

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: Urban Development Incentive Grant and Beautification Grant Pilot Program Evaluation

OPEN OR CLOSED SESSION

This matter is to be discussed in open session.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
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RECOMMENDATION

1. That Growth Committee receive and file the Urban Development Incentive and Urban Beautification Pilot Program Evaluation (2016-2018) presentation;
2. That Growth Committee adopt the amended Beautification Grant policy and recommend for approval to Common Council;
3. That Growth Committee authorize staff to proceed with amendments to the Urban Development Incentive Program for Common Council's consideration as outlined in this report.

EXECUTIVE SUMMARY

The Urban Development Incentive and Urban Beautification Pilot programs have stimulated reinvestment in the Central Peninsula (Uptown, South End, and Waterloo Village) since their implementation in 2016.

The Urban Development Incentive program focused on development of upper floors, vacant buildings, and vacant lots, while increasing tax base assessments and increasing residential density in otherwise underused spaces. A projected 71 new residential units will be created through the program. Awarded Development Incentive Grants constituted \$654,865 for 11 projects, resulting in an estimated \$7.3 million in private investment in the Central Peninsula. The program also resulted in spin-off benefits, which although harder to quantify, should also be highlighted. These included new business, cost reduction to the City lowered by reducing the number of vacant buildings monitored, and catalyzing interest and investment in the Central Peninsula.

The Urban Beautification program provided residents an incentive for the purpose of improving the appearance of the front of their properties and increasing the attractiveness of streetscapes. Awarded Beautification Grants constituted \$95,781 for 41 projects resulting in an estimated \$551,636 in private investment in the Central Peninsula.

PREVIOUS RESOLUTION

In late 2014, Council directed staff to pursue the development of an incentive program that offered a suite of options designed to increase private sector investment in residential development in the urban core area of the City.

On June 22, 2015, Council endorsed a recommendation for staff to research and develop an incentive program as a pilot project for the South End, Uptown, and Waterloo village neighbourhoods of the City, in addition to conducting an engagement process to solicit input from stakeholders and local developers.

On March 21, 2016, Council adopted the Urban Development Incentive Policy, a three year pilot which contained a suite of grants including: vacant buildings, infill, and upper floors residential grants, in addition to a beautification grant program for the Central Peninsula.

STRATEGIC ALIGNMENT

Common Council adopted a set of Priorities for 2016-2020. Under “Growth & Prosperity,” goals included driving development in accordance with PlanSJ that creates density required for efficient infrastructure and services. Under “Vibrant, Safe City,” goals included developing neighbourhoods through streetscape beautification.

REPORT

The Central Peninsula was selected as the pilot area for the Urban Development Incentive and Beautification Grant Programs. It was recognized that reinvestment in underutilized spaces in the City’s urban core would create the largest impact and generate the highest return on investment over other areas. This direction was anticipated through the adoption of the Municipal Plan, when Council directed the uptown area be given consideration for a package of incentives. The overarching growth goals of the Municipal Plan focus almost half of future growth in urban neighbourhood intensification areas, of which the Central Peninsula comprises a large share. Since the launch of the Central

Peninsula Neighbourhood planning process in 2016, the focus has continued to remain on the City's urban core.

BACKGROUND

Urban Development Incentives Program

The Urban Development Incentives Pilot Program was a policy operative between January 1st, 2016 and September 1st, 2018. It is now required to be renewed should new applications be accepted. The policy outlined three types of projects to help stimulate reinvestment in vacant buildings, vacant lots and vacant upper floors of mixed-use buildings. Each type of project was comprised of two main grant streams:

- (1) 5 year residential density grant of between 4.25% and 5.25% of construction costs up to a fixed amount of \$150,000; and,
- (2) Construction challenge/building permit grants paid upon completion of the project up to \$60,000.

The first stream is funded through a reserve where the incremental tax revenue from the properties will be allocated until the grant for the property is paid.

The program received an annual budget of \$170,000 intended to cover the first-come, first-serve costs of the second grant stream. This annual budget should continue to be approved along with the policy.

Urban Beautification Grant Program

The Beautification Grant program was adopted as policy on March 21, 2016 and continues to be in effect. The program primarily incentivized property owners living on the peninsula to improve the facades and landscaping of their front yards to create an enhanced streetscape and public realm. A committee met monthly to award grants based on design criteria of materials and appearance. An approved grant provided 35% of the cost of eligible work up to a maximum of \$4,000, or \$6,000 on a corner lot.

The program received an annual budget of \$50,000 intended to cover the first-come, first-serve costs. This annual program budget is included in the City's 2019 operating budget. Because of the nature of the program, which consists of smaller scale, less costly renovations, no additional budget has been requested for 2019; the current envelope is sufficient.

Other Grant Programs

There are additional grant opportunities for heritage and façade improvements that complemented the two Programs referenced in this report within the Central Peninsula. The City's Heritage Grant Program applies exclusively to Heritage Conservation Areas and offsets the higher cost of maintaining heritage properties while UptownSJ's Façade Grant Program applies to the Business

Improvement Area. These two grants offer complementary support towards façade upgrades across the central peninsula and it is recognized that heritage properties require unique treatment.

ANALYSIS OF PROGRAMS

Urban Development Incentives Grant Program

The Program exceeded the status quo targets for number of new residential units with a total of 71 projected new units, the majority being made up of apartment/condominium units. There were 11 projects in all, with 6 now completed and the remaining 5 anticipated to be completed by the end of 2019. Vacant and upper floor projects made up the majority of incentive grants as outlined in the table below, with only one infill project.

