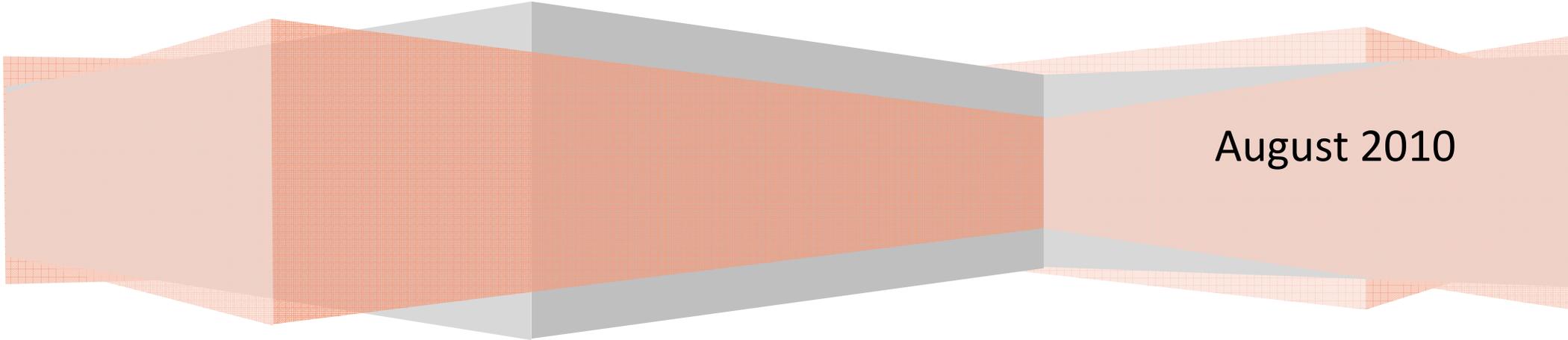


Nuguru Business and Marketing Consultants Inc.

**North Battleford, “The Prairie Power City”
Best Practices in Downtown Redevelopment
Incentives and By Laws**



August 2010

Executive Summary

Redevelopment of a downtown requires vision, buy-in, champions, a downtown association structure and a Municipal Government engaged in the process through effective use of incentives and by laws. This report on downtown redevelopment best practices in taxation, incentives, and by laws focuses on Canadian solutions in smaller cities whenever possible.

Incentives

Incentives must be designed to effectively address the issues of greatest concern and/or to take advantage of existing untapped opportunities. Strong incentive programs are direct, easily understood, well communicated, and with a minimum of bureaucracy. Leading municipalities publish their incentive programs as well as any applicable programming from Provincial and Federal Governments on their websites with concrete examples.

Incentives range from municipality to municipality (based on targets) and include, but are not limited to façade improvement, job creation, adaptive use, environmental incentives, mixed use (residential and live/work), targeted industries, reduced licensing, permit, and infrastructure fees, new investments, and new investments in existing buildings.

Taxation abatement is typically used as an incentive for investment. Programming is based on complete, partial, or declining abatements. Many municipalities offer up to five years of abatements and some offer ten where allowed. Most taxation abatement programs are targeted by geography or industry (usually a larger centre model). On websites, taxation is often bundled with other taxes (including Provincial and Federal taxation systems) and compared to other jurisdictions (many use KPMG comparatives).

By Laws

Comparing by laws across municipalities does not provide a true gauge of effectiveness as communication and enforcement are crucial to success. However, in order to be effective, the by laws must be clear, comprehensive, targeted, and have reasonable punitive processes (time and penalties).

The use of licensing fees and restrictive zoning (second hand stores, pawn shops, gambling outlets, and adult entertainment) are common in downtown redevelopment, particularly in larger metropolitan areas. Typically downtown redevelopment strategies include bylaws with enhanced provisions for maintenance, fire safety, policing, and cleanliness.

1.0 Introduction

The City of North Battleford has contracted Nuguru to complete a report on Best Practices in incentives and by laws focusing on downtown redevelopment. The study examines Best Practices with an emphasis on Canadian communities addressing redevelopment and attraction.

2.0 Methodology

Best Practices were identified in two areas: incentives and by laws. Comparative analysis of Best Practices and their relative success lead to recommendations that are applicable to North Battleford. Solutions in similar demographic and socio-economic environments were of particular interest.

Secondary research including websites and marketing materials were reviewed to assess best practices. Whenever possible, smaller communities, similar in size to North Battleford, were targeted for information. Larger centres with similar downtown challenges were also considered, especially if strategies were scalable.

3.0 Best Practices

The linkage between incentives and by laws is not well established in the Canadian context. The information is not academically produced; it is published by self interested parties (promotion is a necessary component of effective redevelopment and attraction strategies). Available information does not assess implementation and effectiveness is often due to a number of factors. If incentives and by laws are treated as the “platform” for redevelopment and compared on that basis, best practices do emerge.

