

Community Improvement Plan for the Renovation and Rehabilitation of Commercial Properties

Date: September 7, 2021
To: Planning and Housing Committee
From: Chief Planner and Executive Director, City Planning Division; and
Interim General Manager, Economic Development and Culture Division
Wards: All Wards

SUMMARY

The purpose of this report is to propose a new Community Improvement Plan to expand the existing Commercial Façade Improvement Program, and establish the Commercial Rehabilitation Grant Program and the Commercial and Industrial Property Improvement Program. The Programs will be delivered by the Economic Development and Culture Division.

The goal of these proposed financial incentives would be to retrofit vacant spaces to accommodate new tenants and support the viability of existing businesses. The COVID-19 pandemic has disproportionately impacted retail and service-based businesses, causing increased vacancies on the City's retail main streets. The pandemic occurred at a time when businesses were already impacted by higher rents, increased competition from on-line retail, and rising operating costs (taxes, utilities, maintenance, and insurance).

Proposed amendments to the existing Commercial Façade Improvement Program would expand the Program city-wide, beyond the current limitation to Business Improvement Area (BIA) boundaries. The changes would also increase the range of eligible improvements and extend the grant to cover all building façades visible to the public.

To address vacancies and upgrade commercial spaces, the proposed new Commercial Rehabilitation Grant Program would provide grants for interior renovations including leasehold improvements. These changes are intended to attract new tenants to vacant space, help existing businesses upgrade their current premises to make necessary improvements to remain viable, and meet improved health and accessibility standards.

The proposed new Commercial and Industrial Property Improvement Program would provide support to businesses for new or expanded patios on private property, other property and site improvements, and cafes installed in the public right-of-way through the CaféTO Program.

Grants made available to businesses through the Commercial Rehabilitation Grant Program and Commercial and Industrial Property Improvement Program would be funded, initially, by the Government of Canada through its recently announced support for Toronto's Main Street Recovery and Rebuild Initiative. The Commercial Façade Improvement Program is funded through the Economic Development and Culture 10-Year Capital Budget and Plan.

Similar to the existing Commercial Façade Improvement Program, the three grant Programs in the proposed Community Improvement Plan would be offered annually. Applications would be reviewed on a "first-come-first served" basis until funds are exhausted.

RECOMMENDATIONS

The Chief Planner and Executive Director, City Planning Division and the Interim General Manager, Economic Development and Culture recommend that:

1. City Council approve the by-law in Attachment 1 containing a City-Wide Community Improvement Plan for the Renovation and Rehabilitation of Commercial and Industrial Properties.
2. City Council authorize the City Solicitor to make any stylistic and technical changes to the draft by-law as may be required before introducing the necessary bill to City Council for enactment.
3. City Council direct the Interim General Manager, Economic Development and Culture, to include the funding request for the expansion of the Commercial Façade Improvement Program as part of the 2022-2031 Capital Budget and Plan submission, for City Council consideration.
4. City Council repeal By-law 1153-2018 once the Community Improvement Plan in Attachment 1 has come into full force and effect.

FINANCIAL IMPACT

Grants to businesses through the Commercial Rehabilitation Grant Program and the Commercial and Industrial Property Improvement Program will be funded by the Government of Canada through its support of the City's Main Street Recovery and Rebuild Initiative, an \$18.000 million, 2.5 year partnership with the Federal Economic Development Agency for Southern Ontario (FedDev Ontario). The Main Street Recovery and Rebuild Initiative includes up to \$6.000 million for the rehabilitation of vacant commercial properties through the Commercial Rehabilitation Grant Program and up to \$1.000 million for CaféTO and patio improvements through the Commercial and Industrial Property Improvement Program. The Main Street Recovery and Rebuild Initiative will be implemented over a 2.5 year period ending in March 2024. If Council decides to continue the Commercial Rehabilitation Grant Program and Commercial and

Industrial Property Improvement Program after this period, a funding source will have to be identified.

The expansion of the Commercial Façade Improvement Program city-wide will result in higher demand for grant funding. Pending adoption of the relevant recommendations of this report, the 2022-2031 Capital Budget and Plan submission for Economic Development and Culture will propose an increase in debt funding for the Commercial Façade Improvement Program from \$0.521 million annually to \$1.021 million annually beginning in 2022, thereby increasing the 10-year capital plan for the Commercial Façade Improvement Program (2022-2031) from \$5.210 million to \$10.210 million.

