

GROWTH COMMITTEE REPORT

Report Date	March 15, 2019
Meeting Date	March 21, 2019

His Worship Mayor Don Darling and Members of the Growth Committee

SUBJECT: Heritage Grant Program Budget and Policy Adjustments

OPEN OR CLOSED SESSION

This matter is to be discussed in open session.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Emma Sampson</i>	<i>Jacqueline Hamilton / Amy Poffenroth</i>	<i>John Collin</i>

RECOMMENDATION

Staff recommend that the Growth Committee adopt the following resolution for Common Council's consideration:

1. Common Council authorize the transfer of a maximum of \$80,000 from the Growth Reserve Fund to increase the 2019 Heritage Grant Program operating budget;
2. Common Council approve amendments to the Heritage Grant Program Policy as outlined in this report.

EXECUTIVE SUMMARY

The Heritage Grant Program has seen long-term success, particularly in the past year, in assisting property owners with maintenance and character-appropriate upgrades to their designated properties. The value of work linked to these projects, the Program's return on investment, property value increases and building permit fees on projects that may not have been otherwise carried out due to financial constraints, have contributed strongly to growth objectives outlined by the City of Saint John. With the majority of designated properties existing within the Uptown area, it is expected that the demand for financial assistance through the Heritage Grant Program will continue to increase; readily surpassing the \$80,000 initial budget in 2019 as it did in 2018. It is recommended, per the written request of the Heritage Development Board, that the Heritage Grant Program have its budget increased for the remainder of 2019. This report will describe options for the implementation of an increase, along with policy changes to the Program pending increase approval.

PREVIOUS RESOLUTION

On September 10, 2018, Common Council adopted a motion in part transferring a one-time additional \$50,000 from the Growth Reserve Fund for increases to the Heritage Grant Program and Beautification Grant Program for the 2018 operating year.

STRATEGIC ALIGNMENT

Common Council adopted a set of Priorities for 2016-2020. Under “Growth & Prosperity,” goals included the promotion of Saint John as a community to grow the residential tax base. Under “Vibrant, Safe City,” goals included developing neighbourhoods through the modernization of heritage preservation processes and through streetscape beautification.

REPORT

CONTEXT

The Heritage Development Board has requested of the Growth Committee an increase to the 2019 budget for the Heritage Grant Program to a maximum of \$200,000. It is anticipated, based on current application uptake, that the \$80,000 budget initially set will be met and surpassed before the summer: as of the date of this report, \$43,858 has been conditionally allocated (54.8% of the budget) to support \$479,630 in estimated value of work. Further, the Heritage Development Board and staff support lifting aluminum-clad wood windows from the list of ineligible work and materials in the Heritage Grant Program Policy, to be more consistent with the Board’s Heritage Permit approvals. It is anticipated that in making these windows eligible for reimbursement, there will be an increase in grant applications for that specific item and without additional funds, other projects may not be able to receive reimbursement.

BACKGROUND

Heritage Grant Program

The Heritage Grant Program has run on an annual basis for over 25 years. The program primarily incentivizes designated heritage property owners throughout Saint John to maintain or to make improvements to their properties using appropriate materials and techniques. Previously administered through application review by the Heritage Development Board, the administration of the program has shifted fully to staff purview since 2014 for faster service delivery. The operational budget for the program is set annually by Common

Council, with mid-year increases given on occasion as needed and as available at Council's discretion.

Three categories of grants are available to applicants:

Grant	% Reimbursement	\$ Maximum
Maintenance Grant	25%	\$750 annually
Conservation Plan Grant	50%	\$1500, once
Conservation Grant (requires Conservation Plan)	25%/45%	\$7500 annually

Funds are conditionally allocated on a first-come, first-served basis and are open to repeat applicants. If the budget has been fully allocated, new applicants are placed on a wait-list for funds made available through incomplete or withdrawn projects.

Other Grant Programs

There are two additional grant opportunities for façade improvements to complement the Heritage Grant Program. The City's Beautification Grant Program is available for properties in the Central Peninsula that do not have a heritage designation, and UptownSJ's Façade Grant Program applies in tandem to the Heritage Grant Program, for qualifying properties in the Business Improvement Area. Adjacent to those grants available for façade improvements is the Urban Development Incentives Program, which is a three-program package available for development or redevelopment of vacant buildings, lots and upper floors of mixed-use buildings.

ANALYSIS

Heritage Grant Program

In 2018, the Program exceeded its initial annual budget of \$80,000 in conditional approvals by July. With the increased budget in September from the \$50,000 shared with the Beautification Grant Program through the Growth Reserve Fund, the Heritage Grant Program was able to successfully allocate an additional \$21,000 in paid out funds by November 30, the end of the program year, for an end-of-year total of \$101,750, leveraging \$381,000 of work. The 2018 program initially exceeded its \$105,000 budget, leaving \$6,800 on the waitlist pending end-of-year review, however final numbers saw 97% of the budget paid out.

