

To: **COUNCIL**

Meeting Date: **10/05/2021**

Subject: **Core Areas Financial Incentives – October 2021 Applications**

Submitted By: **Trevor McWilliams, Acting Director of Economic Development**

Prepared By: **Michael Marini, Economic Development Officer**

Report No.: **21-258(CRE)**

File No.: **C1101**

Recommendation(s)

THAT Report 21-258(CRE), re: Core Areas Financial Incentives – October 2021 Applications be received;

AND THAT regarding the application for 27 Queen Street East:

- Council approves a Commercial Property Improvement Grant (CPIG) of \$23,820 and Commercial Building Restoration, Renovation and Improvement Grant (CBRRIG) of \$105,000;
- Council approve a transfer from the Core Areas Transformation Reserve Fund (CATF) in the amount of \$128,820;

AND THAT regarding the application for 15 Main Street:

- Council approves a Mixed Use Conversion and Restoration Grant Program (MUCRG) of \$150,000;
- Council approve a transfer from the Core Areas Transformation Reserve Fund (CATF) in the amount of \$150,000;

AND THAT staff be authorized to execute a Commitment Letter and any required documentation in order to administer this funding;

AND THAT Council delegate authority to Director of Economic Development and Chief Financial Officer (or designates) to increase the funding to the maximum amount within the parameters of the specific program(s), if necessary;

AND FURTHER THAT the work approved under these enhanced incentives be completed within one (1) year of the date on the Approval Letters.

Executive Summary

Purpose

- To request Council to authorize the first three grant applications for two subject properties under the City's new Community Improvement Plan as follows:
 - a Commercial Property Improvement Grant (CPIG) of \$23,820 and Commercial Building Restoration, Renovation and Improvement Grant (CBRRIG) of \$105,000 from the CATF Reserve Fund for the redevelopment of the buildings located at 27 Queen Street East in Hespeler Village; and
 - a Mixed Use Conversion and Restoration Grant Program (MUCRG) of \$150,000 for the property located at 15 Main Street in Downtown Cambridge.

Key Findings

- As these buildings are in Core Areas, the owners have applied to the Financial Incentive Programs for grants under the new programs introduced with the Community Improvement Plan, approved by Council in July 2021.
- For 27 Queen Street East, under the CPIG regulations the building qualifies for up to \$25,000 and the CBRRIG regulations the building qualifies for up to \$105,000 in grant funding.
- For 15 Main Street, under the MUCRG the building qualifies for \$177,500 in grant funding.

Financial Implications

- The CPIG grant of \$23,820, CBRRIG grant of \$105,000 and MUCRG grant of \$150,000 will be funded from the CATF reserve fund.
- The total fundable amount of this request for the properties is \$278,820.
- The total value of the redevelopment project at 27 Main Street is over \$300,000 and the total value of the project at 15 Main is over \$2,800,000. If the funds are not used, they will still be available in the account for possible future projects.

Background

Since the mid 1990's, the City of Cambridge has offered financial incentives in the Core Areas of Cambridge. Many of these were dated and work on a new, more modern set of financial incentives was initiated by Economic Development in late 2019. Such work

was expedited due to COVID 19 and said financial incentives were approved by Cambridge Council in 2021 in an effort to assist businesses as quickly as possible in our Core Areas. These new and improved incentive programs offer a wider range of benefits without the hindrance of loans registered on title of the subject properties.

The CIP provides the basis for financial incentive programs within the three relevant designated CIP Project Areas in the City of Cambridge. It focuses mainly on Cambridge's three (3) Core Areas as designated in the Official Plan and Community Improvement Project Area By-law.

These new financial initiatives will facilitate the planning and financing of development activities that effectively use, reuse and revitalize lands, buildings and infrastructure. They prioritize municipal investment and are intended to stimulate private sector investment, property maintenance and revitalization within the project areas. These new incentives were contemplated under the Council approved Core Areas Transformation Fund (CATF) and will be financed from said fund.

Since the effective date of the programs of August 3, 2021, there has been significant interest in the available grants. Economic Development Staff is pleased to present these first requests of the new Financial Incentives to Cambridge Council for approval.

The subject applications are under 3 separate grant programs:

- **Commercial Property Improvement Grant (CPIG):** The Commercial Property Improvement Grant Program is intended to provide financial assistance for commercial property owners & tenants who aim to improve upon the exterior appearance of commercial properties.
- **Commercial Building Restoration, Renovation and Improvement Grant (CBRRIG):** The Commercial Building Restoration, Renovation and Improvement Grant works to leverage significant private sector investment in interior building renovations and improvements for commercial properties that are in need of renovation or vacant in the core areas.
- **Mixed Use Conversion and Restoration Grant Program:** The Mixed Use Conversion and Restoration Grant Program is aimed at attracting new investment and interest in converting currently non-residential vacant or underutilized upper storey space to residential units and renovating the existing commercial space located below by providing a financial incentive that will be targeted at the costs of converting the space.

