TOPIC

Should The Province Help Save Ontario's Downtowns?

BMR

Bureau of Municipal Research
Better Government through Research

This Topic in Brief

This Topic analyzes the newly developed Downtown Revitalization Program of the Ministry of Housing. The Program was originated as a response to the need for revitalization expressed by many midsized municipalities (population 25,000 - 100,000). The $30 million Program is designed to assist a municipality which is in the process of primarily commercial redevelopment of its downtown.

The Bureau believes that the Downtown Revitalization Program is a program which is conceptually sound and is workable. It is commendable in that it can, and to a large extent does, co-ordinate available government resources to further its goal.

A number of concerns arose during our analysis, however. The major concerns are: First, the risk to the municipality, particularly smaller ones, can be quite extensive when considering the administrative and financial burden of the Program. Second, the existing retailers must relearn their skills to survive in the new developments. This may cause some hardships. Third, the proposals depend heavily on a commitment of an anchor store which in many ways can direct development. Fourth, the successful implementation of the Program also depends on co-operation between many provincial departments.

We believe that there are several areas of improvement which arise out of our evaluation of the Downtown Revitalization Program. First and foremost, it is unfortunate that a program which can achieve so much for a relatively small investment of public funds should be cut off at a funding level which cannot possibly meet the identified need. The Bureau recommends as a first step that the funds which are recovered go back into the Program and not into general revenue.

Secondly, the Bureau has not seen anything to suggest that the needs of the smallest urban centres can be adequately met by the Program. These municipalities need more administrative assistance, less risk, and an impetus for smaller scale redevelopment than what the Program envisions.

Thirdly, the Bureau believes that while encouraging a strong commercial element in downtowns is a viable means of revitalizing the area, it is not necessarily an appropriate way of revitalizing all downtowns. We recommend that further consideration be given to means of revitalizing downtowns through the encouragement of institutional and residential uses as well as commercial.

Finally, the Bureau believes that the Province should evaluate the impact of a municipal proposal on the entire municipality and not merely satisfy itself that the proposal is financially feasible.

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I INTRODUCTION

The idea of upper levels of government assisting municipalities in revitalizing their downtowns is not a new one. In fact, governments have considered means of introducing new uses into downtowns, of upgrading existing uses, and of removing obsolete or incompatible uses. From 1964 to 1968 the Federal Government provided extensive funding for comprehensive urban renewal in centres across Canada. When urban renewal funds were frozen by the Federal Government in 1968, many municipalities had already undertaken preliminary studies which indicated a need for comprehensive redevelopment; however, unless the municipality had entered into a pre-freeze contractual agreement with the Federal Government, no funding was forthcoming. After the federal freeze was imposed, discussions between the Province and the municipalities made it obvious that the need for assistance for revitalization continued. Meanwhile, by 1973, the Neighbourhood Improvement Program (NIP) and the Residential Rehabilitation Assistance Program (RRAP) were initiated. These federal programs were primarily aimed at residential renewal and only incidentally facilitated commercial redevelopment, the function which the Province identified as being key to downtown revitalization. The Province subsequently hired Barnard Associates and Proctor and Redfern Group to study what urban renewal had achieved, and what kind of provincial assistance was needed now.

The most important findings of the Barnard[1] study were: the vacuum left by the freeze is felt mostly in mid-sized cities (populations of 25,000 - 100,000); the greatest threat to downtowns is peripheral shopping plazas; the hurdle which these cities found insurmountable is in many respects

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1 Ontario. Revitalizing Ontario's Downtowns: Guidelines for a New Program Prepared by Peter Barnard Associates and Proctor & Redfern Ltd., 1975 p.3.17.

a 'cash flow' problem; and, that while a grant program is neither politically expedient nor necessary, a loan program is not entirely suitable because of the debt ratio implications.[1]

Thus, in keeping with a long-standing interest in revitalization, and as a result of the Barnard study, the Community Renewal Branch, Ministry of Housing, developed the Downtown Revitalization Program, a $30 million contingent loan program to respond to the redevelopment needs which are to be defined by individual participating municipalities.

There are two underlying assumptions of the program: firstly, through offical plan preparatory studies, municipalities will discover their need for revitalization by examining such factors as economic health, physical blight, and functional efficiency of the downtown; secondly, if the municipality requests help, it is presumed that the municipality has based the request on needs determined by official plan preparatory studies. As we will see, the provincial safeguard preventing municipalities from jumping on the "revitalization bandwagon" is to require a substantial commitment and show of good faith on the part of the municipality before funding is approved.

In 1976, the Province of Ontario implemented the Downtown Revitalization Program. The stated objectives of this program are:

* To revitalize core areas in smaller and medium-sized Ontario municipalities with a maximum population of 125,000 by providing provincial financial assistance, at favourable terms, where the need for provincial assistance can be justified and where the proposed renewal is in accordance with provincial policies.
* To stabilize or improve property and business tax bases within these downtown areas.
* To make more effective use of existing municipal infrastructure in downtown areas.

