



Staff Report to Council - for Direction

Title: County Participation in Tax Increment Equivalent Funding for Affordable Housing

From: Claire Dodds, Commissioner of Community Development

Date: April 3, 2025

Report Number: CDO-2025-008

Staff Recommendation:

That Council direct staff to engage local municipalities within Bruce County to review and update their Community Improvement Plans, as needed, to enable County participation in a Tax Increment Equivalent Funding program; and

That staff develop a program for the County's participation in Tax Increment Equivalent Funding specifically to support affordable housing for consideration by Council.

Report Summary:

On March 6, 2025, County Council directed staff to report to Council with recommendations that would enable County participation in Tax Increment Equivalent Funding (TIEF) programs for affordable housing that are offered through lower-tier Community Improvement Plans.

A TIEF program is designed to encourage the development and redevelopment of eligible properties by providing financial assistance equal to all or a portion of the property tax increase resulting from new property improvements.

For the County to participate in providing Tax Increment Equivalent Funding, local municipalities must include provisions for upper-tier involvement in their Community Improvement Plan. Several steps would need to be completed for the County to develop a TIEF program, including updates to local Community Improvement Plans as needed, establishing program criteria and eligibility, as well as implementing an administrative framework for monitoring and reporting.

Background/Analysis:

At the March 20th meeting of Council, a resolution was passed asking staff to report back with recommendations that would enable the County to participate in Tax Increment Equivalent Funding programs for affordable housing. This report outlines the steps required for the County to participate in Tax Increment Equivalent Funding programs offered in local Community Improvement Plans.

Tax Increment Equivalent Funding (TIEF) is a financial incentive tool designed to encourage property redevelopment and revitalization. This tool has historically been used by municipalities to encourage the revitalization of underutilized properties, stimulate economic growth, and encourage brownfield redevelopment.

TIEFs are financial incentives that can be provided to offset costs to a developer of creating affordable housing without having a direct impact on the existing tax base. Tax Increment Equivalent Funding (TIEF) uses the increase in municipal taxes collected to finance incentives that are created by improvements or redevelopment of a property. This allows municipalities to provide financial support to a development without having to create a pool of funds levied from the existing tax base.

The increase in property tax that a municipality would normally receive from the redevelopment of a specific property is offset by the municipality providing a grant equivalent to a percentage of property taxes paid. This allows the developer to offset the amount of property taxes they must pay on a redeveloped site. Paying a reduced amount of property tax over a 5-to-10-year period helps make the project more affordable for the developer when they are in the early stages of paying off the cost of the development project.

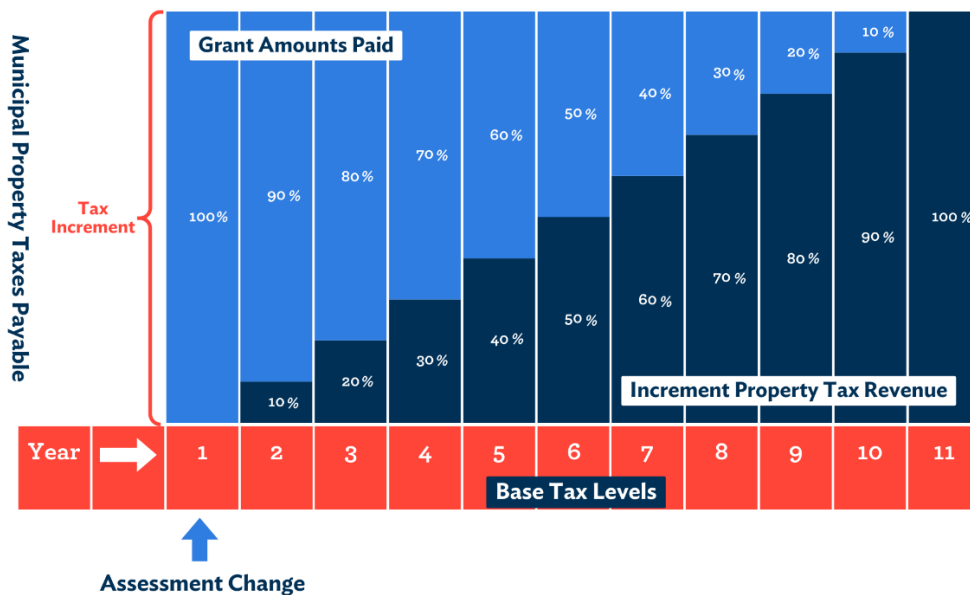
A local municipality can implement a TIEF program to offset the cost of local property taxes, and provided the municipality has enabled the upper-tier level of government to participate in TIEF programs in their Community Improvement Plan, the County could implement a TIEF program to offset the County portion of property taxes.

The following is an example of how a TIEF could be used:

- A vacant property currently pays property taxes of \$1,000 per year based on their current property assessment and tax rate.
- A developer builds a 45-unit apartment building on that property increasing the yearly property taxes to \$51,000. If a TIEF was utilized, the total, or some percentage, of the tax increase (\$50,000) could be granted back to the developer.
- In this example, after 10 years, the TIEF program ends, and the municipality receives the full property tax amount for the property based on the increased assessed value.

The chart below illustrates how the municipality could utilize an incremental grant structure over 10 years to offset the costs of higher property taxes due to the increased assessment value of the property.

TIEF Grant Structure



Tax Increment Equivalent Funding can be structured in many ways:

- TIEF programs in CIPs are frequently structured as annual grants to offset the increased cost of taxes over 5 or 10 years.
- Grants can be structured to be equal contributions, or on a declining percentage.
- Funding may be structured as a grant, such that the grant amount in the first year following redevelopment is equivalent to 100 percent of the tax increase, followed by 90 percent in the second year, declining by 10% per year for a 10-year period.

