



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	May 2, 2018
SUBJECT/REPORT NO:	Ontario's Main Street Revitalization Initiative (FCS18045) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the Mayor and City Clerk be authorized and directed to sign a Municipal Funding Agreement substantially in the form and content attached as Appendix "A" to Report FCS18045 between the City of Hamilton and the Association of Municipalities of Ontario for the transfer of Main Street Revitalization funds, together with all necessary associated documents, in a form satisfactory to the City Solicitor and with content acceptable to the General Manager of Finance and Corporate Services;
- (b) That the By-law to Authorize the Signing of the Municipal Funding Agreement for the Transfer of Main Street Revitalization funds between the Association of Municipalities of Ontario and the City of Hamilton, attached as Appendix "B" to Report FCS18045, be passed;
- (c) That a certified copy of the approved by-law authorizing the signing of the Municipal Funding Agreement be forwarded to the Association of Municipalities of Ontario upon Council approval;
- (d) That the 2018 Main Street Revitalization funds be allocated to a new dedicated reserve - Main Street Revitalization Reserve (104051);

- (e) That staff of the departments of Planning and Economic Development and Public Works report back to the General Issues Committee with recommendations for the utilization of Main Street Revitalization funds.

EXECUTIVE SUMMARY

On January 23, 2018, the Ontario Government announced an investment of \$26M for the Main Street Revitalization Initiative (MSRI) that has been designed to support capital improvements for energy efficiency, accessibility, aesthetics, and marketability of small businesses within main street areas, and encourage strategic public investments in businesses. This initiative is part of a \$40M outlay over three years in the Main Street Enhancement Fund to help strengthen small businesses in downtown and main street municipal infrastructure within main street areas that will support small areas. Funding has been allocated to municipalities based on population size, using the most recent data from the 2016 Statistics Canada Census of Population. Hamilton has been advised that its initial MSRI allocation will be \$504,574.02.

The Association of Municipalities of Ontario (AMO) has agreed to administer the funding on behalf of the Ministry of Agriculture, Food and Rural Affairs (OMAFRA). Funding will follow a model similar to the Federal Gas Tax Fund (GTF) and as such, there is no application process. Municipal governments will need a by-law authorizing it to sign a Municipal Funding Agreement (MFA) with AMO.

As of April 1, 2018, the funding can be used to support revitalization efforts related to energy efficiency, accessibility, aesthetics and marketability. As identified in the MFA attached as Appendix “A” to Report FCS18045, there will be two program categories:

1. Implementing priority financial incentives under existing Community Improvement Plans (CIP) (includes grants for renovations, retrofits and structural improvements); and / or,
2. Funding for strategic municipal infrastructure improvements that will support main street businesses in CIP or in land use planning policy documents, such as signage, streetscape improvement and marketing plan implementation.

Municipalities can fund projects in one or both categories and have until March 31, 2020 to spend the funds on an eligible project. During this time, municipalities may earn interest on MSRI funds.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Execution of the MFA results in the City becoming eligible to receive \$504,574.02 in MSRI funding. Staff will report back to the General Issues Committee with recommendations for the utilization of the MSRI funding.

Staffing: N/A

Legal: The By-law attached as Appendix “B” to Report FCS18045 authorizing the signing of the MFA, along with a signed copy of the MFA, is required to be submitted to AMO to receive MSRI funds under the MFA.

HISTORICAL BACKGROUND

On January 23, 2018, the Minister of OMAFRA and Small Business announced the Main Street Revitalization Initiative (MSRI) and the government’s approach to the distribution of the \$26M support for Ontario’s main streets and their business communities. All single and lower tier municipal governments (except Toronto) are to receive funding that will enhance and revitalize downtowns and main street areas.

As of April 1, 2018, municipal governments can invest in revitalization activities that will support small businesses through activities undertaken to revitalize main streets. The work can be identified as priority through an existing Community Improvement Plan (CIP) or municipal physical infrastructure priorities identified through other municipal land use planning documents for the municipality’s main street that involves the construction, renewal, renovation or redevelopment, or material enhancement in each of the following categories:

Implementation of priority financial incentives in existing Community Improvement Plans such as:

- a) Commercial building façade improvements;
- b) Preservation and adaptive reuse of heritage and industrial buildings;
- c) Provision of affordable housing;
- d) Space conversion for residential and commercial uses;
- e) Structural improvements to buildings (e.g. Building Code upgrades);
- f) Improvement of community energy efficiency; and
- g) Accessibility enhancements.

Funding of strategic municipal physical infrastructure in CIP or other land use planning documents such as:

- a) Signage – wayfinding / directional and gateway;
- b) Streetscaping and landscape improvements – lighting, banners, murals, street furniture, interpretive elements, public art, urban forestation, accessibility, telecommunications / broadband equipment, parking, active transportation infrastructure (e.g. bike racks / storage, cycling lanes and paths) and pedestrian walkways / trails; and
- c) Marketing plan implementation – business attraction and promotion activities, special events.

Municipalities can identify projects in one or both categories and have until March 31, 2020 to spend the funds on an eligible project. During this time, municipalities may earn interest on MSRI funds.