There were 38 applications made for 42 grants, with 34 completed grants paid out. Three applications were withdrawn and six marked as incomplete. Of the completed projects, 20 were higher value Conservation Grants, 11 were lower value Maintenance Grants, and seven were for the acquisition of Conservation Plans.

2018	#	Complete	Withdrawn	Incomplete
Total Grants	42	34 80%	3 7%	6 14%
Maintenance	11	6 55%	2 18%	3 27%
Conservation Plan Grants	7	7 100%	- -	- -
Conservation Grants	24	20 83%	1 4%	3 13%

The increase in reimbursed applications for Conservation Plan Grants is a key indicator for an increase in year-after-year applications for the higher value Conservation Grants. At present, 139 properties (23% of all designated properties) have Conservation Plans on file. Of the eleven grant applications made for the 2019 program to date, four are for Conservation Plan Grants, with the other seven for Conservation Grants. The propensity for property owners to undertake larger and longer-term projects is increased through having a Conservation Plan. This is reflected in the number of Conservation Grant applications, the total money paid out and the estimated value of work attached to these grants.

2018	\$\$ Paid Out	Est. Value of Work	ROI	% of Est. Value
Total Grants	\$101,746.88	\$381,012.13	\$3.75	-
Maintenance	\$4,275.13	\$32,517.39	\$7.61	8.5%
Conservation Plan Grants	\$8,973.75	\$21,000.00	\$2.34	5.5%
Conservation Grants	\$88,498.00	\$327,494.74	\$3.70	86%

As shown above, of the \$381,000 in estimated value of work for 2018, 86% of that was attached to Conservation Grants, for a total of \$327,500. Conservation Grants applications also tend to see a higher rate of successful completion, due to the technical necessity of the projects for building envelope maintenance; projects such as large-scale masonry repairs and siding and sheathing replacement.

Aluminum-Clad Wood Windows

At present, the only windows eligible for reimbursement through either Maintenance or Conservation Grants are wood windows. It is the opinion of staff and of the Heritage Development Board that the majority of products available for replacement wood windows are not of a suitable quality given the expense and the ocean climate, often with an underperforming lifespan. As such, it has been the practice in recent years of the Board to approve applications for the use of aluminum-clad wood products from a selection of vetted manufacturers and models, a list currently up to five different manufacturers.

The Board would like to be able to bring the Heritage Grant Policy in line with its current trend of approvals to support the following considerations:

- Windows are often one of the most expensive upgrades to a property;

- Property owners have expressed an unwillingness and/or an inability to undertake window replacements without financial support;
- Window upgrades have one of the largest impacts on the energy efficiency of a building, making funds available for other improvements;
- The Beautification Grant Program, which covers all non-heritage properties in the Central Peninsula, currently provides reimbursement for aluminum-clad windows.

The reimbursement proposed will follow the same grant structure – a percentage reimbursement up to a maximum dollar value, but will see a reduced percentage. This is currently proposed at 20% to a maximum pay-out of \$7,500. This would require a property owner to spend \$37,500 before tax on their windows to receive the maximum pay-out.

Based on the 11 permits issued for aluminum-clad windows in 2018, had each application spent \$37,500 or more, heritage grant expenditure would have been \$82,500, leveraging a value of work of \$412,500. The return on investment for this grant would be 5:1, with approximately \$5,200 in attached building permit fees. This is a higher return than is typically seen through the program, which last year had an ROI of 3.75:1. Wood window repairs and replacements will remain incentivized; the repair of existing wood windows would retain a 45% reimbursement and the replacement/installation of wood windows would see a 35% reimbursement.

Based on the extrapolated City expenditure from 2018 projects, staff would recommend that this item only be implemented with the approval of a maximum of \$80,000 increase to the 2019 Heritage Grant Budget as a one-year test program. Staff would also propose that this item be made available to all heritage property owners, not just those with conservation plans, to provide access and opportunity for those buildings that would benefit most strongly.

IMPROVEMENTS TO THE PROGRAM

Proposed amendments to the Heritage Grant Program Policy are dependent on an increased budget, but would include:

1. Eligibility for reimbursement of Board-approved aluminum-clad wood windows, with 2019 as a pilot year.
2. One-time retroactive grant upgrades for applicants who obtain a Conservation Plan in the current grant year and who received a Maintenance Grant for eligible work in the previous grant year, pending end-of-year available funds.
3. Clarity around eligibility for condominium strata.

CONCLUSION

A key factor in the on-going success of the Heritage Conservation Program is the continued availability of the Heritage Grant Program and its ability to address key issues related to the health of the properties it benefits. The shift in attitudes toward conservation as demonstrated by the actions of the Heritage Development Board should be represented accordingly in the items the City is willing to incentivize, but should come in addition to, not in place of the current success of the Heritage Grant Program. This will only be possible through an increase in the annual operating budget for the program. Providing more options and opportunities for property owners will encourage growth on a broader scale, helping to further the trend of revitalization of the Central Peninsula and beyond.

ATTACHMENTS

Attachment 1 – Proposed Heritage Grant Program Policy 2019

Attachment 2 – Heritage Grant Program Budgets and Dispersals, 2014-2018