Amendments to Business Improvement Area Capital Cost-Share Program Guidelines

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<td>From:</td>
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**SUMMARY**

This report recommends amendments to the BIA Capital Cost-Sharing Guidelines (the "Guidelines") adopted by Council at its meeting on October 30, 31, and November 1, 2012.

At this time two financing options for BIA streetscape improvement projects were approved in addition to the traditional 50% BIA - 50% City cost-share approach that has been in place for many years. A Financed Funding option was approved whereby the City can provide up-front financing for BIA streetscape projects, with a maximum value of $1.0 million, with 35% being funded by the City directly and 65% financed through a loan repayable by the BIA over time. Also, a Financed Funding option with no City contribution was approved, whereby the BIA could repay a loan with no direct City contribution.

This report recommends amendments to the Cost Share Program Guidelines. The $1.0 million project value limit under the Financed Funding – with City Contribution option would be replaced with an overall cap of $2.0 million on the amount of City financing outstanding to any single BIA under both financing options. The $0.350 million cap on City contributions to financed projects would be retained, excluding Planning Act Revenues, over any 10 year period.

In addition, to provide more flexibility to BIAs to make use of financed funding, an amendment is proposed to allow a BIA that is already subject to a loan agreement to undertake another project under one of the Financed Funding options provided the above-mentioned limits are not exceeded.
RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer and General Manager, Economic Development and Culture recommend that:

1. City Council approve the amendments to the BIA Capital Cost-Sharing Program Guidelines described in this report and set out in Attachment No. 1.

Financial Impact

The Council Approved 2015 Economic Development and Culture Capital Budget included $4.954 million gross, for all BIA Capital Cost Share programs combined. The recommended amendments to the BIA Capital Cost-Share Program Guidelines in this report can be expected to increase opportunities for BIA capital cost share projects without increasing cost to the City by providing more flexibility in funding mechanisms.

Before BIA loans are granted, the Deputy City Manager & Chief Financial Officer ensures that these loans comply with the City's Direct Capital Loan Policy guidelines that govern the granting of loans to an ABCC, in order to manage and limit the City's risk exposure to this capital financing.

These loans are secured in agreements between the City and the BIAs which set out repayment schedules that recover both principle and interest charges. Repayment is also secured through the City's priority lien status with respect to BIAs assessments. The changes recommended in this report will not increase the City's lending risk, as the priority lien status continues to provide security for the City through BIA assessments.

DECISION HISTORY

At its meeting of October 30-November 1, 2012, City Council approved revised BIA Capital Cost-Sharing Program Guidelines designed to offer relief to the program's budget pressures created primarily by the steadily-increasing number BIAs in the City and the growing complexity and scope of BIA streetscape improvement projects.


At its meeting of December 11, 2014, City Council approved a one-time exception to the BIA Capital Cost-Sharing Program Guidelines to allow for an increase in the financed funding for the Bloor-Yorkville BIA's Yorkville Avenue streetscape improvement project after the project tender came in higher than anticipated. City Council also directed the Deputy City Manager & Chief Financial Officer and the General Manager, Economic Development and Culture, to review the BIA Capital Cost-Share Program Guidelines and report to the Executive Committee in 2015 with the results of their review. The proposed amendments to the Guidelines recommended by this report address the situation encountered during the Bloor-Yorkville BIA project and are designed to reduce the likelihood that such exceptions will be required again for future projects.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX1.9
COMMENTS

Background

The BIA Capital Cost-Share Program is a major catalyst for revitalizing commercial areas. By leveraging BIA funding, the City achieves this revitalization at half the cost or lower than if it were to undertake such projects on its own. In reality, without such a cost-sharing partnership, most of the City's commercial area streetscape improvement projects would simply not happen.

In response to program budget pressures, primarily due to the growing scope and complexity of projects undertaken, rising costs due to inflation, and the increasing number of BIAs that invest in streetscape improvements, City Council approved revised program guidelines in 2012. The alternative funding mechanisms approved by Council, the result of a comprehensive program review, were designed to help address the funding gap, maintain funding within debt affordability targets and provide BIAs with alternate funding options.

