City of Guelph Incentives Study

Final Report

Prepared For:

Guelph Economic Development Department

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Executive Summary

Recognizing the need to explore and develop municipal incentives for the purposes of increasing tax revenue from the City's industrial base and residential development in the Downtown, the City of Guelph has completed a Municipal Incentives Study. The purpose of the study has been to investigate what programs and financial incentives the City may wish to consider, in encouraging the expansion of the industrial tax base city wide, and the residential tax base in the Downtown core.

Underlying the purpose of the study has been the need to provide greater clarity to municipal decision makers with respect to the importance of on-going public support designed to encourage downtown residential development and growth of the City's industrial tax base.

This study was completed in two parts. Part I, completed in November 2004, comprised a review of the current legislative framework that enables municipalities to provide private sector financial incentives for the purposes of generating development; and a review of best practice municipalities and the programs currently being used for stimulating growth and reinvestment in their downtowns and the attraction of new industrial investment.

Key findings from this phase of work suggest that:

1. **Recent changes to Ontario legislation have provided municipalities with broader powers and tools relating to the provision of financial incentives. Used effectively, these tools have the potential to positively impact both downtown residential investment and city-wide industrial development.**

2. **Municipal efforts at targeting downtown residential intensification and industrial tax base growth are generally undertaken through the use of the Community Improvement Plan provisions of the *Planning Act*.**

3. **The Community Improvement Plans often underscore the economic, social and environmental benefits of downtown industrial development on vacant and under-utilized sites. As such, efforts targeting the industrial tax base usually focus on re-development rather than greenfield development.**

4. **Efforts at increasing the industrial base on a city-wide basis have largely been limited to development charge waivers and non-financial assistance in the form of business planning assistance, marketing etc.**

5. **The municipal programs and revitalization tools reviewed in this report are seen as having been very successful. This is largely attributed to the fact that financial returns on private sector investment are frequently many times higher than the initial value of the incentive.**

6. **A review of best practice programs targeting growth and reinvestment in downtowns reveals that the community benefit derived from new downtown residential development necessitates either the elimination or reduction in applicable development charges. The one-time costs of a development charge waiver are far outweighed by the economic (increased economic activity, assessment and tax revenues); social (removal of stigma, decrease in number of underutilized or vacant sites), and environmental (contaminant removal) benefits.**

7. **Exempting downtown properties from development charges is an effective way of off-setting the development cost premium of downtown infill development as development charges are seen as an impediment to private sector investment. Industrial tax base growth can also benefit substantially from a development charge exemption when looking to stimulate industrial growth.**

Based on these findings, Part II of the study which concluded in October 2005, focused on providing a detailed summary of local issues and interest in the use of incentives and recommendations as to the most appropriate initiatives for increasing or expediting downtown residential and city-wide industrial development, and an administrative structure for the implementation of an incentives program. In determining the appropriateness of incentives to attract business and residential investment, focus group discussions with a wide range of individuals from the development community, the real estate industry, local business and industry, municipal staff, municipal councillors, and representatives of various community and business organizations have been conducted.

In addressing whether the use of financial incentives would have the effect of attracting new investment to Guelph's industrial areas, it is suggested that financial incentives, such as the waiving of applicable development charges are not required at this time. This is based this on the fact that:

- **The current level of development charges are seen as being competitive;**
- **The City of Guelph has a Community Improvement Plan in place to deal with the remediation of brownfield sites;**
- **The City of Guelph has provisions in its Development Charge By-law for waiving 50 percent of the development charge fees of any planned expansion of existing facilities;**

- **The City's ability to increase industrial assessment is hampered in large part due to the lack of supply of readily available and serviced industrial land; and that**

- **The interest and demand for industrial sites in Guelph is set to increase with the opening of the Hanlon Creek Business Park.**

However, in order to assist with the retention and expansion of existing businesses, we recommend that the City give consideration to:

- A 50% reduction of development charges for those existing Guelph businesses wishing to expand their operations to a different site

In contrast to the use of incentives to stimulate new industrial investment, an incentives program could be effective in expediting the development of new residential units in the downtown, as it would assist in eliminating some of the financial risk that is equated with infill development and the redevelopment of vacant buildings. An incentives program would also assist in:

- increasing the population living downtown, thus creating a ready market for downtown businesses and services;

- maximize the opportunity for increased tax assessment;

- assist with maintaining and improving existing building stock; and

- ensure a sustained economic growth in the downtown and support the vital character of the downtown that was identified by stakeholders as being such an asset to the City of Guelph.

For this reason it is recommended that the City of Guelph:

1. **Proceed with the development of a community improvement plan for an expanded downtown or central core area that reflects a broader range of investment opportunities for both business and residential development. The Community Improvement Plan should also include a comprehensive incentive program to stimulate new investment, particularly residential development.**

2. **Develop an incentive program and eligibility framework that focuses on:**

   - **Attracting residential development to suitable sites in the newly defined central core area. In our discussions with municipal staff and representatives from the development community a significant number of sites were identified as being suitable for residential redevelopment. While there were some sites within the current downtown, but there were many more key sites that surround or abut the downtown**

that would enhance the downtown if they were to be re-developed for residential purposes. An expanded core area also means they would also benefit from an incentive program. A consideration for these sites will be adoption of as of right zoning to enable more intensive development.