To receive funding, the City must enter into a Municipal Funding Agreement (MFA) with AMO and enact a municipal bylaw authorizing the execution of such an agreement.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Corporate Services – Legal Services Division has reviewed the MFA attached as Appendix “A” to Report FCS18045 and the related authorizing by-law attached as Appendix “B” to Report FCS18045.

Outlined below are issues and concerns identified by Legal staff in respect of the MFA.

Section 2.3 of the Agreement states: “Any of the Parties may terminate this Agreement on written notice.” The effect of this section is that AMO can terminate the Agreement without notice and without cause or reason (i.e. no need for an event of default to occur). This could have an impact on approved projects or grants or commenced and approved projects which would be financed through the funds provided under the Agreement and which may not have not been spent or advanced to grantees. It would be desirable for this termination provision to be linked to certain circumstances, e.g. default and subject to a notice period and conditions. It is difficult to determine what the intention of this section is and in what circumstances AMO would exercise its power to terminate. Staff of Legal Services advises that if AMO is unwilling to amend the Agreement to address City concerns, any City grant agreements transferring Main Street Revitalization funds would need a similar provision wherein the City could terminate the grant agreement without notice and require the refund of grant payments.

Section 11.4 provides for a repayment of funds in case of default and reserves the right to declare all the funds advanced to the City are debt to Ontario and payable to AMO. This clause provides broad discretion to AMO to declare all funds advanced as repayable, even if the event of default may relate to an inappropriate expenditure of funds of a small amount in respect of one particular project or projects. Legal staff advises that any City grant agreements transferring Main Street Revitalization funds would need a similar provision requiring grantees to repay to the City a payment if the City is required to repay AMO under any circumstances.

Staff is in the process of attempting to communicate its concerns regarding this section of the MFA to AMO but as of the time of the writing of this Report, have not had a response from AMO. The MFA is a standard agreement that is supposed to apply to all municipalities that will receive funding. It is unlikely that AMO will make changes to the MFA to address a particular municipality's concerns.

The City has had a long-standing relationship with AMO in respect of the administration of GTF. The relationship between the City and AMO in respect of GTF has been positive. Council may wish to consider its past relationship with AMO when considering the matters identified above by staff of Legal Services and the recommendations made in this report.

Corporate Services – Risk Management Division has reviewed the MFA attached as Appendix “A” to Report FCS18045.

Planning and Economic Development – Urban Renewal Division has been consulted and supports this report's recommendations.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The MFA, attached as Appendix “A” to Report FCS18045, outlines the terms and conditions the City must adhere to utilize the MSRI funding:

Eligible Costs

- Costs directly and reasonably incurred on or after April 1, 2018 up to and including March 31, 2020 for construction, renewal, or material enhancement activities funded under existing Community Improvement Plan financial incentive programs; and / or,
- Costs directly and reasonably incurred on or after April 1, 2018 up to and including March 31, 2020 for construction, renewal or material enhancement activities funded under the Municipal Physical Infrastructure category, including projects in downtown or main street areas, as defined through an existing Community Improvement Plan or other municipal land use planning policy that will support the success of small businesses in main street areas.

Ineligible Costs

- Costs incurred prior to April 1, 2018 or after March 31, 2020;
- Any costs associated with providing any reports to AMO;
- Any costs associated with lobbying Ontario, including other Ministries, agencies and organizations of the Government of Ontario;
- Costs for infrastructure works in the following categories: highways, short-sea shipping, short-line rail, regional or local airports and brownfield redevelopment;
- Costs of infrastructure works that does not improve energy efficiency, accessibility, aesthetics or marketability of small business within a main street area;
- Costs of infrastructure works outside of main street areas, as defined through an existing Community Improvement Plan or other municipal land use planning policy;
- The cost of leasing of equipment, any overhead costs, including salaries and other employment benefits of any employees, its direct or indirect operating or administrative costs and more specifically, its costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by its staff, except in accordance with eligible costs above;
- Taxes, to which the municipality is eligible for a tax rebate;
- Purchase of land or any interest therein and related costs;
- Routine repair and maintenance costs; and,
- The costs to develop a Community Improvement Plan.

The program is focused on implementation of existing priorities of CIPs or priorities through other existing municipal land use planning policies. Municipalities that do not have a Community Improvement Plan can implement eligible priority projects through the official plan, economic development strategy, downtown revitalization plan or another related plan in support of the municipal main street.

Building on the success of the risk management framework established under the Federal Gas Tax Agreement, municipalities need to report initial upfront anticipated projects for 2018 and then annually on projects until all the funds are spent.

Municipalities will not have to complete audits. Instead the program will use a risk-based approach that recognizes municipalities as a mature and accountable order of government. In this approach, the municipal contact for the Main Street Municipal Funding Agreement will be the Treasurer, no exceptions. In addition, AMO will audit approximately 10% of municipalities annually to provide assurance to Ontario on municipal compliance.

ALTERNATIVES FOR CONSIDERATION

Not Applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy and have a high quality of life.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic city.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – Municipal Funding Agreement between The Association of Municipalities of Ontario and the City of Hamilton

Appendix “B” – A By-law to Authorize the Signing of a Municipal Funding Agreement for the Transfer of Main Street Initiative Funds between the Association of Municipalities of Ontario and the City of Hamilton

JS/dt