Under these programs, grants are available to property owners, who typically have one year to complete the renovations. City Staff will issue an approval letter outlining the scope of work and funding. The next step in this process is the owner or tenant will complete the work as specified on the application. City Staff will inspect the work to

make sure it is complete and meets all necessary Municipal codes. The applicant will then submit paid invoices for all work complete which is matched to the work submitted in the application process. If all of the invoices comply with the program regulations, Staff will issue a funding request for the calculated amount of funding.

Property Information - 27 Queen Street East

27 Queen Street East sits in the heart of the Downtown core of Hespeler Village. The work proposed is a complete renovation of the exterior of the building and an interior renovation of the 2 floors of commercial use currently available. The new space will house 2 floors of office use for many employees working, which will increase the working population in Hespeler.

Property Information – 15 Main Street

In late 2020, Boardwalk Tower Inc. purchased the building located at 15 Main Street (in the Heritage Conservation District). The current owner of this property plans extensive renovations to the entire building. In addition, the owners have been working diligently with Economic Development and Planning Division staff over the past several months as their plans evolved for these properties. The total cost of renovations to the property is over \$2.8 million.

This renovation will add 2 new commercial spaces to the building as well as 12 new housing units on the upper floors. This will increase the population of people living and working in Downtown Cambridge.

Analysis

Strategic Alignment

PROSPERITY: To support and encourage the growth of a highly competitive local economy where there is opportunity for everyone to contribute and succeed.

Goal #6 - Economic Development and Tourism

Objective 6.2 Promote vibrant and inviting downtown cores by encouraging partnerships and creating a wide range of unique, exciting destinations and activities.

The Financial Incentives Programs leverages both public and private dollars to improve the public realm and create a pedestrian friendly and interesting core area.

Comments

New Procedures for Approval of Financial Incentives

With the creation of the new financial incentives for 2021, Staff have also created a new, more modern method of oversight and transparency. Both Economic Development

Staff and Financial Services Staff are now involved in the examination and calculation of the financial incentive applications. Such additional oversight will benefit not only City Staff but the applicant as well, ensuring more accurate and timely information and feedback.

In addition, Economic Development Staff will be bringing forward reports directly to Council for approval of financial incentive applications. Such reports will provide more detailed information to Council on the subject property, the incentive/program requested, and how much money (as calculated by Staff) is available for approval. This information will provide a comprehensive approach to Council in an effort to have direct Council support and to provide Council with critical information to display how each of these exciting new programs work. Staff will also be providing Council with a yearly summary report of the totals for each of the programs utilized.

Staff is pleased to provide this first report under the new financial incentives for 2021, with two properties total and 3 grant applications for consideration (one application for 15 Main Street and two applications for 27 Queen Street). Between these two properties, the City's investment through the respective grants of \$278,820 stimulates private sector investment of \$3.1 Million, which has a significant impact on the City's efforts to promote vibrant and inviting downtown cores by encouraging partnerships, as set out in the updated Strategic Plan.

Application – 27 Queen Street East

The subject property is municipally known as 27 Queen Street East and sits in the heart of Hespeler Village. It was previously Queen Street Music and has been vacant for the past few years. The new owners have recently purchased this property and are planning a new office space. The building will house 2 floors of office use, including an insurance office, which will create new jobs within the Hespeler Village Core Area. The work proposed is a complete renovation of the exterior of the building and an interior renovation of the 2 floors of commercial use currently available

The applicant has applied for both the Commercial Property Improvement Grant (CPIG) & Commercial Building Restoration, Renovation and Improvement Grant Program (CBRRIG)) for funding assistance. Please note that under the new Community Improvement Plan, a property can be eligible for more than one grant program.

The total fundable amount of this request for the property is \$128,820, with a CPIG grant of \$23,820 and a CBRRIG grant of \$105,000. The applicant is investing over \$300,000 into this project.

Staff are supportive of the application to the Commercial Property Improvement Grant because the building is in need of a face lift and the new façade will improve the paint on the building and create a new entrance way on the street. The owners are also

looking at community building projects that could possibly replace the mural on the side of the building. Overall it will help to create a better aesthetic in Hespeler.

Staff are supportive of the application to the Commercial Building Restoration, Renovation and Improvement Grant because it will be used to convert currently vacant commercial to new office space for 12 staff members. This will increase the working population of Hespeler and increase traffic to the downtown area. With more people working in the area it will create economic spin off to the surrounding businesses and this is something staff supports.

Application – 15 Main Street

Through the years, 15 Main's life has been serving the surrounding community as a department store. Prior to the addition of the 4th floor with the elegant arched windows, people would park their carriages on the barely paved street and shop at "Wilkinson's". Following that, Walkers, then Marks & Spenser with the façade seeing various entrance reconfigurations.

After being left unattended for more than 10 years, the building has fallen into disrepair. The main floor will definitely stay true to its retail roots with a floor plate adaptable to work well as one, two or three suites. The rear suite that fronts Imperial Lane and the parking lot already has two large window openings which allow for amazing light and great exposure.