It is common practice for many capital cost-share projects to be undertaken in phases over a period of years. Typically, this approach is necessary due to a lack of funding availability either on behalf of the City, the BIA or both. Unfortunately, implementing such projects in phases has several negative consequences. First, the total project benefits take longer to be realized by the BIA membership. Second, the total project costs increase as economies of scale advantages are lost. Third, the street is under construction for a longer period of time, disrupting businesses, pedestrians and vehicular traffic over an extended period. Finally, the amount of work undertaken by City staff from several divisions, and the BIA board of management and its staff, to implement the project is multiplied.

The current Guidelines make several project funding options available to BIAs, including the traditional 50% BIA - 50% City equal-share approach that has been in place for many years, as well as two additional options. First, the Partial Financed option enables the City to provide up-front financing for BIA streetscape projects, with a maximum value of $1.0 million, in exchange for a reduction in the City's direct financial contribution toward the project from one-half (50%) to thirty-five percent (35%). The BIA's sixty-five percent (65%) share of the cost of the project may be up to 100% financed by the City through a loan to the BIA, with the BIA committed to retiring the loan over a maximum ten-year period.

Second, the Fully Financed option, enables the City to loan up to 100% of the project cost, with no contribution of City debt from the BIA Capital Cost-Sharing Program budget. This option is also repayable to the City over a maximum of ten years.

According to the current Guidelines, the total amount of outstanding loans at any time under the Financed Funding – with City Contribution and Financed Funding – with No City Contribution combined is limited to $10 million in aggregate.
Revisions to the BIA Capital Cost-Sharing Program Guidelines

The objective of the financing options is to allow the City and BIAs to carry out larger streetscape projects, usually in conjunction with major road work, within approved capital budget targets. The Partial Financed option imposes a maximum project value of $1.0 million. The intent is to limit the City's direct contribution for any such project to $0.350 million and to limit the amount loaned to any one BIA.

As a result of working with these financing tools, it has become clear that by imposing a $1.0 million cap on the project value, the Guidelines preclude additional financing in situations that require a change in scope or costs. It also precludes additional financing for other projects should other streetscape improvement opportunities become available in conjunction with other larger City improvement projects.

The amendments recommended in this report would change the Guidelines to replace the existing $1.0 million gross project value maximum within the Partial Financed option with a maximum limit for the amount that any one BIA may finance through these City programs of $2.0 million. The new limit may be spread over one or more BIA streetscape projects funded through either or both of the Partial Financed or Fully Financed options.

The Guidelines would also be amended to establish a hard cap on the City's contribution to projects funded under the Partial Financed option to $0.350 million, excluding Planning Act Revenues. Thus, a maximum of 35% of the first $1.0 million of project value could be provided.

In addition, in order to maximize Program benefits and better facilitate the improvement of the public realm at no additional cost to the City, proposed changes to the Guidelines would allow a BIA which already has a loan agreement under one of the Financing Options to undertake other financed projects. However, the following overall limits as follows will apply:

- A maximum of $0.350 million in City debt contribution per BIA through the Financed program over any 10 year period.
- Total aggregate loans outstanding to a BIA will not exceed $2.0 million.
- The total aggregate value of all loans outstanding under both Financed Programs will not exceed $10.0 million.

Planning Act revenues from Sections 37 and 45 are at times approved for use by Council to help fund BIA streetscaping projects. Although the current Guidelines suggest otherwise, the standard practice regarding the use of these revenues has been for them to be applied to the gross value of the project, so that the remaining costs are the project costs subject to the provisions of the Funding options set out in the Guidelines. The revised Guidelines include amendments to formally establish these standard practices with respect to the application of Planning Act revenues to BIA streetscaping projects.
Conclusions

Economic Development and Culture’s BIA Capital Cost-Share Program supports the economic health and vitality of the City's retail and commercial areas by working in close partnership with BIAs. The amendments proposed to the Capital Cost-Sharing Program Guidelines will help maximize program benefits and offer better support to BIAs as they improve the design and amenity of the public realm beyond standard City treatments.

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SIGNATURE

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Roberto Rossini  Michael H. Williams
Deputy City Manager &  General Manager, Economic  
Chief Financial Officer  Development and Culture

ATTACHMENTS

Attachment No. 1 – BIA Capital Cost-Share Program Guidelines (Revised)
BIA Capital Cost-Sharing

Program Guidelines (Revised)
(revised sections in bold)

i) Capital Request and Application Process

The BIA Capital Cost-Sharing Program shall provide funding and/or financing for BIA streetscaping projects only. The Program consists of a two-step submission process that provides greater detail regarding project description, cost and accumulated funding:

The two steps are as follows:

A completed capital cost-sharing request project information form (supplied by the City) shall be submitted by the BIA in accordance with a submission deadline established by the City that takes into account the City’s capital budget approval process.