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1 When a municipality undertakes a loan requiring repayment in another year, the loan must be approved by the OMB. Approval might be refused at the OMB on the basis of many factors including the past experience of the municipality, the population age structure, the ratio of residential to industrial assessment and the present capital debt. A loan taken by the municipality to assist in revitalization would affect the municipality's ability to raise money for other projects.

* To create a viable role for the downtown.
* To finance specific revitalization proposals in downtown areas which will, in turn, stimulate the implementation of the remainder of the municipality's official plan.
* To replace non-viable commercial, industrial and residential land uses with new investments and to encourage continued maintenance of existing viable enterprises within the downtown area.
* To sustain and/or improve social, cultural and economic facilities and opportunities within downtown areas.[1]

The purpose of this paper is to examine the validity of these objectives and then to evaluate the Program in its ability to meet them. The study was conducted through a review of secondary sources and interviews with developers, planners, municipal officials, and other parties interested in downtown redevelopment.

II VALIDITY OF OBJECTIVES

There is an implicit assumption in the Program that downtowns are worth saving. Many students of the city believe that the survival of the central business district (CBD) means the survival of the city.[2] The downtown is the significant part of the community memory; it is the physical space where the unique and common elements of the community are retained. On the other hand, opponents of downtown revitalization argue that decentralized commercial facilities are more convenient in an automobile-oriented society and that revitalization is an effort to protect a special interest group, namely downtown merchants. Still others believe that advocating downtown preservation is like being for motherhood, and this means that its significance is never really debated.

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1 Ontario Community Renewal Branch, Ministry of Housing, Ontario Downtown Revitalization Program: Administrative Guide (Toronto: 1976) p. 2.

2 R.E. Murphy, The Central Business District (New York: Aldine Press, 1972) p. 169.

It seems, however, that there are characteristics and costs of economically unstable or declining downtowns which can be measured and upon which municipalities can base decisions.

The most significant characteristic of a declining downtown is the effect on the tax base. Traditionally, the downtown has the highest land values, the greatest investment and, therefore, the greatest concentration of assessment. As the downtown declines, the value of the property and of the business declines leading to a decrease in the tax revenue generated. As a land development consultant to the Province explained, the downtown represents a concentration of property tax yield: it represents one to two percent of the urban area, but fifteen to twenty percent of the tax revenue. Therefore, a viable CBD is important to a healthy tax base.

There are a number of other characteristics which are symptomatic of declining downtowns. For instance, there is usually a fall-off in investment in the downtown to support a diversity of services. Similarly, the downtown ceases to be a receiving area for innovative ideas and specialty shops. Less easily measured, though no less important, is the loss of community pride.

As the downtown declines, it is usually accompanied by the decentralization of the commercial function either to other parts of that municipality or to other municipalities. Of course, decentralization is not necessarily a negative occurrence. Many municipalities can and do support both vital downtowns and peripheral or regional shopping centres. Nonetheless, when outlining the costs of declining downtowns, the costs of decentralization should also be considered.

To begin with, the decentralization of major commercial facilities, like the decentralization of any urban function, increases the servicing costs of municipalities. The replacement of obsolete or defective services must be continued in the downtown despite decreases in the amount of business activity which must finance it. At the same time, there may be a demand for new

services for decentralized development, including outlying residential development which may be encouraged. There may be increases in the cost of providing protection services and public transportation. Decentralization of commercial development may also result in a loss of capital already invested in the downtown. Finally, where the public chooses to shop outside the municipality, it will result in a drain of wealth from the community.

This points to the fact that declining downtowns have a negative impact on the health of municipalities; however, can revitalization reverse the impact?

It seems that downtowns can each be affected by a variety of factors in different combinations which lead them through their own unique process of decline. These factors include: declining population; high unemployment; lack of reinvestment in businesses by downtown merchants; development of excess commercial floor space, usually in the form of a peripheral mall; closing of a major department store; lack of parking facilities; and traffic congestion in the downtown.[1]

What many of these factors reflect is a lack of confidence by the municipalities, businessmen and the community in the future of the downtown. Revitalization can deal with precisely this lack. By government and private enterprise making a large investment in a municipality's downtown, they show confidence in the future of that downtown. This show of confidence can and often does lead to renewed interest and further private investment.

The result is that a convincing argument for the preservation of downtowns can be formulated. Declining downtowns are a waste of land and built resources and may result in increased costs, especially the costs of decentralization. Many of the factors leading to declining downtowns are related to a lack of

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1 While congestion is often taken as a sign of life in the downtown, it can also be characteristic of a situation where a municipality's circulation pattern forces traffic through the downtown, but where few cars stop to take advantage of services and goods that are offered there.

confidence in the downtown. A program of revitalization shows that the Province, the municipality and private investors do have confidence in the downtown. Thus, for situations where the Province and the municipalities perceive a need to counter the lack of confidence characteristic of declining downtowns, the Bureau believes that the objectives of the Program are valid.