Economic Development and Culture will include the funding request for the expansion of the Commercial Façade Improvement Program city-wide in the 2022-2031 Capital Budget and Plan submission, subject to capital project prioritization and constraints.

The Chief Financial Officer and Treasurer has been advised of the financial impacts associated with these Programs to be considered along with other priorities in future budget processes.

DECISION HISTORY

At its meetings of September 28, 29 and 30, 2005, Council approved the Commercial Façade Improvement Program guidelines and directed that the necessary documentation and reports be brought forward to initiate a process leading to the designation of Community Improvement Project Areas that coincided with the City's BIAs.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050928/cofa.pdf>

At its meeting of January 31, February 1 and 2, 2006, Council adopted the necessary by-laws to designate 44 BIAs in existence at the time as Community Improvement Project Areas and to adopt the required Commercial Façade Improvement Program related Community Improvement Plans (CIPs).

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060131/cofa.pdf>

At its meeting of April 23 and 24, 2007, Council considered item PG3.1 and adopted by-laws designating six (6) new Community Improvement Project Areas and adopting six (6) CIPs to recognize new BIAs that had been formed and become eligible for the Program since 2006. Council also authorized amendments to certain Commercial Façade Improvement Program CIPs to recognize changes to boundaries of five (5) existing BIAs.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-04-23-cc07-dd.pdf>

At its meeting of July 25, 26 and 27, 2006, Council adopted By-law 1027-2006 which established a Community Improvement Project Area in East Bayfront, West Don Lands, Port Lands, and South of Eastern.

<https://www.toronto.ca/legdocs/bylaws/2006/law1027.pdf>

At its meeting of May 26 and 27, 2008, Council considered item PG15.2 and adopted By-law 516-2008, By-law 517-2008, and By-law 518-2008 which created a Community Improvement Project Area for those portions of the City of Toronto not covered through By-law 1027-2006. In combination, the entirety of the City of Toronto is now designated as a Community Improvement Project Area

<https://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-05-26-cc21-dd.pdf>

At its meeting of April 12, 2010, Council adopted By-law 499-2010 which extended the Commercial Façade Improvement Program to new BIAs.

<https://www.toronto.ca/legdocs/bylaws/2010/law0499.pdf>

At its meeting of July 23, 2018, Council considered item PG31.6 and adopted [By-law 2018-1153](#) containing amendments to the Community Improvement Plan for the Commercial Façade Improvement Program which eliminated the 5-year waiting period for BIA eligibility, expanded the range of eligible improvements to address industrial properties, increased the maximum grant from \$10,000 to \$12,500, and provided additional support to adjoining properties in commercial strip plazas, and incentivized improvements that support AODA objectives.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PG31.6>

At its meeting of November 12, 2020, Economic and Community Development Committee received for information report ED17.7 Support for the Retail Sector, which provided an overview of ongoing initiatives to support the retail sector including a review of the Commercial Façade Improvement Program to consider funding for interior renovations and the option to expand the Program to non-BIA areas.

<https://www.toronto.ca/legdocs/mmis/2020/ec/bgrd/backgroundfile-157922.pdf>

At its meeting of February 2, 2021, Council adopted item EX20.6 CaféTO and CurbTO Pandemic Response Programs which renewed the CaféTO Program for a second year, ending in April, 2022.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX20.6>

COMMENTS

The City of Toronto has offered grants to commercial properties through the Commercial Façade Improvement Program since 2005. Since its enactment, the eligibility and geographic scope of the Program have been amended in response to changing conditions and it currently operates as the Commercial – Industrial Façade and Property Improvement Program under the administration of the Economic Development and Culture Division.

The Program provides matching grants for façade improvements such as brick cleaning and tuck pointing, replacement of doors and windows, repair of architectural features, signage and lighting, and property improvements, such as boulevard landscaping, ground-mounted signage, lighting of parking areas, and fencing.

Currently, the grants cover 50 percent of costs up to \$12,500 per property. Multi-unit strip plazas with adjoining storefronts under single ownership are eligible for an

additional \$2,500 per storefront, up to a maximum grant of \$25,000 per property. Each application must include a minimum of three eligible improvements (for example, brick tuck pointing, windows, and signage). Applications are reviewed by Economic Development and Culture on a "first-come-first-served" basis.

The Program is currently available only within active BIAs. Current funding in Economic Development and Culture's Capital Budget (\$0.521 million annually) allows for approximately 60 approved projects annually.