Surrounding property owners, businesses and the Downtown Cambridge Business Improvement Area have long expressed a desire to see this property renovated and occupied in an effort to revitalize the area. The condition of the buildings and the prominent location has been an outstanding issue in the downtown and the City's renewal efforts.

Boardwalk Tower Inc. (an established Cambridge property development company who have worked on numerous other projects in Downtown Cambridge, such as the properties at 52 Main Street and 60 Main Street) has already retained the services of a construction company and plans major renovations to the building of over \$2.8 million.

The building will house additional commercial space on the ground floor, update the existing commercial units and revitalize the upper floors for residential uses. The plans for renovation will visually enhance this historic property and breathe new life into the building that has been vacant for more than 10 years. This type of use and the employment and housing it brings, matches the City's goal of having more people (residents, employees and tourists) in the downtown and will create spill-over effects in terms of support to the surrounding business community.

The applicant has applied for the Mixed Use Conversion and Restoration Grant Program (MUCRG) of \$150,000 for the property. The applicant is investing over \$2,800,000 into this project.

Staff are supportive of the application to the Mixed Use Conversion and Restoration Grant Program because it will add a one or possibly two new commercial spaces to the area. This building will also add 12 new residential units to help with intensification of Downtown Cambridge. Both of these changes help to meet Staff's goals of more people living and working in the core areas are supported.

Existing Policy/By-Law

As the properties are located in one of the Community Improvement Project Areas (CIPA) in Cambridge, the applicant is eligible for the Financial Incentives Programs 2021 which provides matching funding for certain improvements to the buildings. The City can provide grant funding for up to 50% of eligible costs under the CPIG, CBBRIG and MUCRG.

Financial Impact

- These funding requests are for:
 - \$23,820 under the Commercial Property Improvement Grant Program
 - \$105,000 under the Commercial Building Restoration, Renovation and Improvement Grant Program
 - \$150,000 under the Mixed Use Conversion and Restoration Grant
- The total funding amount of \$278,820 and will be taken from the Core Areas Transformation Reserve Fund. If the funds are not used, they will still be available in the accounts for possible future projects.
- The balance of the CATF reserve is \$19,094,000 as of August 30, 2021. A portion of this reserve is intended to support private sector stimulus, in addition to the fund's other pillars.

Public Input

Posted publicly as part of the report process.

Internal/External Consultation

Financial Services Department – As part of the new staff process, Financial Services was consulted on the calculation of amounts of each program, in addition to the tax

status of the property. For Council's information, in order to be eligible for financial incentives there can be no taxes owing on a property.

Community Development Department – Planning Services Division and Building Department were consulted in the development of this request for funding.

Conclusion

In conclusion, staff respectfully recommends that Cambridge Council approve the total funding of \$278,820 in grants to the new financial incentive programs. This will support a private investment of over \$3.1 million spread across the two buildings. These planned developments will help support the City of Cambridge's effort to revitalize the core areas and have more people working and living in the downtowns. Staff is pleased to present 27 Queen Street East and 15 Main street as the first applications of the new financial incentives for 2021.

Signature

Division Approval



Reviewed by the CFO

Reviewed by Legal Services

Name: Trevor McWilliams

Title: Acting Director of Economic Development

Departmental Approval



Name: Cheryl Zahnleiter

Title: Deputy City Manager Corporate Enterprise

City Manager Approval



Name: David Calder

Title: City Manager

Attachments

- Appendix A – Funding Calculations 27 Queen Street East
- Appendix B – Funding Calculations 15 Main street

Appendix A – CPIG & CBRRIG Calculations

27 Queen Street East



CPIG

CPIG Total Proposed Work Being Done		\$47,640.00
CPIG Funding Amount		\$23,820.00
Remaining CPIG Eligible Amount		\$1,180.00

CBRRIG

Total Internal Commercial Proposed Work Being Done	\$248,120.00
Commercial Funding Amount 50%	\$105,000.00
Total Interior Grant Funding	\$105,000.00

	Exterior	Interior Commercial	Interior Residential	Total
Total Eligible Proposed Work	\$47,640.00	\$248,120.00	\$0.00	\$295,760.00
Total Program Funding	\$23,820.00	\$105,000.00	\$0.00	\$128,820.00

Appendix B – MUCRG Calculations

15 Main Street



MUCRG

Total Internal Commercial Proposed Work Being Done	\$161,791.00
Commercial Funding Amount 50%	\$50,000.00
Total Internal Residential Proposed Work Being Done	\$492,000.00
Residential Funding Amount 50%	\$100,000.00
Total Interior Grant Funding	\$150,000.00

	Exterior	Interior Commercial	Interior Residential	Total
Total Proposed Work	\$0.00	\$161,791.00	\$492,000.00	\$653,791.00
Total Program Funding	\$0.00	\$50,000.00	\$100,000.00	\$150,000.00