III ONTARIO DOWNTOWN REVITALIZATION PROGRAM

(a) Program Outline

This $30 million program is designed to assist a municipality which is in the process of primarily commercial redevelopment of its downtown. The Program is flexible, allowing for innovative solutions to problems as they are identified by individual municipalities. It is a program which depends on local initiative and expects local decision-making throughout the process. It is expected to be a full recovery program, with the municipality reimbursing the Treasury for 110%[1] of the contribution made. In the long-run, the redevelopment is intended not only to pay for itself, but also to stabilize the tax base of the municipality and to be a profitable venture for the developers who will also have made a substantial investment.

(i) Pre-application stage. The Program assists municipalities which have made a commitment to the preservation of their downtowns and where there is a private interest willing to undertake a substantial redevelopment. The Province expects that at the preliminary stage of the process, the municipality will have undertaken at its own expense official plan prepatory studies, and have an approved official plan with a downtown policy. As part of the approval process, it is expected that support for the policy will be evident in the community in general and in the business community in particular. Eventually, the municipality will have to have an approved redevelopment area for the downtown

1 Note: 110% recovery does not mean that recovered dollars will equal 110% of buying power of dollars expended. The fact of no interest over a long period, plus the effect of inflation means that recovery in 1978 dollars will be approximately 50%.

under S.22 of The Planning Act, as well as an occupancy standards bylaw and a property maintenance bylaw.

It is expected that a municipality will adopt a redevelopment proposal which features commercial redevelopment by a developer and obligations including infrastructure changes and perhaps land assembly, by the municipality. It is irrelevant whether the municipality approaches a developer, or vice versa, so long as these two interests negotiate a final proposal which is capable of implementation within 5 years. The proposal should be supported by appropriate studies, including market area analysis and should indicate the obligations of each party, the total cost, the costs for which funding is requested and the recovery scheme from developer to municipality and from municipality to the Province.

(ii) Application and approval stage. Once the municipality has a proposal, it submits an application to the Province for funding under the Program for 2/3 of the eligible costs in the form of a self-liquidating debt.[1] The municipality will fund the remaining 1/3.

Eligible costs include the acquisition and clearance of land, the cost of relocating tenants, the acquisition and rehabilitation of an existing anchor building, the installation of a mall, parking access, the provision of services necessary to revitalization and most administration costs of the project.

In reviewing an application, certain factors are given prime importance.

1 When a debt is said to be self-liquidating it means that if the municipality does not recover according to schedule because the project is not successful, there is no need for the municipality to reimburse the Province for its contribution. It means that there is no risk to the municipality in accepting the provincial contribution while at the same time there is no negative impact on the municipality's debt capacity. If the Province were to make a conventional loan, there would always be a risk of non-approval at the OMB because of the municipality's debt position.

Firstly, the Province wants assurances that the municipality has the financial and administrative resources to uphold its obligations under the proposal.

Secondly, the Province wants an indication of public support for downtown revitalization, though a lack of opposition is usually sufficient to fulfill this requirement.

Finally, and most importantly, the Province reviews the financial feasibility of the proposal based on the recovery scheme. Recovery to the Province from the municipality will be made from conservative estimates of the following potential sources of income to the municipality from redevelopment until there has been full recovery.[1]

(a) Any income from the disposal of acquired lands or buildings through their lease or sale will be shared on the basis of 2/3 to the Province, and 1/3 to the municipality.

(b) There will be a sharing of contingent income from rent, between the developer and the municipality with 2/3 of the municipality's share to the Province, 1/3 to remain with the municipality.

(c) Any property tax increment will be shared, 1/3 to the Province, 2/3 to the municipality.

(iii) Implementation stage. Once there is approval-in-principle of the proposal, the Community Renewal Branch, Ministry of Housing, through the provision of planning and administrative technical assistance, can help the municipality in meeting any pre-conditions for final approval. In particular, it is crucial that the proposal be guided through the provincial bureaucracy, so that various required approvals for development such as

1 Tenants of commercial space will pay rent at a rate of the greater of \$X/month or Y% of all sales.

Ministry of the Environment permits and OMB approvals be co-ordinated and expedited. When final approval is given, the terms and conditions of provincial assistance and recovery will be set out in an enabling agreement under S.24 of The Planning Act.[1] This will define the obligations of each of the parties. Similarly, the municipality will enter into an agreement with the developer.

To ensure that these obligations are fulfilled, a municipal-provincial "Project Review Committee" will oversee the implementation of the proposal by the municipality and the developer.

(b) The Program in Practice

To date, two municipalities have received approval from the Ministry of Housing under this Program and three have received approval-in-principle. This represents a financial commitment of close to \$25 million and means that very few additional municipalities will be able to participate.