- **Supporting upper storey renovations of existing buildings. Many communities are faced with the dilemma of vacant and deteriorating upper storey buildings. If the City is serious about increasing the resident population and activity in the core area then consideration must be given to the renovation of upper storey units.**

- **The reduction or waiving of development charges for new residential construction in a newly defined Central Core Area;**

- **The reduction or waiving of building permit or planning fees for new residential development;**

- **The reduction or waiving of the 5 percent residential parkland levy;**

- **The reduction of parking requirements for residential development;**

- **An upper storey renovation program in the form of both loans and grants;**

- **A façade improvement loan that seeks to enhance the downtown's heritage architecture**

- **Tax increment funding for heritage improvements and property designation under the Heritage Act;**

- **A feasibility study grant to assist with identifying structural issues; and**

- **The development of a marketing piece that promotes the individual programs for the downtown.**

3. **Incorporate a new policy framework for the downtown in the City's Official Plan that includes a more flexible approach to height, density and built form. There is a need to amend both the Zoning By-Law and Official Plan to provide for greater flexibility as it relates to residential development in the downtown. This combined approach will achieve a higher level of tax assessment but it will also ensure the long term economic viability of downtown businesses and public sector investment already located there.**

The over-riding factor in the successful implementation of an incentive program in the City of Guelph will be the initial involvement and ongoing coordination between municipal departments, the public and the development community where all the players are seen as partners in the development of a process that stands to benefit everyone.

1 Introduction

Until recently, the exemption of development charges was the only financial incentive available to prospective developers of residential development in downtown Guelph, the Downtown Residential Grant Program having concluded in December 2003. Given the general lack of success derived from that program, the City concluded that the municipal incentive program would no longer be available for the attraction of private sector investment for residential development in the Downtown core as of March 2005.

Notwithstanding this decision, Council has instructed the City's Economic Development Department to investigate what programs and incentives would be appropriate to encourage the growth in the residential tax base in the downtown.

In addition, Economic Development was also directed to review the use of incentives for the attraction of industry on a city-wide basis. As with many communities in Ontario with an inventory of older industrial areas, the City of Guelph has already adopted the *Brownfield Redevelopment Community Improvement Plan* to facilitate the implementation of financial incentives targeted to private sector rehabilitation and redevelopment within the City's community improvement area. The Community Improvement Plan ("CIP") is at the core of the City's commitment to Smart Growth. A map outlining the current CIP is attached as Appendix A.

The expansion of an industrial tax base through the use of incentives has focused largely on reducing hurdles to brownfield redevelopment. Incentives to attract industry to greenfields have largely been limited to reducing of or waiving of applicable development charges. While there are examples of municipalities becoming more aggressive in their investment attraction efforts (e.g. assuming a head lease, buying the property and leasing it back to an investor, selling of municipal land at cost), these efforts are not associated with any program and are usually entertained only when there is an opportunity in hand. More often, a municipal incentive program will combine downtown incentives for residential development with tools to attract industrial development

The use of incentives to encourage downtown residential projects has been justified based on the availability of existing municipal infrastructure, and accessibility to cultural and recreational facilities within the downtown, which reduces the need for public investment. In addition, downtown residential intensification supports the retention of downtown retail and entertainment uses, contributes to the retention of schools in the area, adds to the health and long-term vitality of the downtown and increases municipal assessment.

1.1 Structure of the Report

In the section that follows, the cost issue of greenfield versus brownfield development and the opportunities that a healthy downtown can provide for a City are discussed. Should the City of Guelph consider the implementation of a municipal incentives program for the attraction of residential or industrial uses, the initiatives/programs must be placed within the context of current Ontario legislation related to financial assistance and other financial incentives that may be used to encourage development/private sector investment. For this reason, Section 3 of the report reviews the current legislative framework that enables municipalities to provide private sector ‘incentives’ for the purpose of generating development.

Section 4 of the report comprises a review of ‘best practice’ municipalities and the programs used for stimulating growth and reinvestment in their downtowns and the attraction of new industrial investment.

The remaining sections of the report present the results of the public consultation and recommendations for the use of incentives in the City of Guelph.

In assembling this information urbanMetrics has spoken with a wide range of municipalities that currently deploy municipal incentives as part of their investment attraction efforts. Some communities have been identified as having best practices in this regard, while others are in the early stages of their municipal initiatives. Our analysis has focused on the tools and programs which have proven the most successful in directing private sector investment into select areas of a municipality.

2 Defining the Problem and Opportunities

A vibrant downtown can be the center of a City's residential, commercial and recreational activity. Adequate downtown residential mass is required to sustain downtown retail activity and to foster a 'sense of place'. Downtown residents act as a local source of labour and promote the expansion of nearby employment uses. Healthy downtowns function as vibrant tourism destinations, bringing outside investment and contributing to wider-community economic prosperity.

