

COUNCIL REPORT

M&C No.	2019-84
Report Date	April 19, 2019
Meeting Date	April 23, 2019
Service Area	Growth and Community Development Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Evaluation of Urban Development Incentives and Urban Beautification Grant Policies

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>Andy Reid/Jodie Forgie</i>	<i>Jacqueline Hamilton</i>	<i>John Collin</i>

RECOMMENDATION

1. That Common Council receive and file the evaluation of the 2016-2018 Urban Development Incentives and Beautification Three Year Pilot Programs.
2. That Common Council adopt amendments to the Urban Beautification Grant Policy as attached to this report.
3. That Common Council adopt amendments to the Urban Development Incentive Grant Policy as attached to this report.

EXECUTIVE SUMMARY

The Urban Development Incentive and Urban Beautification Pilot Programs have stimulated private reinvestment and catalyzed interest in the Central Peninsula (Uptown, South End, and Waterloo Village) since their implementation in 2016. The Urban Development Incentive Program focused on the development of underutilized spaces for projects that may have not otherwise occurred, with specific emphasis on vacant lots, upper floors, and vacant buildings. The purpose of the Urban Development Incentive Program was to increase tax base and residential units. In addition to fulfilling these goals, the Program resulted in spin-off benefits, which included new business, cost reduction to the City lowered by reducing the number of vacant buildings monitored, and creating buzz around development. 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. For many projects,

this resulted in impactful and dramatic improvements to building facades outside of heritage areas throughout the South End and Waterloo Village. Staff undertook an evaluation of the two policies and presented the results to the Growth Committee in March. It is staff's recommendation to continue providing incentives on an annual basis to the area defined as the Central Peninsula. The area remains important to the City's growth strategy in terms of encouraging new housing stock and revitalizing underutilized spaces, while representing the highest return on investment. Improvements to the programs will provide the opportunity to enable larger projects while reducing financial risk to the City and assist with the implementation of the goals and objectives of the future neighbourhood plan.

PREVIOUS RESOLUTION

On March 21, 2019 the Growth Committee:

1. Recommended that Common Council adopt the amended Urban Beautification Grant policy and authorized staff to proceed with amendments to the Urban Development Incentive Program for Common Council's consideration.
2. Received and filed the Urban Development Incentive and Urban Beautification Pilot Program Evaluation (2016-2018) presentation;

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 include driving development in accordance with PlanSJ that creates density required for efficient infrastructure and services. Under "Vibrant, Safe City," goals include developing neighbourhoods through streetscape beautification.

REPORT

The Central Peninsula was selected as the pilot area for the Urban Development Incentive and Beautification Grant Programs. Staff 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: vacant buildings, vacant lots and vacant upper floors of mixed-use buildings. Each type of project was comprised of two main grant streams:

- (1) A 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) Two "Top Up Grants" – Construction challenge grants and building permit grants paid upon completion of the project up to \$60,000.

The program received an annual budget of \$170,000 intended to cover the cost of construction challenge grants and building permits grants.

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 in comparison to many heritage properties, no additional budget has been requested for 2019.

Other Grant Programs

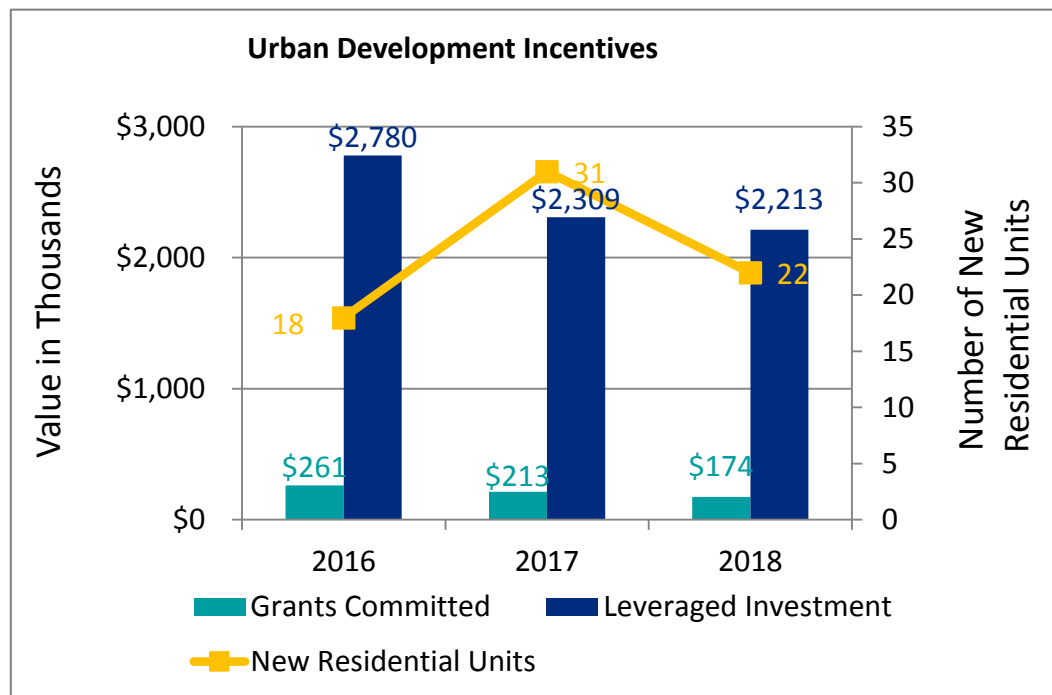
There are additional grant opportunities for heritage and façade improvements that complemented the two Programs referenced in this report within the Central Peninsula. The City's Heritage Grant Program applies exclusively to Heritage Conservation Areas and offsets the higher cost of maintaining heritage 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, each with their unique considerations.

