$250,000 for the loan program. In less than four months the funding had been depleted and as a result of the program's success an additional \$100,000 was allocated for grants and loans respectively. By the beginning of 2004 the funds once again had been depleted. With great support for the program, Council allocated \$250,000 for grants and \$350,000 for loans in 2004. Over the past two years the program has created many successes and has provided a revitalization tool for Downtown North Bay.

ANALYSIS / OPTIONS

Application Process

In 2004, there were 52 applications submitted by 23 Applicants. There were 34 Grant Applications (15 Feasibility Study Grant applications and 19 Facade Improvement Grant Applications) and 18 Building Rehabilitation and Redevelopment Loan applications. Several of the Applicants submitted an application for each grant program and the loan program.

Grant Applications

The Application Review Team followed the same process as 2003 when approving the grant applications. A cautious approach was taken as a result of the high demand and limited amount of available funds.

Not every Applicant received the full amount of the funding assistance requested.

- ✓ 15 Feasibility study applications were submitted for a total requested amount of \$75,000
- ✓ 11 of the 15 feasibility study grant applications submitted were approved for a total of \$50,000
- ✓ 19 Facade Improvement Applications were submitted for a total requested amount of \$223,000
- ✓ 18 of the 19 Facade Improvement Applications were approved for a total of \$185,550

Table 1 provides a summary of the 2004 applications for the two grant programs.

Table 1-DCIP Grants

2004 Budget	Number of Applications	Total Funding Requested	Approved Applications	Approved Funding
\$250,000	34	223,000	29	235,550

Loan Applications

- ✓ 18 Building Rehabilitation and Redevelopment Loan applications were submitted for a total requested amount of \$453,750
- ✓ 16 of the 18 Building Rehabilitation and Redevelopment Applications were approved for a total of \$389,746*

Table 2 provides a summary of the 2004 applications for the loan program.

Table 2-DCIP Loans

2004 Budget	Number of Applications	Total Funding Requested	Approved Applications	Approved Funding
\$350,000	18	\$453,750	16	\$389,746*

*Note: The additional \$39,746 was forwarded from the 2003 budget.

Program Costs

The costs attributed to the implementation of Council's DCIP include the budgeted grant monies, disbursements (legal), lost interest associated with loans, Planning and Building fee rebates and budgeted monies for potential future losses that may occur due to loan defaults.

The cost of implementing the program in 2003 and 2004 was \$25,737. Monies are allocated to and taken from the grant program to pay for the costs.

The following Table provides a summary of the estimated Program Costs for 2003 and 2004.

Table 3- 2004 DCIP Program Cost Summary

	2003	2004	Total
Grants	\$178,713	\$235,550	\$414,263
Costs Associated with Program			
Legal	\$844	\$2,312	\$3,156
Lost Interest	\$1,422	\$6,779	\$8,201
Administration	\$0	\$1,270	\$1,270
Building/Planning Fee Rebates (estimated)	\$3,000	\$3,000	\$6,000
Provisions for Future Bad Debt (remainder of funds)	\$6,021	\$1,089	\$7,110
Sub Total	\$11,287	\$14,450	\$25,737
TOTAL	\$190,000	\$250,000	\$440,000

The DCIP Program Benefits

There are many benefits that are being realized by the City and the Downtown through the implementation of this Plan. Generally, these include:

- New employment through construction, expanded and new businesses;
- Retention and expansion of existing businesses;
- Recruitment of new businesses;
- Redevelopment and re-use of existing vacant buildings;
- A revitalized Downtown dominating the specialty retail market in the core ;
- A healthy Downtown, which will reduce impediments to other new commercial development elsewhere in the City;
- Increase in visitors to the Downtown;
- Increase in assessment associated with new construction and improvements to existing buildings;

- Stabilization of property values and assessment;
- Development of a positive attitude among businesses (an excitement has been created);
- Improved consumer interest and business confidence in the Downtown;
- Provincial and National recognition of work;
- Private sector reinvestment in the Downtown;
- Various spin-off effects;
- Triggered new development (prior to DCIP implementation, re-investment in Downtown property's was not common).

The following provides specific details on some of the benefits of the program to the Downtown and the City as a whole.

1. RECRUITMENT OF NEW BUSINESSES

New Businesses as a result of 2004 DCIP:

- ✓ Artistic Expressions
- ✓ Algonquin Lofts
- ✓ Medi-Chair
- ✓ Cornerstone Pub & Grill
- ✓ 4 Vacant Buildings Purchased for Revitalization and Re-Use

New Businesses as a result of 2003 DCIP:

- ✓ The Nutty Chocolatier
- ✓ Tradetrue Securities
- ✓ Paul Fogarty Designs
- ✓ Trattoria Malka
- ✓ Jaeger Meisters
- ✓ Atmosphere Designs
- ✓ 5 Vacant Buildings Purchased for Revitalization and Re-Use

What new Downtown business owners are saying:

"Without the DCIP I would have not considered locating my business Downtown."