It is not necessary to evaluate the planning proposals made in each municipality to determine the value of the Program. Also, it is too soon to fairly evaluate the impact of the Program on the participating municipalities. Nonetheless, it seems appropriate to briefly review the situations of the participants in order to provide illustrations of the strengths and weaknesses of the Program.

(i) Sarnia. Sarnia was one of many municipalities which prepared studies in anticipation of receiving funding through the federal urban renewal program. The city maintained its interest in revitalization despite the lack of funding, and in 1971 began to allocate a minimum of \$200,000 per year to land assembly. These lands, now representing an investment of approximately \$25 million are being privately redeveloped. The proposal for funding a four and a half block downtown area, in two private-enterprise initiated schemes was made in the context of this prior downtown commitment.

1 S.24 allows implementation of S.22 redevelopment plans.

The proposal in Sarnia is being funded to the extent of $6.6 million under the Program, of which $4.4 million will be the provincial contribution.

The first phase of the proposal, Kenwick Place, is a mixed use proposal with a predominant residential component. The developer assembled the land which the City has purchased through the $1,150,000 provincial and $550,000 municipal contribution, for lease-back to the developer. Construction has already commenced on this project.

The second phase, which has received approval-in-principle for a $3.25 million provincial contribution, is a four block retail-commercial redevelopment proposal which relies on a major department store as a tenant. The developer had, at the time of the proposal, undertaken some land assembly and had invested a considerable amount in market studies, planning and architectural proposals, and negotiations.

Once into the planning process, both developments ran into difficulty, essentially due to the high cost of downtown redevelopment, and because of the threat of the expansion of a peripheral mall to include a major department store.[1] The developers were losing interest, and the City, already having made a significant investment in the downtown, was concerned about losing it because of limited funds available to retain the interest of the developers in downtown revitalization. The Revitalization Program enabled the City to continue to assist in the redevelopment projects by making money available more quickly than if the City had to be the sole source of funding. It meant the City could continue to assemble land, make infrastructure alterations and continue to meet its obligations outside of the downtown.

1 Market studies showed that the area could support only one major department store which would most likely choose a plaza site over a downtown site. Thus, if the Lambton Mall expansion had received OMB approval, because downtown revitalization was dependent on a commitment from an anchor store, the project as originally conceived would have been unfeasible.

The Program also has important ramifications for the City's ability to meet outside constraints. Before the phase II proposal is given final approval, the Province wants a commitment from a major department store. While there was a possibility of the Lambton Mall being expanded, there was little chance of a department store making such a commitment to the downtown and thus the proposal was in jeopardy. In a recent decision, the OMB heard this argument and turned down the application for a bylaw change to permit the mall expansion. This puts the developer in a good position to secure the needed tenants for the downtown proposal.

The OMB's decision has importance for not only the Sarnia case, but for the whole Program. The arguments presented at the OMB hearing stressed the fact that the revitalization efforts of the City should not be jeopardized by the expansion of the mall to what would be a regional shopping centre. Implicit in the OMB decision was a recognition of both the importance of the Downtown Revitalization Program and the necessity of controlling extensive suburban commercial growth when the growth would be at the expense of a traditional downtown core. Even where the core and shopping centre are in separate municipalities, the decision indicates that the OMB can look across municipal boundaries if commercial zoning activity affects other municipalities.

Although the eventual outcome of the Program cannot be predicted, Sarnia does illustrate the potential of the Program to ensure that opportunities of redevelopment are not lost due to the financial limitations of the municipality. At the same time, the primary threat to revitalization, the expansion of Lambton Mall, indicates that merely providing financial assistance is not enough. The Province must also be able to co-ordinate policy decision-making to ensure that proposals are feasible and can be implemented.

(ii) Cornwall. Cornwall also developed an urban renewal scheme. With the federal funding it received, the City began a land assembly program and moved towards concentrating institutional uses in the downtown area. Once funding was cut off, Cornwall continued to exhibit an interest in the downtown by implementing the recommended traffic pattern. Meanwhile, Department of Regional Economic Expansion (DREE) funds were used to clean up the waterfront adjacent to the downtown and spurred the development of a convention centre.

Around 1975 a developer expressed interest in building a peripheral mall. The downtown businessmen objected to the mall at the OMB, saying that it would have a negative impact on the downtown and that the developer had never investigated the feasibility of a downtown redevelopment scheme in conjunction with the Revitalization Program. The OMB required such an investigation and the developer eventually submitted a proposal not believing that the Province would in fact deliver what he thought would be necessary to make the project feasible.

The proposal, as adopted, is a three phase, $22 million project for a street mall, a major department store and a hotel-convention centre complex. The provincial contribution will be $8.5 million and the municipal investment $4.5 million, part of which includes a sale at a nominal fee to the developer of previously assembled land. The developer, who invested $2 million for land assembly prior to any commitment from the Province, will invest a total of $9-11 million.