The proposed Community Improvement Plan, found in Attachment 1, would amend the current Program and focus specifically on commercial building façades (Commercial Façade Improvement Program). Commercial and industrial property and site improvements are proposed to be made eligible through a new Commercial and Industrial Property Improvement Program. In addition, a Commercial Rehabilitation Grant Program will also be introduced which will enable matching grants towards eligible interior improvements.

Table 1: Summary of the Criteria and Grant Specification of the Three Programs (shown in Attachment 2)

	Commercial Façade Improvement Program (CFIP)	Commercial Rehabilitation Grant Program (CRGP)	Commercial and Industrial Property Improvement Program (CIPIP)
Funded Improvements	Façade Improvements	Interior Improvements	Property & Site Improvements Café/Patio Spaces on Private Property CaféTO Installations
Eligibility	Commercial Properties City-wide	Commercial Properties City-wide	Commercial and Industrial Properties City-wide

Community Improvement Project Area

The provision of grants by a municipality to commercial enterprises are permitted through Section 28 of the *Planning Act* within areas designated as a Community Improvement Project Area, if there is a Community Improvement Plan in effect that contemplates the provision of grants for the purpose of community improvement. The entirety of the geographic boundaries of the City of Toronto have been designated as a Community Improvement Project Area. Proposed amendments to the Community Improvement Plan will allow the Program to be offered to commercial and industrial property owners, and business tenants of such properties, city-wide.

Retail Main Streets Study

In 2018, Economic Development and Culture commissioned a study titled the "Current State and Future of Toronto's Retail Main Streets" to gain a better understanding of the issues impacting main streets and to identify practical actions to support independent retailers.

The study findings highlighted the importance of main street independent businesses to the City's economy and quality of life. The study also discussed the obstacles faced in opening a small business on a retail main street. Challenges in accessing financing mean many businesses are funded through personal savings and debt. The complexity of by-laws, legislation and regulation, and a lack of access to specialized skills (HR, legal, engineering, architectural), can cause uncertainty and delays in securing required permits and meeting legislative obligations. Many costs of operating retail and service-based business have increased in recent years, including costs associated with staffing and inventory, higher rents in many districts, rising property tax assessments, and other fees.

The Retail Main Streets study recommended consideration be given to increasing financial support for independent main street businesses including assistance with the cost of professional services; façade improvement grants for main street property owners located outside of BIAs; and grants to property owners and tenants for interior renovations and leasehold improvements.

Pandemic Impacts on Retail Main Streets

The on-going COVID-19 pandemic has had a profound impact on Toronto's retail sector and on the livelihoods of business operators and their employees. Businesses that were reliant on walk-in customers were effectively unable to operate through successive restrictions and lock-downs.

Data from July 2021 for the Retail Main Street case study areas showed that vacancies have risen considerably in the downtown core as the number of visitors, students and office workers has not returned to pre-pandemic levels. Outside of the downtown core, vacancies are more stable but business turnover remains relatively high. There are also concerns that vacancies may rise when Federal wage and subsidy programs end in late October, 2021.

High levels of vacancies, especially if sustained, are a threat to the vitality and viability of retail main streets. The financial incentive Programs proposed in this report would support businesses to upgrade and fill vacant spaces and provide opportunities for increased revenue generation. By helping individual businesses successfully respond in the short-term to changing market conditions through targeted matching grants, the overall vitality and competitiveness of the City's main streets and their surrounding neighbourhoods will experience long-term benefits.

CaféTO Program

The CaféTO Program, which allows for sidewalk and curb lane cafés on City property, represents an innovative approach to re-imagining public space and is a key component

of Toronto's pandemic response. As of August 19, 2021, 1,190 restaurants have been supported by CaféTO, including 151 with both curb lane and sidewalk cafés, 771 with curb lane cafés only, and 268 with sidewalk cafés only. Temporary use by-laws permitting patios on private property have also been of assistance to many businesses.

As hospitality based businesses continue to gradually recover from the impacts of the pandemic, it is anticipated that businesses seeking to provide patio-based service through the pandemic recovery period could benefit from financial assistance to address safety, accessibility, design and material costs associated with the operation of a sidewalk, curb lane or private café space or patio.

Amendments to the Commercial – Industrial Façade and Property Improvement Program

Renaming to the Commercial Façade Improvement Program

The current Program is proposed to be renamed as the *Commercial Façade Improvement Program*, consistent with the original name first introduced in 2005. This Program will focus specifically on commercial façade improvements. Site and property improvements for commercial and industrial buildings will be eligible for matching grants through a newly created "Commercial and Industrial Property Improvement Program" described below.