ANALYSIS OF PROGRAMS

Urban Development Incentives Grant Program

As summarized in the table below, the Program has averaged between 18 and 31 new units per year and will have helped create an estimated total of 71 new residential units from 2016 to 2018. The majority of these units are made up of apartment/condominium units. The outcomes are significant in terms of leveraged investment versus grants committed.



From 2016 to 2018, there were 11 projects in all, with 6 now completed and 4 of the remaining 5 anticipated to be completed by the end of 2019. Vacant buildings and upper floor projects made up the majority of incentive grants.

2016-2018	#	Complete		Incomplete		# of New Units
Total Grants	11	6	54%	5	46%	71
Vacant Building Grants	5	1	20%	4	80%	28
Upper Floor Grants	5	4	80%	1	20%	40
Infill Grants	1	1	100%	0	0%	3

As shown below, the program will leverage an estimated \$7.3 million of private reinvestment, with \$654, 865 in grants to be paid out by the time all projects are

completed. The six completed projects represent estimated new annual tax revenue of \$55,695.

2016-2018	\$\$ Paid Out	Est. Value of Work	Est. New Annual Tax Revenue (Completed only)
Total Grants	\$654,865	\$7,300,723	\$55,695
Vacant Building Grants	\$285,725	\$3,366,461	\$7,470
Upper Floor Grants	\$340,697	\$3,484,511	\$33,025
Infill Grants	\$28,443	\$450,000	\$15,200

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 and generating interest for investors.

In terms of financial performance, for the projects that have been completed to date, the payback period generally 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 annual tax revenue to date of approximately \$55,695, projects contributed \$59,246 in building permit revenue (an amount that should increase with successive phases of a number of projects). New annual water and sewer revenue by the time of the completion of all projects is estimated to be 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.

2016-2018	Number of Grants	\$\$ Paid Out	Est. Value of Work
Total Grants	41	\$95,781	\$551,636

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 enforcement programs 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 alignment of the eligibility boundary with the Central Peninsula Neighbourhood Plan (i.e. including City Road area). . 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 have been attached to this report (Attachment 4) and comprise the following. These changes were based on a combination of administrative and budgeting improvements identified by staff as well as customer feedback garnered over the three year pilot related to making the payment process more efficient:

1. Calculation of grant amount is estimated as per the base grant formula, which frees the City from commitment to a 5 year payment schedule and ensures that the amount paid out will not be higher than the incremental revenue received to the Reserve Fund;
2. Calculation of grant amount will attribute more value to commercial then to residential;
3. Removing the \$150,000 cap to allow for larger projects to participate in the Program;
4. Providing equal grant payments for market and non-market housing projects;
5. Simplifying the policy framework and application requirements so that it is easier for investors to understand and make decisions and it is more efficient for the City to administer.

The policies attached to this report provide an updated version of the documents, without all the track changes that occurred to the document. Staff have assembled a more detailed breakdown of all changes to the policies in Attachment 5.

CONCLUSION

Continuing to encourage development of underutilized spaces will be a key ingredient in the ongoing revitalization of the city's urban core. The amendments attached to this report are anticipated to create greater financial sustainability for the Urban Development Incentive Program and will enable Council to maintain the base Program on a year to year basis. The additional grants included in the Development Incentive Program, (i.e. Construction Challenges Grant and Build Permit Grant), along with the Urban Beautification Program, will continue to be dealt with through the budgetary process. Moreover, these improvements will allow future changes to more easily be facilitated, such as focusing on a new area of the City at such time as it is determined incentives are no longer needed to stimulate growth on the Central Peninsula.

Most importantly, the proposed changes to the Beautification Program and the Development Incentive Program were identified to make the programs more customer-centric, in terms of enhancing simplicity of the programs and scale of projects that may receive funding. The Growth and Community Development Service Area is committed to customer service excellence, and will continue investigating opportunities to improve and enhance its services to the public. These customer-centric changes are also intended to enhance the City of Saint John's ability to yield greater tax base growth through the encouragement of additional development in the Central Peninsula.

SERVICE AND FINANCIAL OUTCOMES

Common Council, through adoption of the General Fund operating budget, allocated \$50,000 to the Urban Beautification Program and \$170,000 to the Urban Development Incentive Program for 2019.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Policy amendments were reviewed by the Solicitor's Office, Finance and Administrative Services, as well as DevelopSJ for input.

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 – Urban Beautification Grant Program Policy (2019)
Attachment 4 – Urban Development Incentives Policy (2019)
Attachment 5 – Detailed List of Changes for Urban Development Incentives Policy (2016-2019)