The Economic Development and Culture Division will review all capital cost-share requests, review and rank the requests in accordance with the ranking system identified below, and submit the Program's capital budget request for consideration through the City's capital budget approval process.

ii) Definition of Capital

The BIA Capital Cost-Sharing Program is to include the following streetscaping elements (those beyond standard City treatments) that assist BIAs to enhance their physical environment and “brand” their business area:

- all permanent streetscaping elements such as - decorative sidewalk treatments, underground conduits/infrastructure, in-ground planters, trees, shrubs;
- all fastened, anchored or affixed streetscaping elements such as - pedestrian lights, street tree lights, benches, planters, banner poles, special street signage, directory kiosks; and
- all reusable streetscaping elements such as - banners, hanging planter baskets, supporting brackets/hardware. (one time purchases only)

The Program will provide cost-share funding for the production of working drawings for streetscaping projects requiring civil or electrical engineering approval, but only in situations where such drawings may not be prepared by City staff within project...
deadlines. The Program will also cover project-related surveying and inspection costs, and permit and fee charges.

Items excluded from the BIA Capital Cost-Sharing Program include: annual/perennial flowers, potting soil, maintenance equipment, conceptual streetscaping plans, and any equipment, signage, banners or decoration associated with a specific festival or special event.

iii) Program Eligibility

In order for a BIA to be eligible to participate in the BIA Capital Cost-Sharing Program, the BIA must:

• have in place a Board of Management approved by the current Council;
• agree to assume all project maintenance and operating costs;
• have an operating budget, adopted at a general meeting of the BIA and approved by Council, for the year the project is to be implemented; and
• be in good standing with the City Auditor and the City’s Finance Department with respect to the preparation and audit of the BIA annual financial statements.

iv) Planning Act Revenues

From time to time, Council may allocate revenues collected under Section 37 or Section 45 of the Planning Act to BIA streetscaping projects.

Planning Act Revenues allocated to BIA streetscaping projects shall be applied to the gross project value and the balance may be funded by any of the four Project Funding Options set out below.

In this document, any reference to project costs, is to the value of that project's costs net of any Planning Act Revenues.

v) Project Funding Options

There are four project funding options available. The funding option to be used will be based on the following criteria.

Equal Share Funding

• Project cost to be shared equally (50/50) between City and BIA;
- Targeted toward single-phase, small to mid-size projects where BIA has its 50% share of funding in place (BIA share may include capital funding budgeted by the BIA for the year in which the capital project is to be implemented);

- Maximum $600,000 project cost;

- Maximum $1.8 million total aggregate of all project costs for all BIAs under this Option over 5 year period;

- Project working drawings/tendering documents (when prepared by a architectural, technical or engineering consultant) are eligible for cost-share funding;

- A BIA is not eligible for equal share project funding if it has an outstanding loan under the Financed Funding – with City Contribution option below, except where funding is required in subsequent years to complete work necessitated by the Financed Project (i.e. cut repairs).

**Financed Funding – with City Contribution (Partial Financed)**

- Project cost to be shared 35% City (to maximum of $0.350 million) / 65% BIA, where City provides financed funding for up to 100% of BIA contribution;

- Minimum project cost is $200,000;

- The City contribution, excluding Planning Act Revenues, shall be limited to $0.350 million over any 10 year period;

- Total amount of outstanding loans to any single BIA under this Option and the following Option (Financed Funding – with No City Contribution) is limited to $2 million in aggregate.

- Total amount of all outstanding loans at any time under this Option and the following Option (Financed Funding – with No City Contribution) combined is limited to $10 million in aggregate.

- Targeted toward: multi-phase projects that, due to City financing, can be undertaken in a single phase, thereby minimizing disruption to the street and achieving cost savings; and, to projects that can be undertaken in concert with City-driven infrastructure improvements where BIA lacks implementation funding;

- BIA repayment of financed portion, including interest compounded annually at the City's cost of borrowing, over a 3-10 year timeframe by way of City deduction from annual BIA levy. The BIA must agree to include an amount sufficient to cover the repayment obligations, including interest, in its annual budget.
• If BIA levy isn't paid, the City has a priority lien on the property, and can impose levies on property owners to cover the BIA's liabilities even if the BIA dissolves.