Improvements to rear building façades

Increasing pressures on limited space within the public right-of-way, from sidewalk cafes, pedestrian clearways, to new cycling infrastructure, have increased the importance of rear laneways as a place for beautification and activation.

The proposed Community Improvement Plan amendments would specify that improvements to any building façade visible to the public are eligible for funding, including those visible from a public street, public laneway, or publicly-accessed private laneway.

Expanding the Façade Program City-Wide

The Retail Main Streets Study drew attention to the need for greater community economic development efforts and investments in areas of Toronto that do not have BIAs. The impacts of the pandemic have disproportionately affected lower-income neighbourhoods, many of which have limited capacity to organize and establish a BIA.

The proposed expansion of this Program city-wide will increase demand for funding, which is why this report recommends City Council direct the Interim General Manager, Economic Development and Culture, as part of the 2022 Capital Budget and 2022 - 2031 Capital Plan, to request an annual \$0.500M increase (from \$0.521M per year to \$1.021M per year) for the Commercial Façade Improvement Program.

The two new Programs being introduced; the Commercial and Industrial Property Improvement Program, and the Commercial Rehabilitation Grant Program, will also be offered city-wide.

Funding for architectural and design fees

The Retail Main Streets Study highlighted the challenges faced in renovating commercial space to accommodate a business, securing permits and meeting requirements. In many instances the services of an architect or engineer can help to expedite the process, ensuring regulatory and legislative requirements are met.

The proposed Community Improvement Plan by-law expands the list of eligible improvements to include costs associated with professional design services of up to \$2,000 per application as part of the \$12,500 base grant.

Eliminating requirement with respect to outstanding taxes

The current terms of the Program state that grant applicants with outstanding taxes due to the City are ineligible to receive a grant. Experience from managing the Program suggests this criteria may have adverse equity impacts and may present a disincentive for businesses and property owners in economically distressed retail areas from taking advantage of the Program.

The proposed Community Improvement Plan would eliminate the provision with respect to unpaid taxes. Provided that existing Program criteria are met and the work has been completed and paid for, and that the applicant has met all other terms and conditions of the Program to the City's satisfaction, the applicant would be reimbursed for up to half of the cost.

Main Street Recovery and Rebuild Initiative

Through a funding agreement with the Federal Economic Development Agency for Southern Ontario (FedDev Ontario), Economic Development and Culture has launched a 3-year Toronto Main Street Recovery and Rebuild Initiative. FedDev Ontario's funding commitment of \$18.000 million includes up to \$6.000 million for interior renovation and rehabilitation of vacant properties through the Commercial Rehabilitation Grant Program and \$1.000 million for the proposed Commercial and Industrial Property Improvement Program in support of CaféTO.

The two new Programs would be offered annually subject to budget availability. Applications are reviewed on a first-come, first served basis until funds are exhausted.

Commercial Rehabilitation Grant Program

The proposed Community Improvement Plan would create a new Commercial Rehabilitation Grant Program with the purpose of funding interior renovations to commercial properties to support new and existing businesses. The Commercial Rehabilitation Grant Program would be available to commercial properties across the City of Toronto.

With the rise in commercial vacancies, diminished revenues, and already high cost of operating a business, the Program would support rehabilitation and renovation of interior spaces including leasehold improvements.

Interior renovations to commercial main street properties can be complex and costly. The Commercial Rehabilitation Grant Program would provide matching grants of up to \$20,000 for a range of improvements including electrical, plumbing, HVAC, structural upgrades, and permanent enhancements to business premises visible to clients or customers. The cost of associated architectural and engineering fees would be covered up to \$2,000 as part of the base grant.

Additional funding would be available for accessibility upgrades, up to \$4,000 per application. Multi-unit properties would be eligible for additional grants of up to \$20,000, or \$4,000 per additional unit.

Commercial and Industrial Property Improvement Program

Enabling certain businesses to access outdoor space to allow for physical distancing, through Programs like CaféTO, has been a key focus of Toronto's pandemic response. The proposed Community Improvement Plan would create a new Commercial and Industrial Property Improvement Program for the purpose of funding property or site upgrades, including patio enhancements on private property, and curb-lane platforms to assist with meeting AODA requirements for cafés in approved locations through the CaféTO Program.

The Commercial and Industrial Property Improvement Program would be available to commercial and industrial properties across the City of Toronto. Commercial businesses and property owners would be eligible for matching grants up to \$5,000.