	Vacant Building	Upper Floors	Infill	Total
Number of Projects	7	3	1	11
Number of Projects Completed	2	3	1	6
Number of Units Created	32	36	3	71
Non-Market Housing Units	2	0	0	2
Estimated Construction Cost	\$4,510,672	\$2,340,300	\$450,000	\$7,300,723
Value of Grants for All Projects	\$399,994	\$226,428	\$28,433	\$654,865
Completed Projects New Annual Tax Revenue (estimated)	\$11,000	\$22,025	\$15,200	\$48,255

The overarching goal of the program was to create new residential units and stimulate private reinvestment. In addition to generating new tax revenue and increasing core neighbourhood density, the Program has created other benefits such as adding six floors of renovated commercial space.

The Program helped promote the City's built heritage, as evidenced by the fact that 4 out of 11 projects were located within a Heritage Conservation Area. The Program also succeeded in redeveloping properties challenged by vacancy. Finally, the Program succeeded in creating spin-off benefits and "buzz" around investment in the Central Peninsula. The Program helped to generate interest for investors.

Principles of the Incentive Program
Further promote built heritage
Increase core neighbourhood density
Promote broader housing opportunities
Support mixed-use neighbourhoods
Support green building design
Revitalize waterfront lands

At the time of the Program's initiation, Council set out the above principles. In evaluating program performance, it is notable that fewer projects contributed to three areas: further supporting green building design, revitalizing waterfront lands, and providing further assistance to non-market housing (Mixed-use neighbourhoods). Although there was only one project funded during the pilot that contributed to non-market housing to the Peninsula, future projects are anticipated for 2019.

In terms of financial performance, for the projects that have been completed to date, the payback period ranges between two and four years. The payback calculation was performed by comparing the grant amount to be paid compared to the estimated increase in property tax revenue generated. In addition to new tax revenue to date of approximately \$48,255, projects contributed \$59,246 in building permit revenue (an amount that should increase with successive phases of a number of projects) and new annual water and sewer revenue of approximately \$97,128.

Beautification Program

The beautification program was intended primarily for homeowners and landlords to create positive change in their neighbourhoods by improvements to facades and front yards of their properties. Overall, the program stimulated improvements to 41 properties, leveraging \$551,636 in investment, which represented \$95,781 in grants. Improvements were varied and included exterior painting, replacement of windows, doors, repair to entryways, repointing brick, and landscaping front yards. Looking forward, staff will be focusing on maintaining strong communication of the program and improving administrative functions to reduce residuals from the annually budgeted \$50,000. In 2019, Growth and Community Development staff will endeavor to greater align its Minimum Standards Program with the Beautification Grant. With the high proportion of older homes on the Central Peninsula that fall outside of a Heritage Conservation Area and do not have access to funding, the Program is an important means to improve housing stock and investor confidence.

IMPROVEMENTS TO THE PROGRAMS

Amendments to the Urban Beautification Policy have been attached to this report (Attachment 3) and comprise the following:

1. Greater aligning of the eligibility boundary with the Central Peninsula Neighbourhood Plan (i.e. including City Road area). Should Council/Growth Committee seek to enlarge the budget envelope of the program to provide funding for an additional study area, staff propose returning back with a report to identify the secondary eligibility boundary area (e.g. Old North End). The Central Peninsula boundary is considered the primary area and extending the eligibility boundary to the Neighbourhood Plan area (minus transportation corridors), will assist with the Plan's implementation;
2. Introducing eligibility of exterior painting for side yard facades where there is a gap in the urban fabric;
3. Simplifying scoring system of projects, introducing administrative improvements, and better coordinating program with Heritage Conservation Grants (e.g. deadline for all work and receipts is now the same as Heritage, November 30th of each year).

Amendments to the Urban Development Incentives Program will be more extensive and staff plan to go to Council with a new policy subsequent to receiving feedback and endorsement from Growth Committee. Staff also plan on consulting partners such as DevelopSJ before finalizing policy amendments. Improvements will largely occur with respect to the following:

1. Calculation of grant amount will be based on a different formula than the current program, which ensures that the amount paid out will not be higher than the incremental revenue received from property tax revenue;
2. Calculation will be performed each year of payout, removing the predetermined schedule of payments;
3. Calculation will attribute more value to commercial than to residential;
4. Remove the \$150,000 cap to allow for larger projects to participate in the Program;
5. Lessen the administrative burden of the program;
6. Equalize payments for market and non-market housing projects.
7. Simplify the policy framework so that it is easier for investors to interpret and make decisions based upon.

CONCLUSION

Continuing to support the Central Peninsula neighbourhoods through the Urban Beautification Program will continue to improve streetscapes and the public realm. Since the Urban Development Incentive Program was created there have

been a number of new policies and programs introduced. At the Municipal level, the City undertook the creation of the Central Peninsula Neighbourhood Plan, which is to be adopted in 2019. The principles of the Urban Development Incentive Program are much in line with the plan with respect to promoting heritage, increasing density in the core, revitalizing waterfront lands, and helping to create mixed-use neighbourhoods. Continuing to encourage development in the form of targeting underused spaces and aligning the Program with the goals of the Central Peninsula Neighbourhood Plan will be a key ingredient in the ongoing revitalization of the city's urban core.

ATTACHMENTS

Attachment 1 – Map of Grant Program Recipients 2016-2018

Attachment 2 – Urban Development Incentive and Urban Beautification Pilot Program Evaluation (2016-2018)

Attachment 3 – Beautification Grant Program Policy