The City of Cornwall has realized many benefits from the project. Not only will they have a more vital downtown, but they can expect to generate a considerable amount of tax revenue. Provincial planners estimate that Cornwall, an area now experiencing eleven percent unemployment, will benefit by the creation of short-term construction jobs, 750 permanent jobs in retailing, plus jobs resulting from the spin-off of redevelopment.

The developer[1] feels that he received two major benefits. First, with provincial backing and a guiding hand, the time from concept to ground-breaking was shortened from two years to six months. Second, the developer feels that the essential element of a downtown redevelopment scheme is the anchor store; however, anchor stores prefer to locate in peripheral sites because of parking ratios and superior access. To be attracted to the downtown, both of these elements must be provided in a scheme; the anchor must also be assured of access to a market it wanted to capture in the first place — for example, by placing a commercial zoning order on neighbouring rural municipalities so that the only access to that market is the downtown site. The Province was in the position to provide funding for the first two requirements and to ensure the third.

(iii) Thunder Bay. When the old cities of Port Arthur and Fort William were amalgamated, the official plan retained the CBD's of both. Port Arthur had received urban renewal funds, but Fort William had remained in need of revitalization; however, it was not until the threat of yet another peripheral shopping plaza presented itself, accompanied by the closing of major department stores in the downtown, that the council decided to actively work to preserve the downtown in old Fort William. The council felt that the most important factor of a redevelopment scheme was that it provide confidence in the future of the downtown.

The proposal, which has been approved-in-principle for funding under the Downtown Revitalization Program, involved a politically difficult decision. The City picked the area of the downtown which was economically and physically the healthiest to convert into an indoor mall. It meant that inevitably there would be a negative impact on the businesses in areas which were not within the proposal area and this has, of course, raised some opposition to the proposal. The City is accountable for this decision, however, and the Province has not invaded the jurisdiction of the municipality.

1 Chartwood Developments.

The proposal itself involves a street closing and passing a private bill[1] to allow the municipality to retain ownership of the street allowance. The municipality would then construct a roof over the closed portion of the street, creating a climate-controlled indoor mall with amenities and "kiosk" space to lease. There would be a canopy linkage to the rest of the downtown from the mall.

The provincial contribution to this project will be approximately $4 million, which will go towards the construction of the roof, and towards the upgrading of municipal services in the downtown. To date, on the basis of approval-in-principle for the proposal, approximately $7.6 million has been invested in the downtown by private interests, including the upgrading of a local junior department store. It is expected that the amount of investment will increase to $15 million as a direct result of this proposal.

The program in Thunder Bay is an example of how an upsurge in confidence in the downtown can "seed" a substantial amount of private investment. At the same time, it makes clear that these benefits accrue inevitably at the expense of some businesses and raises the question of who should make the necessary decisions.

(iv) Vanier. Vanier is another municipality which developed a proposal for urban renewal funding too late. The City did not pursue downtown revitalization for a while but felt that without it the only new commercial development they could expect in the downtown would be some strip development, essentially because of the location of Vanier in the middle of Ottawa-Hull. When the Downtown Revitalization Program was announced, the City saw it as an incentive to revive the idea of revitalizing the downtown.

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1 Under The Municipal Act, when a street is closed, the ownership of the street allowance passes to the owners of the abutting properties. A private bill was passed by the Ontario Legislature for Thunder Bay to allow the ownership of the closed street to be retained by the municipality.

Several alternative proposals were developed. The current proposal is a $1.35 million office-retail complex occupying 1.7 acres, with a provincial contribution of $900,000 and a municipal contribution of $450,000. It must fulfill a provincial requirement that there be a commitment from a major tenant before there will be final approval and there is some doubt as to whether this will occur given Vanier's proximity to Ottawa-Hull. The City feels that if money for land acquisition had been available at an earlier date in the process, the City might have acquired the downtown lands at a price reduction of 60-75%, thus permitting the negotiation of more favourable terms for a lease with a major tenant.

In the meantime, there is not widespread support for the project. The public in general fears that the implementation of a revitalization plan will mean property tax increases; the business community has been disinterested. Council, on the other hand, is enthusiastic and feels that the implementation of the proposal will result in increased interest in the CBD and perhaps even in new developments. At present, the City is still in the process of negotiations.

(v) Tillsonburg. The Official Plan for Tillsonburg, approved in 1969, marked the beginning of the municipality's efforts to preserve its downtown. The Official Plan made a strong statement in support of the town centre, and steered subsequent initiatives by downtown businessmen to implement a redevelopment plan which would involve an increase in parking and major commercial redevelopment.