Additional grant funding of up to \$2,500 per property would be available for improvements to achieve AODA design standards.

Program Administration

Information regarding the administration and implementation of the Commercial – Industrial Façade and Property Improvement Program can be found online at the following webpage: <https://www.toronto.ca/business-economy/business-operation-growth/business-improvement-areas/bia-financial-incentives/commercial-facade-improvement/>

This webpage will be updated upon adoption of the proposed Programs to include the following information:

- status of each Program and whether applications are being accepted;
- staff contact information;
- information regarding payment schedule and evaluation;
- guidance on the minimum number of quotes required as part of the application;
- details around the appropriate use of grants and specified timelines; and
- additional information and resources to assist applicants.

Public Consultation

The proposed amendments to the Commercial Façade Improvement Program and the proposed new financial incentives through the Commercial Rehabilitation Grant

Program and Commercial and Industrial Property Improvement Program were presented to the July 27, 2021 meeting of the Toronto Association of Business Improvement Areas (TABIA) Interdepartmental Committee. The staff of BIAs in attendance expressed support for the proposed Programs and criteria. To support Program implementation, participants suggested scheduling multiple application cycles, developing "how-to-apply" resources for potential applicants and explaining how improvements relate to property insurance. If approved by Council, these suggestions will be used to inform Program design, promotion and operations.

A statutory public meeting will be held concurrently with the consideration of this report, in accordance with the *Planning Act* to consider the recommended Community Improvement Plan.

Consultation with Province

The *Planning Act* requires that the City consult with the provincial government on the proposed amendments to the Community Improvement Plan. City staff communicated the proposed changes to the Ministry of Municipal Affairs and Housing on August 20th, 2021.

Provincial Land-Use Policies: Provincial Policy Statement and Provincial Plans

The Community Improvement Plan which provides for the Commercial Façade Improvement Program has been reviewed for consistency with the Provincial Policy Statement, 2020 (the "PPS") and The Growth Plan for the Greater Golden Horseshoe 2019, as amended the "Growth Plan").

The PPS provides policy direction province-wide on land use planning and development to promote strong communities, a strong economy, and a clean and healthy environment. The PPS includes specific policies that align with the Commercial Façade Improvement Program, including those related to economic development and competitiveness (Section 1.3.1).

The Growth Plan provides a strategic framework for managing growth and environmental protection in the Greater Golden Horseshoe region, of which the City forms an integral part. The Growth Plan contains policies related to economic development and competitiveness that align with the Commercial Façade Improvement Program (Section 2.2.5.1). In addition, the Growth Plan also includes policies regarding the intensification of retail and the achievement of complete communities (Section 2.2.5.15).

Provincial Plans are intended to be read in their entirety and relevant policies are to be applied to each situation. The policies of the Plans represent minimum standards. Council may go beyond these minimum standards to address matters of local importance, unless doing so would conflict with any policies of the Plans.

Toronto Official Plan

The City of Toronto Official Plan contains policies related to Community Improvement as required in order to designate and prepare plans for a Community Improvement Project Area ("CIPA") as envisioned in Section 28 of the Planning Act. The entirety of the City of Toronto has been designated as a CIPA.

Section 5.2.2 of the Official Plan states that "Community Improvement Plans will be prepared to promote the maintenance, rehabilitation, revitalization and/or conservation of selected lands, building and communities facing challenges of transition, deficiency or deterioration or for any other environmental, social or community economic development reason". Community Improvement Plans provide direction on the "allocation of public funds, in the form of grants, loans or other finance instruments, for the physical rehabilitation or improvement of private land and/or buildings including rehabilitation of contaminated properties".

The proposed changes to the Community Improvement Plan support the rehabilitation of buildings for community economic development objectives. Support provided through the Community Improvement Plan will be made in the form of grants to eligible applicants.

CONTACT

David Hessels, Acting Manager, BIA Office, Economic Development and Culture, 416-392-6837, David.Hessels@toronto.ca

David Fitzpatrick, Project Manager, Strategic Initiatives, Policy and Analysis, City Planning, 416-392-9419, David.Fitzpatrick@toronto.ca

SIGNATURE

Cheryl Blackman
Interim General Manager
Economic Development and Culture

Gregg Lintern, MCIP, RPP
Chief Planner and Executive Director
City Planning Division

ATTACHMENTS

Attachment 1: City-Wide Community Improvement Plan for the Renovation and Rehabilitation of Commercial and Industrial Properties
Attachment 2: Summary of Three Financial Incentive Programs