- Nadia Marusich-Day, Trattoria Malka

"Thanks to the program, we were able to expand our operations into Downtown North Bay."

- Kathy Jaeger, Jaeger Meister's

"As a new business owner this opportunity finalized my decision to relocate and start my small family business in Downtown North Bay."

- Carol Montgomery, The Nutty Chocolatier

2. RETENTION AND EXPANSION OF EXISTING BUSINESSES

Increase in Private Sector Investment

2004: Estimated \$1.8 Million

2003: Estimated \$1.1 Million

What downtown property owners are saying:

"I would have considered closing my business had it not been for the DCIP."

- Anonymous

"The Algonquin Loft project would not have happened had it not been for the Rehabilitation and Redevelopment Tax Increment Based Grant Program."

- Gordon Cardwell, C&C Properties

"We are proud to be downtown property owners and feel that the City's support has been critical in prompting our significant investment in this project."

- Stuart and Laurie Kidd, 397 Wyld Street

3. EMPLOYMENT

Construction, Expanded and New Businesses

2004 job creation

- ✓ 110 new short term
- ✓ 40 new permanent

2003 job creation

- ✓ 88 new short term
- ✓ 56 new permanent

What the Applicants are saying about employment:

"As a result of the DCIP, we now have an additional 4 full time staff in place and have introduced new products and services to the business."

- Gino and Karen Bitonti

"These opportunities bring jobs to locals and long term family businesses which add to the heritage and the future for North Bay."

- Carol Montgomery, The Nutty Chocolatier

"The short term job creation was evident as five individuals were hired to do the contracting. Presently, Trattoria Malka employs two full time and eight part time permanent staff."

- Nadia Marusich-Day, Trattoria Malka

"The exterior and the interior of 154 Oak Street West were extensively renovated because of the program. During these renovations, approximately 3-4 contractors were employed. Currently we have six full time staff."

- Lori Burns, Atmosphere Design Group

Please refer to Appendix A for letters of support from several DCIP Applicants.

4. RECOGNITION OF WORK

In 2003, the three phase Downtown North Bay Marketing Report received awards at both the provincial and national levels.

Council's DCIP was highlighted in this report and as a result an interest has been created among municipalities throughout the region. Approximately 30 municipalities have contacted City of North Bay staff with requests to receive this material. Many municipalities are now modeling their downtown revitalization plans after North Bay's efforts.

The program and the City have further been recognized by various professional groups. Planning and/or DIA staff presented details on the program at:

- The Business Improvement Association's (BIA's) National Conference in Toronto
- The Ontario Professional Planner's (OPPI's) Provincial Conference in Hamilton and Burlington
- A seminar on economic development for Northeastern Ontario Economic Development Officers

Economic Indicators

There are a number of economic indicators that can be reviewed and analysed when assessing the need for, and the success of, a Community Improvement Plan. Several factors have been considered for Downtown North Bay in order to determine the need for Council's DCIP.

Value Gap

Several vacant lots remain in the Downtown core as a result of fires. In order for a property owner to consider rebuilding, the gap between cost of construction for a new building and the market value of a newly constructed building must be minimal. Currently, a property owner would not recover the cost of construction of a new building if it sold shortly after the construction is completed.

This also applies to under utilized buildings. Until the value gap closes, a property owner cannot benefit from investing large amounts of money into a downtown building. For example, if a property owner wishes to invest money into their building, the assessment on the property will increase. If the property owner then chooses to sell their building, the current economic situation will not allow for the costs incurred to be recovered.

Further, as the assessment increases the taxes increase, putting the property owner at a further disadvantage. Council's DCIP's tax grant program is an effective tool to resolve this issue. Therefore, until the market value is on par or exceeds the construction or assessed value, there is an identifiable need for Council's DCIP.

Vacancy Rate

Although the Downtown has seen a great deal of change in the past two years, vacancy issues remain. Council's DCIP has aided the DIA in recruitment efforts and this has resulted in the establishment of 14 new businesses and the purchase and revitalization of 9 downtown buildings since 2003. Investor confidence is increasing in the Downtown and investment attraction initiatives are continuously being implemented. However, until the vacancy rate declines and stabilizes the need and demand for Council's DCIP will continue to exist. There are currently 22 main floor or 2nd and 3rd stories available, equating to more than 55,000 sq.ft. of space. Filling the available space Downtown continues to be a high priority for the DIA's Economic Development Committee and having Council's DCIP in place provides an incentive for interested businesses to relocate in the near future.