• Project working drawings/technical studies/tendering documents (when prepared by an architectural, technical or engineering consultant) are eligible for cost-share funding; and

**Financed Funding – with No City Contribution (Fully Financed)**

• Targeted toward large projects which exceed the funding capacity of the BIA Capital Cost-Share Program;

• BIA pays 100% of project cost;

• City provides up to 100% of project financing, but no contribution from BIA Capital Cost-Share Program budget;

• City may provide project design/management assistance;

• BIA repayment of financed portion, including interest, over 3-10 year timeframe;

• **Financing on same terms as "Financed Funding – With City Contribution" Option**; and subject to aggregate maximums as set out above under that Option.

**BIA Full Funding**

• BIA pays 100% of project costs, with no Capital Cost-Share Program funding or City financing;

• No project minimum/maximum value restrictions;

• City may provide project design/management assistance.

**vi) Capital Request Evaluation/Prioritization**

City staff shall evaluate capital cost-sharing requests based on the ranking criteria listed

**“A” Rank: Primary Criteria**

1. Projects that can be implemented in concert with capital projects undertaken by other City divisions or City agencies or Toronto Hydro;

2. Second phase (or greater) of multi-phase projects;

3. Projects which utilize the "Financed Funding – with City Contribution" funding option; and;
4. Minor projects with gross cost of no greater than $10,000 (no more than one “A”-rank minor project per BIA)

"A" Rank: Secondary Criteria

1. Projects which involve a significant level of sidewalk replacement, thereby maximizing the scope and impact of the BIA streetscape initiative;

2. Projects which represent a new or creative approach to streetscape enhancement;

3. Projects located in areas that are to host an up-coming special or tourist event; and

4. Projects which help achieve an equitable distribution of scarce funding resources among the City's BIAs.

“B” Rank:

1. Projects which implement, at least in-part, a multi-year, comprehensive streetscaping program developed and adopted by the BIA;

“C” Rank:

1. New projects not covered by “A” or “B”.

In order to receive a ranking, staff must be satisfied that the project design has advanced to a stage whereby the implementation of the project within the budget year is considered feasible.

vii) Conceptual Design

Conceptual design drawings will not be funded under the BIA Capital Cost-Sharing Program, but will instead be prepared by BIA Office staff, where resources permit, or by a consultant hired and paid for by the BIA.

viii) Project Tendering/Purchasing

The City has purchasing/tendering policies that must be followed for all capital cost-sharing projects. All tender and purchasing documents for BIA capital cost-share projects will contain sufficient detail, specifications and deadlines to ensure that those goods and services procured are suitable for the intended use, delivered in accordance with project timelines, and guaranteed for a reasonable period.
The City is responsible for all purchasing and tendering associated with BIA Capital Cost-Sharing projects. Should a BIA purchase goods or services instead of proceeding through proper City purchasing/tendering channels, the costs associated with that good or service purchased directly by the BIA shall not be eligible for capital cost-sharing.

ix) Project Co-ordination

The project application form shall identify the BIA representative assigned to the project and the BIA Office staff assigned to the project.

The BIA Office representative will take the lead in communicating project status to the BIA, liaison with staff from other involved Departments, and addressing BIA issues/concerns during implementation. For complex projects, the BIA Office representative will be responsible for organizing staff/BIA meetings where appropriate/necessary.

x) Capital Maintenance

BIAs are responsible for 100% of the maintenance and operating costs of all streetscaping and streetscaping infrastructure developed under the Capital Cost-Sharing Program.

The City will consider possible approaches to formalizing the BIA’s maintenance responsibilities, including:

i) a blanket contract executed with each BIA to cover all streetscaping / infrastructure undertaken by the BIA/City under the capital cost-sharing program; or

ii) requiring BIAs to “sign-off” on a statement, included in the project application form, confirming the BIAs responsibility for maintaining the proposed streetscaping.

The City is required to provide the BIA with written confirmation that all civil and electrical work associated with a BIA Capital Cost-Sharing Project has been undertaken and inspected, and that the work meets all City standards/requirements.