At the same time that these efforts were being made, an outside developer became interested in a peripheral shopping mall site. The Town, fearing the impact of such a development, approached the Minister of Housing to impose a commercial zoning order on the adjacent rural municipalities; however, the Minister did not apply the freeze to the lands in question until after a building permit was issued to the mall's developer [1]. Subsequently, there have been disputes over the developer's right to proceed due to irregularities regarding Ministry of Transportation access permits and Ministry of the Environment approval for waste containment; however, the developer has proceeded.

This situation has threatened the viability of the proposed downtown redevelopment scheme, particularly as an anchor store is now unlikely to locate downtown. The proposal is being revised in light of this. The town clerk believes that redevelopment will occur only because the local developer has a personal commitment to the Town's downtown and because of the advantages to be received under the Revitalization Program. Nonetheless, the Tillsonburg example illustrates how easily the aims of the Program can be frustrated when there is a lack of co-ordination among provincial departments.

IV EVALUATION OF PROGRAM

As we have seen, the Downtown Revitalization Program is based on the widespread need for redevelopment assistance as identified through on-going discussions with municipalities and substantiated in the Barnard study. It is apparent from interviews with planners, developers and municipal officials that all of the interested parties believe that this Program can and does meet the self-identified needs of mid-sized urban centres; and, it does so while getting good value for the tax dollars expended. While this in itself is high praise for a government program, there are several positive aspects which should be described in particular.

To begin, the Province not only intends for this to be a full recovery program, but has developed a recovery scheme which can work, assuming that the redevelopment projects are successful as measured by conservative estimate of their

1 May 14, 1973 - A freeze was applied to Norfolk-Haldimand only, not including lands adjacent to Tillsonburg.
June 4, 1973 - The municipality realized freeze didn't apply to the adjacent lands and a freeze was requested.

revenue-generating capabilities. In other words, wherever the developer is making any profit, the municipality and the Province are ensured of receiving their fair share.

Secondly, the Program anticipates that by making expenditures now to revitalize downtowns, it will save the Province money in the long-run. The Province finds that municipalities with stable downtowns will in the future need less provincial aid in the form of general support, loss of revenue and special assistance grants.

The Program offers municipalities an opportunity to attack the greatest single threat to the viability of downtowns — the peripheral shopping centre. The municipality can take the initiative to "save" the downtown and can do so in a comprehensive manner by enabling municipalities to meet the relatively high cost of downtown redevelopment. In particular, the Program, by encouraging land assembly by the municipality, can offset the obstacles presented to private developers by fragmented ownership of lands to be bought at fair market value and of the need to relocate tenants.

Previously, municipalities without the money to undertake any redevelopment on their own had to rely on the initiative of downtown businessmen to form Business Improvement Areas. While BIA's have been a positive force where local businessmen undertake to ensure that parking, street amenities and other minor physical improvements are made, they are not a vehicle of large-scale redevelopment.

The revitalization of downtowns is also a means of supporting local businesses. While many 'triple A' tenants[1] can be expected and probably should be encouraged to locate in redeveloped downtowns, local businesses will also benefit from revitalization. By strengthening small businesses, the spin-off effects in the community will be greater because the money generated is more likely to remain in the community.

1 Typical 'triple A' tenants are national retail chains.

Finally, the Program encourages and relies upon local government responsibility. The premise on which this Program is based is that downtown revitalization should occur as a result of local initiative in response to needs and solutions identified locally. The Province does not see its role here as intervening in or directing municipal affairs. The Province believes the initiative for major redevelopment should come from municipalities in co-operation with private developers and that municipalities must make the hard, political decisions such redevelopment requires. Once the municipality, with the support of the community, has committed itself to redevelopment, then the Province feels that it can participate to the extent of ensuring that market forces (i.e. high occupancy costs, difficulty with land assembly) do not thwart the efforts of the municipality. This is done by the Province "front-ending" the project through this Program, in conjunction with co-ordinating the activities of numerous departments expediting applications through the approval process; controlling development which may affect the proposal; imposing commercial orders (freezes) on neighbouring municipalities or rejecting the expansion of existing peripheral development.

Thus, this is a program which the Bureau believes is conceptually sound because it integrates the resources of the Province in an effort to meet the goal without imposing provincial decision-making on local municipalities. It is a program which can be considered successful because the participating municipalities perceive that there have been positive results.

There are, however, a number of aspects of the Program as it is implemented, which cause us concern. The first group of concerns centre on the amount of "risk" the Province is expecting the municipality to bear.

The first "risk" focuses on the municipality's ability to meet the administrative burden of this Program. The municipality must initiate, negotiate and co-ordinate the entire project. While there is technical assistance available to the municipality through the Community Renewal Branch, it is questionable as to whether the smaller municipalities, with less sophisticated councils and little technical support staff, could take effective advantage of the Program.