Demand For Council's DCIP

The demand for Council's DCIP has continued to increase since it was first implemented in 2003. Monies budgeted by Council for the programs are now normally allocated to projects within two months of budget approval.

The demand is increasing yet only 6% of the DIA members have been able to take advantage of the program to date.

Among other reasons this is also due to both the lack of program funding and the quick take up rate. The demand is an indicator that the program is needed to assist existing businesses and to attract new businesses to the Downtown in an effort to improve its health.

Property Values and Assessment Stabilization

Property values in the DIA have been declining over the past several decades. The purchase price for Downtown properties has also declined to a point where most are well below assessed values. This has led to assessment appeals. Upon reviewing several of the purchases that have occurred more recently it has been estimated that, if the trend does not change, the City could be realizing a substantial decrease in assessment and associated taxes related to the Downtown. Based on recent purchases, a conservative estimate is that the decrease could be over 25%. A 25% decline in assessment in the DIA equates to approximately \$9,000,000 in assessment. The taxes associated with this assessment would be approximately \$400,000. Those taxes would then have to come from the rest of the City's tax base. The economic health of the Downtown can be seen to be improving once property values and property assessment in the Downtown stabilizes and increases.

Next Steps

The following are other opportunities that are being explored, beyond the existing financial assistance plan, to assist with the redevelopment of the Downtown.

Way finding Plan/System

The existing directional, information and street signage leading from the highway corridor along the major arterials to the Downtown and waterfront are in need of improvement. Staff is currently exploring opportunities for funding assistance to develop a plan for a new signage system. The focus of the system will be to market the Downtown and waterfront as well as all of the attractions associated with the area by creating a well designed, high profile, consistent and attractive signage system.

Review of Upper Storey Redevelopment Potential

There are a number of issues associated with the redevelopment and re-use of the upper stories of the historic buildings on the Downtown. Changing the use in the upper stories that are underutilized (predominantly vacant or used for storage) triggers the implementation of Building Code and Fire Code regulations that are much more restrictive than those that existed many years ago. All buildings with vacant space in the upper levels should be reviewed and catalogued to the review of the conditions and potential for redevelopment. In addition, other municipalities should be contacted to determine what methods have been used to assist in the redevelopment of this underutilized resource.

Business Retention and Expansion (BR&E) Program

The City's Business Retention and Expansion has been applied to the Downtown on an as needed basis. The implementation of a formal BR&E Program for the Downtown would assist existing businesses that may be struggling to survive and also, those with an expansion plans.

Recruitment Program

The recruitment program that was launched with the finalization of the Gap Analysis must be revived in an effort to continue to attract new business to the Downtown.

Provincial and Federal Heritage Building Programs

The Province's Heritage Tax Rebate Program and the Federal Government's Historic Places Initiative are additional tools that could provide financial assistance for historic buildings and structures in the Downtown. Although the focus of these programs is municipality wide they can be used to assist Downtown commercial areas.

City of North Bay Downtown Symposium

A Downtown Symposium is being planned for September of this year. The purpose of the Symposium is two fold. The first is to bring municipal politicians and staff (including planners and economic development officers) and BIA's together to discuss the revitalization of Downtown's throughout northern Ontario. This will allow us to share ideas and information related to Downtown revitalization. The second reason is to showcase the City of North Bay and the City's Downtown by bringing a variety of people from all over northern Ontario to the City.

Revisit Council's DCIP

Council's DCIP should be reviewed at the end of 2005. Although the Plan has been incredibly successful it should be reviewed and, if necessary, amended to ensure that all programs are effective and achieving the desired results.

Summary

As Council's DCIP enters year three, the momentum continues to rise as more DIA members express an interest for the program. Although the program is not intended to be permanent, the demand for the program is increasing and a longer plan life should be considered based on the demonstrated need. The funds available to date have benefited 6% of the DIA members. The enthusiasm to renovate downtown buildings continues to increase and DIA members continue to want to participate in Council's DCIP.

RECOMMENDED OPTION / FINANCIAL IMPLICATIONS

No recommendation is being advanced as this is an information report for Council's consideration.

Respectfully submitted,

John B. Fior, Senior Planner

Karen Jones, Manager
The Business Centre-NPS

KJ/JBF/dlb

attach.

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We concur in this report and recommendation.

Jerry D. Knox
Managing Director,
Community Services Business Unit

David G. Linkie
Chief Administrative Officer

Person designated for continuance: John B. Fior, Senior Planner