The developer is responsible for paying taxes on the newly assessed property (higher assessed value) following redevelopment, and the municipality would be responsible for providing an annual grant to offset the payment of taxes at the agreed upon percentage value (e.g. 90% of increase in assessment amount in year 2). The municipal grant helps offset the initial costs of development. At the end of the grant period, the municipality receives the full property tax value associated with the property.

Authority to Establish a TIEF Program:

In Ontario, the authority for municipalities to participate in TIEF incentives is granted using authority established under Community Improvement Plan provisions of the *Planning Act*. An approved Community Improvement Plan will set out the types of incentives a municipality can provide to facilitate the development or redevelopment of properties that align with the municipality's goals.

Historically, Community Improvement Plans were used to encourage downtown revitalization, and commercial/industrial incentives. Some municipalities have extended Community Improvement Plan programs to support agricultural and rural businesses. Increasingly, municipalities are using Community Improvement Plans to impact the affordability of housing.

At this time the *Planning Act* only allows local municipalities and prescribed upper-tier municipalities to have a Community Improvement Plan (CIP). Bruce County is not a prescribed upper-tier municipality and therefore is not permitted to have its own Community Improvement Plan. The provisions in the Planning Act do allow for grants to pass between upper and lower tier municipalities, allowing Bruce County to participate in these programs where local municipalities allow for upper-tier participation. For Bruce County to participate in TIEFs the lower tier municipality must establish Tax Increment Equivalent Funding in their CIP policy and include clear wording to allow Bruce County to participate in the program.

Over the past few years, local municipalities in Bruce County have been updating their Community Improvement Plans to provide access to the redeveloped Spruce the Bruce program. In February 2023, staff brought forward a report ([Development Incentive Policy](#)) to seek Council’s approval to add language in to local Community Improvement Plans to allow the County to participate in TIEFs and other development incentives. County staff have been collaborating with local municipalities to update local Community Improvement Plans to ensure the County is able to participate in local CIP programs.

The chart below outlines the TIEF policies in each of the local CIP and the County’s ability to participate in TIEF programs by Bruce County municipality:

Community	TIEF Program in CIP	Bruce County participant wording included	Details
Arran-Elderslie	Yes	Yes	Up to 100% for ten years, projects must have a 25% tax increase or be valued at \$1,000,000
Brockton	Yes	No	Where projects meet guidelines for building improvement a TIEF may be offered (Commercial specific)
Huron-Kinloss	Yes	No	Buildings must be commercial or mixed-use
Kincardine	Yes	Yes	Up to 100% for five years, projects must have a 25% tax increase or be valued at \$1,000,000
Saugeen Shores	Yes	Yes	Up to 100% for ten years
South Bruce	Yes	Yes	Up to 100% for ten years, projects must have a 25% tax increase or be valued at \$1,000,000
South Bruce Peninsula	Yes	Yes	Up to 100% for ten years, projects must have a 25% tax increase or be valued at \$1,000,000
Northern Bruce Peninsula	Yes	Yes	Up to 100% for ten years, projects must have a 25% tax increase or be valued at \$1,000,000

The CIP policies do not provide process or direction on how to utilize each individual grant, instead municipalities utilize this policy to develop specific, targeted programs. An example of this is Spruce the Bruce, a program that has been enabled using Community Improvement Plans.

At this time no local municipality or the County have created or offered TIEF programs for either non-residential projects or affordable housing. This work was contemplated as a part of the Bruce County Housing Action Plan and is on the workplan to advance in 2025.

TIEF Request from the Municipality of Brockton:

The Municipality of Brockton has forwarded a request to Bruce County Council to ask the County to participate in a Tax Increment Equivalent Fund (TIEF) agreement with WT Lands LP, to support the construction of two 63-unit apartment buildings in the Eastridge Business Park in Walkerton. This correspondence is part of the April 3, 2025 County Council agenda package.

County staff will work with staff at the Municipality of Brockton to review and determine a path forward to consider this request.

Development of a TIEF Program:

A TIEF Program for Affordable Housing would need to outline the following information:

- 1) Legislative and Policy Considerations - Ensuring the County's participation is enabled through local CIPs, and that TIEFs comply with the Municipal Act, 2001 and it aligns with affordable housing goals.
- 2) Eligibility Criteria - Defining the types of projects (e.g. multi-unit residential developments) and level of affordability eligible for TIEF support, ensuring that alignment with the goals of council.
- 3) Funding and Coordination Mechanism - Establishing a structure for County contributions, such as matching the local TIEF incentive or establishing County specific incentive.
- 4) Duration of support - Determine the period for which County funding would be available (i.e. five to ten years). It cannot exceed the timeframe established in the CIP set by the local municipality.
- 5) Financial Implications - Assessing the long-term fiscal impact of County participation in individual TIEF requests and ensuring sustainability within the County's budget

An administrative framework would need to be developed that outlined the process for evaluating applications, approving funding commitments and monitoring project outcomes.

Financial/Staffing/Legal/IT Considerations:

If Council passes a resolution to direct staff to develop a TIEF program for affordable housing, any financial, staffing and legal considerations will be assessed in the development of TIEF program criteria that will come back before Council for consideration.

Interdepartmental Consultation:

Office of the CAO & Corporate Services have been consulted on this report.

Link to Strategic Goals and Objectives:

Community and Partnerships - Enhance and grow partnerships
Community and Partnerships - Build a strong and inclusive community

Link to Departmental Plan Goals and Objectives, if any:

Bruce County Housing Action Plan 2024-2026

Report Author:

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Departmental Approval:

Claire Dodds - Commissioner of Community Development

Approved for Submission:

Christine MacDonald, Chief Administrative Officer

Attachments:

N/A