This is particularly significant when one considers that the realities of revitalization have little to do with one big change, especially in smaller downtowns where the scale of redevelopment is unlikely to be extensive.[1] Revitalization usually involves seemingly insignificant bits of change over time. Therefore, while the one major project may in fact be adequately administered, especially with provincial assistance, it does not mean that the municipality will be able to undertake an all-important management scheme for the long-term revitalization of a downtown.

Secondly, the municipality must make a significant investment in the proposal before the Province will consider that a commitment has been made by the municipality and thereby consider the municipality eligible for funding. These expenditures will be made, for example, on official plan preparatory studies, land assembly, and administrative costs. Of most concern is the potential outlay of large sums for the acquisition of downtown realty. While a number of safeguards against over-commitment or useless commitment by the municipality exist (i.e. the need for OMB approval for incurring debenture debts or long-term commitments, market studies, developer's investment), it is nonetheless an area of concern that municipalities (some suffering from economic instability) will have to assume a substantial risk with no assurance of any provincial assistance forthcoming. The potential for this problem to materialize is made clear when one examines the assumption the Province seems to have made about there being private capital just waiting to be invested in these communities. The real problem of smaller urban centres, especially those with populations under 25,000 is that there is no "seed" money around in the first instance. Thus, the "tool" of this Program is inappropriate to the economic realities of the municipalities.

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1 The Province has recently announced a program which may deal with some of these concerns. The Main Street Revitalization Program is aimed at municipalities of 30,000 or less who want to do limited downtown redevelopment. Under the new Program the Province will make up to $150,000 per municipality available to those municipalities with official plans and Business Improvement Areas. The funds can be used for such things as streetscape beautification or parking improvement. The success of the new Program can only be measured at a later date.

There are also several aspects of the Program which do not present risks, but which are areas of concern. For instance, redevelopment presents some problems for downtown retailers, both in and out of the redevelopment area. The present retailers must adjust their marketing techniques for the new proposed market. It is not the aim of the Program to re-educate downtown merchants to adopt new marketing techniques — the initiative for this must come from the merchants; nonetheless, there will be hardships for many merchants who feel they are too old to relearn their business and for marginal operators who will have to survive a hiatus period.

Secondly, most proposals will depend heavily on the commitment to the development of an anchor store. The overwhelming importance of it means that the anchor store in many ways can direct the redevelopment, and lack of commitment can mean no development. Downtown locations are usually not favoured by anchor stores, meaning that without the Program they would be reluctant to move downtown in the first place.

Thirdly, the successful implementation of the Program depends on co-operation among many provincial departments. The possibility of something going astray is enormous. For example, the Minister of Housing was slow in imposing a commercial zoning order in Tillsonburg, resulting in the issuance of a building permit for a peripheral mall. Similarly, there was always the possibility that the OMB might approve the expansion of the Lambton Mall, thus threatening the viability of the Sarnia downtown revitalization proposal.

There is also concern that the Province has done little to ensure that the overall impact of the proposal is positive; that is, there is no evaluation of the impact of the proposal on the rest of the downtown or on the city as a whole. The Province oversees the financial feasibility of the proposal itself. It seems to be the municipality's responsibility to evaluate the proposal in its urban context as part of its official plan considerations. If the municipality is satisfied in this regard, and OMB approval is obtained, the implementers of

the Program are not prepared to impose further provincial review. While this adheres to a principle of not wishing to inhibit local autonomy and initiative, it does give rise to concern. Many municipal councils, especially in smaller municipalities, simply do not have the expertise to determine for themselves what the long-range impact of revitalization will be on the entire community.

Next, the Province tends to assume that just because there is no opposition to a proposal and because downtown business associations support the concept of revitalization, that this is an expression of a collective commitment to the downtown and to downtown revitalization by the entire community.

For some municipalities, there is also the problem that the land acquisition program cannot begin until the funding is made available. By the time the proposal is approved and the money is available, however, one municipality has estimated that the fair market value has risen between 60-75%[1] from the time the municipality began to contemplate participation in the Program.

Another concern is that the Program, with good reason, has been designed to assist commercial redevelopment of the downtown. Once a downtown is deemed worth preserving, the Program does not seriously raise the question of whether the traditional function of that downtown is also worth preserving. Some municipalities may want to preserve downtowns which are no longer necessary or useful as the primary commercial centre due to factors such as existing regional facilities and declining population or incomes. Nonetheless, it could be revitalized to perform an alternate function, for instance as an area of concentrated institutional or residential uses. The Program does not allow for the exploration of these alternative downtown uses, essentially because it is a "recovery" program.

Finally, the Province is presenting essentially the same problem that the municipalities were left with when urban renewal funds were frozen. To date, there is only approximately $5 million left in the Program, enough for two or three further projects at the most. When this is committed, there is no provision for additional funding, yet, there are many Ontario municipalities

1 Vanier

which, according to Barnard, are in need of revitalization assistance. The possibility exists of municipalities undertaking expensive studies, and making financial commitments without any possibility of receiving funding.