Incentives

The City of North Battleford's approach to incentives is as follows:

The City of North Battleford may offer incentives for business expansions or new businesses to the area, based on a number of factors. These include: type of business or industry, location of business, number of employees, amount of investment, renovation and development and aesthetic appeal. Each case is considered on an individual basis.

<http://www.cityofnb.ca/business/incentives.html>

Certainty is critical in the attraction of investments. Consider the approach of the Town of Assiniboia:

Commercial Incentive Policy – Town of Assiniboia

Each commercial property may only qualify for one of the incentives.

Purpose:

Stimulate commercial expansion and new commercial development within the Town of Assiniboia.

Increase the long term commercial assessment in Assiniboia.

Job creation.

1. New Business Construction

The Town will provide a five year tax incentive for new business construction. The incentive offered is as follows:

First Year: 100% land and building tax exemption

Second Year: 100% land and building tax exemption

Third to Fifth Year Inclusive: 50% land and building tax exemption

* The first year is the year in which construction of the new business is commenced.

* The business owner must own the land being developed.

* Tax exemption includes both municipal and school portions.

2. New Business Established in an Existing Building

The Town will provide a three year tax incentive for the new business owner. The incentive offered is as follows:

First Year: 50% land and building tax exemption

Second and Third Year: 25% land and building tax exemption

* The business owner must own the land and buildings.

* Tax exemption includes both municipal and school portions.

3. Business Expansion Incentive

The Town will provide a three year tax incentive for new construction, approved by the Town, of an existing business which increases the physical space of the commercial improvements. The incentive includes addition to an existing commercial building or the replacement of an existing commercial building. The incentive offered is as follows:

First to Third Year Inclusive: 50% exemption of incremental increase of improvement assessment resulting from expansion.

The first year is the year following completion of construction?

4. Business Renovation Incentive

Any owner of commercial property may apply for a business renovation incentive.

The Town will provide a rebate to a business completing a minimum of \$5,000.00 in renovations of their commercial improvements. The rebate will be based on the cost of the renovations calculated at a rate of 10% of the costs to a maximum rebate of \$1,000.00. A written explanation and pictures of the renovations must be submitted with copies of paid invoices as application for the renovation rebate.

The rebate will be applied against the municipal tax levy in the year following the completion of the renovations. If the application of the rebate results in a credit on the property tax account, the credit will remain on the tax account of the property and is non-refundable. A business may apply for a business renovation incentive once every five years.

5. Job Creation Incentive

Any new or expanded business may apply for a job creation incentive.

For each new or additional permanent job or full time equivalent, exclusive of management positions created, the Town will provide a credit of \$200.00 per employee per year for three years. The credit will be applied against the municipal tax levy in the fourth year.

Tax credits that are accumulated in the three year period which exceed the fourth year municipal tax levy are not refundable and are not eligible to be carried over to the next year.

A full time equivalent is considered to be 1,800 hours per year.

Conditions for Commercial Incentives

Commercial incentives granted shall be conditional to that business being in active operation.

If at any time the taxes are in arrears on the affected property, all incentives will be withdrawn and full taxes become payable for the project.

Council reserves the right to approve each incentive package individually and customize incentives to any specific project when investment dollars of the commercial improvements exceed \$400,000.00, or when the number of jobs increases by at least 7 full-time equivalents, or when the commercial project creates a minimum of 7 full-time equivalent jobs.

Each commercial property receiving an incentive are required to submit an annual report to Council confirming that the terms of the incentive are being met.

<http://www.assiniboia.net/html/business/ecoincentives.html>

All incentives are clearly laid out and the application process is well documented. The City of Yorkton Enterprise Zone Incentive Program and the Prince Albert Downtown Improvement District also have very specific and well thought out incentive programming including application forms (<http://www.yorkton.ca/dept/econdev/ezip.asp> and <http://www.princealbertdowntown.ca/economicdevelopment.html>).

Leading municipalities publish their incentive programs as well as any applicable programming from Provincial and Federal Governments on their websites with concrete examples. The Regina Regional Economic Development Authority links the Saskatchewan Job Start/Future Skills Program on their main tax incentive page (http://www.rreda.com/doingbusiness/Business_Incentives/).

Incentives range from municipality to municipality (based on targets) and include, but are not limited to façade improvement, job creation, adaptive use, environmental incentives, mixed use (residential and live/work), targeted industries, reduced licensing, permit, and infrastructure fees, new investments, and new investments in existing buildings.

