

COUNCIL REPORT

M&C No.	2019-97
Report Date	April 16, 2019
Meeting Date	April 23, 2019
Service Area	Growth and Community Development Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Heritage Grant Program Budget and Policy Amendments

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Growth Committee</i>		

RECOMMENDATION

At its meeting on March 21, 2019, the Growth Committee adopted 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.

Improvements to the heritage grant program are recommended to allow for more flexibility in heritage projects, enabling more modern materials for windows to be eligible for reimbursement under the Heritage Grant program.

These improvements will significantly increase demand for the program and aligned with the City's growth efforts, will reduce barriers for developers and property owners in the City's Heritage Districts. In order to stimulate additional investment, while maintaining the "first come first serve" system of allocating the grants, a funding increase is recommended from the City's Growth reserve. This approach of allocating grants is customer-focused and provides development clients added flexibility to pursue investment projects. The City's Growth reserve provides strategic funding to reinforce the success on this program and drive initiatives that support the City's growth outcomes.

The Growth Committee reviewed the recommendation from staff at its March 21, 2019 meeting, and is recommending that the Heritage Grant Program budget be increased for the remainder of 2019 based on an allocation of \$80,000 from the City's Growth reserve.

PREVIOUS RESOLUTION

On November 5, 2018, Common Council adopted a motion that the submitted report, *Heritage Grant Budget 2019*, be referred to the Growth Committee.

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

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, \$35,137 has been conditionally allocated (43.9% of the budget) to support \$430,215 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 nine grant applications made for the 2019 program to date, three are for Conservation Plan Grants, with the other six 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 the \$60,000 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 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

Improvements to the heritage grant program are recommended to allow for more flexibility in heritage projects, enabling more modern materials for windows to be eligible for reimbursement under the Heritage Grants program. These improvements will significantly increase demand for the program and aligned with the City's growth efforts, will reduce barriers for developers and property owners in the City's Heritage Districts. 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.

In order to stimulate additional investment, while maintaining the "first come first serve" system of allocating the grants, a funding increase is recommended from the City's Growth reserve. This approach of allocating grants is customer-focused and provides development clients added flexibility to pursue investment projects. The City's Growth reserve provides strategic funding to reinforce the success on this program and drive initiatives that support the City's growth outcomes.

SERVICE AND FINANCIAL OUTCOMES

Common Council, through adoption of the General Fund operating budget, has already allocated \$80,000 to the Heritage Grant Program for 2019. The request outlined in this report, if approved, would see the Heritage Grant funding for 2019 increased to a total of \$160,000, with the additional funds coming from the

Growth Reserve Fund. The City's Growth Committee has received an update on Growth reserve funding; the reserve has available funds to support this request along with other priorities to support the City's growth outcomes.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

The Heritage Development Board supports an increase to the Heritage Grant Program, as outlined in their report to Common Council on November 5, 2018.

ATTACHMENTS

1. October 3, 2018 report to Common Council from the Heritage Development Board
2. Proposed Heritage Grant Program Policy
3. Heritage Grant Program Budgets and Dispersals, 2014-2018