The financial limitation of the Program also means that the Province will not be able to capitalize on the growing acceptability of the Program and its aims. It has taken a long time for the development industry to show any interest in the Program or even in downtown revitalization, and to have any confidence in a government undertaking of this sort. Similarly, it has been difficult to convince anchor stores that it is worth investing in downtowns. Now that these parties are just beginning to show interest, the Province is taking away a factor which turns the balance in favour of downtown redevelopment. By ending the Program, it is questionable as to whether anything positive will occur in mid-sized cities.

Despite these criticisms, the Program seems to be working in practice and the people who are involved are positive about the outcome of the Program.

For its part, the Province receives the benefits of forwarding its policy of maintaining vital downtowns in Ontario municipalities. The policy rationale here seems to be that by maintaining vital downtowns, municipalities in general will remain healthy, thus requiring less provincial assistance in the long run. For example, if the downtown declines, the municipality will have less tax revenue to provide a minimum level of services. This means there will be less municipal money for "discretionary" programs such as social services which the Province may have to fill. If the municipality can fulfill its obligations for basic services and have money left over for the other services, it may mean a substantial saving for the Province.

In addition, if the Program is successful, the Province will partially recoup its outlay.

The municipalities benefit because: they have the opportunity to implement a proposal which they want and feel they need and which, because of the risk and the high cost, they might not otherwise have a chance of seeing become a reality. The results of redevelopment have many potential benefits to the municipality: directly, the municipality can expect more revenue to be generated by increased assessment, more business activity, and its share of contingent income as set out in the development agreement. Indirectly, the municipality may benefit from any increases in employment, any redevelopment which was "seeded" by the major proposal, and by an increase in civic pride. In much the same way, the public at large benefits from a more attractive and functional downtown, with greater convenience and range of services.

The developer, whose interest is essentially profit, has several factors which operate as incentives for downtown redevelopment. These include: front-end money, land assembly by the municipality, provincial assistance in a speedy approval process, and assurances of not having to compete unreasonably with other major commercial developments.[1]

Thus, the interests involved all seem to be receiving substantial benefits.

V CONCLUSIONS

The Bureau believes that the Downtown Revitalization Program is a program which is conceptually sound and is working. It is commendable in that it can, and to a large extent does, co-ordinate available government resources to further its goal. And, while we have noted a number of concerns which arise from this basic premise of the Program, we support the position of the Province of not intervening in local decision-making.

Nonetheless, we do believe that there are several areas of improvement which arise out of our evaluation of the Downtown Revitalization Program.

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1 Note: Tillsonburg stands out as being an exception to this.

First and foremost, it is unfortunate that a program which can achieve so much for a relatively small investment of public funds should be cut off at a funding level which cannot possibly meet the identified need. At the same time, the Bureau feels that it is too early in the Program to realistically assess its impact and that, therefore, it is not appropriate to suggest that additional funds be made available immediately. In particular, two aspects of the Program should be addressed before additional funding is made available: the extent to which the "risks" adversely affect potential redevelopment; and the preparation of guidelines to ensure that there will be the necessary co-ordination among provincial departments.

Furthermore, it is recognized that given an atmosphere of fiscal restraint, the limited political visibility of the program and the low priority of down-town revitalization, it is not realistic to expect the Province to commit additional funds at this time.

The Bureau does recommend that the funds which are recovered go back into the Program and not into general revenue. Recovery from present proposals will at best be slow. The time-lag will allow the Province to address potential implementation problems. Having dealt with those problems, the recovered money will ensure the opportunity to implement any resulting changes.

Secondly, the Barnard study found that the greatest need for revitalization was in cities with populations of 25,000 - 100,000, and it is apparent that the Program is aimed at these mid-sized centres.[1]

The Bureau has not seen anything to suggest that the needs of the smallest urban centres can be adequately met by the Program. These municipalities need more administrative assistance, less risk, and an impetus for smaller scale redevelopment than what the Program envisions. If the Province is also concerned with the revitalization needs of the smallest urban centres, the Bureau recommends that a program study be undertaken to better identify their needs and how to meet them.

1 Ontario. Revitalizing Ontario's Downtowns: Guidelines for a New Program. Prepared by Peter Barnard Associates and Proctor & Redfern Ltd., 1975, p.3.1.

Thirdly, the Bureau believes that while encouraging a strong commercial element in downtowns is a viable means of revitalizing the area, it is not necessarily an appropriate way of revitalizing all downtowns. We recommend that further consideration be given to means of revitalizing downtowns through the encour-agement of institutional and residential uses as well as commercial.

Finally, the Bureau believes that the Province should evaluate the impact of a municipal proposal on the entire municipality and not merely satisfy itself that the proposal is financially feasible. The absence of such evaluation leaves open other possible negative impacts on the rest of a municipality such as inappropriate scale of development, or inefficient physical planning which may not be outweighed by the benefits of revitalization.

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