Taxation abatement is typically used as an attraction tool for investment. Programming is based on complete, partial, or declining abatements. Many municipalities offer up to five years of abatements and some offer ten where allowed. Most taxation abatement programs are targeted by geography or industry (usually a larger centre model). On website, taxation is often bundled with other taxes (including Provincial and Federal taxation systems) and compared to other jurisdictions (many use KPMG comparatives).

http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Press-releases/Documents/2010_compalt_execsum_fc_en.pdf

http://www.rreda.com/doingbusiness/Cost_of_Doing_Business/

As previously discussed, a new tax strategy that merges best practices from incubation development and tax abatement programming should be developed to encourage new business and reduction of vacant buildings. The tax abatement program would apply to owners of vacant or non-confirming use buildings if they agree to lease their premises to new business on a percentage of sales basis.

By Laws

The City of North Battleford has five by laws that would impact redevelopment: Licensing, Fire Prevention, Property Maintenance and Nuisance Abatement, Sidewalk Clearing, and Zoning. Like most cities, the by laws are published online (not official copies). The by laws are well written, but enforcement appears to be an issue from merchant interviews and resident surveys. Communication may also be an issue as property owners and citizens may be unaware of their own responsibilities. The by laws do not, for the most part, solely target downtown (with the exception of non conforming use in zoning).

http://www.cityofnb.ca/bylaws/Business_Licensing__1100.pdf

http://www.cityofnb.ca/bylaws/Fire_Prevention__1829.pdf

http://www.cityofnb.ca/bylaws/Property_Maintenance_and_Nuisance_Abatement_1908.pdf

http://www.cityofnb.ca/bylaws/Sidewalk_Clearing_Bylaw_1900.pdf

http://www.cityofnb.ca/bylaws/Zoning_Bylaw_1177_consolidated.pdf

As mentioned in previous reports, in order to provide more power to clean up and demolish decaying buildings in the downtown area, the City of North Battleford could adopt by laws similar to Winnipeg's (http://www.winnipeg.ca/ppd/pdf_files/Vacant-DerelictBldgs.pdf), but human and financial resources to enforce the by law may make adoption unreasonable.

Increasing informational requirements for pawnshops in some jurisdictions has been challenging due to privacy laws, but a recent court case in Alberta has upheld Edmonton's use of the "Business Watch International System" or BWI (<http://www.businesswatch.ca/>). The system allows for better detection of stolen property. It costs an estimated \$1 per

transaction and some municipalities have required its use. Some areas have aggressive license fees for pawnshops and second hand stores in addition to restrictive zoning by laws and implementation of BWI (<http://www.citycaucus.com/2009/07/stewart-bans-massage-parlours-and-other-undesirable-businesses>).

By law redevelopment resources are most accessible in the environment sector due to strong public interest and funding. The University of Victoria has published a “Green By Laws Toolkit” in 2007 that guides municipalities through local environment issues (http://www.greenbylaws.ca/images/greenbylaws_web1207.pdf).

The City of Winnipeg is currently conducting a Neighbourhood Main Streets Zoning Review that will eventually create a Planned Development Overlay (PDO) based on the specific needs of each community. The PDO “provides the means to customize zoning rules” (<http://www.winnipeg.ca/ppd/NhbdZoningReview/default.stm>).

Smaller cities have developed zoning by laws that focus banking (finance), administration, government offices, and professional services in the downtown area.

Conclusion

The City of North Battleford needs to develop and communicate a clear incentive package targeted specifically for downtown revitalization. This package should include applicable incentives programs driven by needs identified in previous merchant interviews and resident surveys as well from recommendations of the working group. This incentive package should be posted online and available in paper form for promotion. North Battleford should develop a tax abatement program connected to rental discounts based on revenue for new business. This abatement program is likely to become a new cornerstone in downtown revitalization projects throughout Canada.

The City of North Battleford by laws are well written. Development of specific by laws applying to downtown development including zoning, licensing, and the creation of a Business improvement District will provide key component of downtown revitalization.

Recommendations

1. Formalize and Publish Incentives

Rationale: Other municipalities are aggressively and passively marketing their incentive programs through websites and targeted marketing. North Battleford needs to clearly communicate the opportunity for downtown redevelopment.

2. Provide Additional Information

Rationale: Inclusion of additional incentive programs from other levels of Government and outside funders provides the reader with a “at a glance” opportunity. Inclusion of examples makes the incentives more concrete.

3. Enforce the By Laws

Rationale: The by laws, although not specifically targeting downtown, are likely not the main issue. Enforcement, and the lack of responsibility of downtown businesses for maintenance and cleanliness, is a greater driver of dissatisfaction.

4. Be Creative

Rationale: The creations of incentives and by laws that target current downtown challenges and are not seen elsewhere provide differentiation in the marketplace.

5. Focus Downtown Business

Rationale: Banking, administration, government offices and professional services should be zoned downtown to create a strong nucleus of service and concentrated working population.

Works Cited

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<http://www.businesswatch.ca/>

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<http://www.yorkton.ca/dept/econdev/ezip.asp>

Green By Laws Toolkit

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