Downtown residential projects and the attraction of industrial investment to under-utilized sites have the potential to generate considerable financial returns. Frequently, these financial returns substantially outweigh the value of the initial public expenditure resulting from the use of incentives. Less quantifiable social and environmental benefits can also be realized.

The cost disparity between greenfield and brownfield development often necessitates the need for financial incentives as the cost of serviced greenfield lands is substantially less than that of comparable brownfield lands. Unlike greenfields, older industrial lands may require remediation and are subject to financial, legal and liability hurdles which serve impede their development. Soft costs associated with brownfield projects (e.g. legal fees, insurance, contingency, financing, etc) can exceed those associated with comparable greenfield projects. Buildings located on old inner-city industrial/brownfield sites are often incapable of accommodating the space requirements of modern industrial uses. Similar impediments surround residential development.

The implementation of Community Improvement Plans offers substantial advantages for overcoming the hurdles to downtown residential investment and the attraction of industrial uses. Recent amendments to the *Planning Act* and the *Municipal Act*, among others, provide municipalities with greater flexibility in designating Community Improvement Project Areas and implementing a broader range of financial incentives. Financial incentives often prove to be a prerequisite for stimulating residential investment in downtowns and industrial development on under-utilized lands.

The section that follows is a discussion of Ontario's current policy and legislative framework that enables municipalities to provide private sector incentives for the purpose of generating development.

3 Legislative Framework Highlights

Encouraging residential development in a downtown and the attraction of industrial uses to under-utilized and/or contaminated lands using financial and planning incentives needs to occur within the confines of the existing legislative framework. Generally, this framework consists of:

- Provincial Policy Statement
- Planning Act
- Municipal Act
- Development Charges Act
- Heritage Act

3.1 Provincial Policy Statement, 1997

The *Provincial Policy Statement* ("PPS") is the over-riding provincial policy that articulates priorities with respect to municipal growth patterns in Ontario.[1] The PPS emphasizes the importance of balancing economic, social, and environmental sustainability in all planning matters. Under Section 3 of the *Planning Act*, all Ontario municipalities are required to "have regard to" the *PPS* in making local land-use planning decisions.

Throughout the *PPS*, a special emphasis is placed on ensuring that municipal growth is undertaken in a fashion that does not depreciate provincial land resources. Policy 1.1.2 of the *Provincial Policy Statement*, 'Developing Strong Communities' encourages the promotion of cost effective patterns of development where development is confined to existing urban areas. In particular, the *Provincial Policy Statement* emphasizes that development should:

> *"Efficiently use land, resources, infrastructure and public service facilities…avoid the need for unnecessary and/or uneconomical expansion of infrastructure…[meet] development standards which are cost effective and which will minimize land consumption and reduce servicing costs…[and provide] opportunities for redevelopment, intensification and revitalization in areas that have sufficient existing or planned infrastructure".*

By definition, downtowns are located within well-established neighbourhoods. As such, downtown residential development can be expected to rely on existing public services, thereby reducing the likelihood for costly expenditures for public service expansion. Similarly, putting in place incentives to grow a city's industrial base on otherwise idle former industrial lands (often located in areas with existing servicing infrastructure) would conform to PPS policies.

[1] The 1997 version of the Provincial Policy Statement is currently under review, with changes proposed. It is anticipated that a new Provincial Policy Statement will be in place sometime in the early part of 2005.

3.2 Planning Act

Amendments to the *Planning Act* provide municipalities with greater flexibility in designating Community Improvement Project Areas (CIPs) to allow for the redevelopment of underutilized lands (e.g. through Ontario's brownfield legislation).[2] In defining CIPs, social, economic, and environmental factors are now given more consideration. Municipal Council may use Section 28 of the *Planning Act* to issue grants/loans to registered or assessed owners of properties within a designated community improvement area. Where financial assistance is proposed the estimated timing for the ministerial approval is 60 days once council has approved the terms of the CIP.

3.3 Municipal Act

Section 106(1) of the *Municipal Act* prohibits direct and/or indirect municipal assistance to any enterprise through the granting of bonuses or financial inducements. That is, the municipality may not:

- Give/lend money or municipal property
- Lease/sell municipal property below market value
- Provide guaranteed borrowing
- Give full/partial exemption from any levy, charge, and/or fee

Regardless of these restrictions, Section 106(1) does not apply to municipalities exercising their powers under Section 28 of the *Planning Act* related to the implementation of community improvement project areas. Under the provisions of the Act, all community improvement plans must meet the requirements of Section 28 of the *Planning Act*.

In addition, under Section 107 of the *Municipal Act*, subject to Section 106, a municipality may provide grants for any purpose that is considered to be in the interest of the municipality. Power to make grants includes the ability to (i) sell/lease land for nominal consideration; (ii) dispose municipal property at a nominal price; and (iii) guarantee loans.

Section 110 enables municipalities to "enter into agreements for the provision of municipal capital facilities". Under this provision, councils may provide financial assistance at below market value or at no cost provided that the recipient enters into an agreement with the municipality to provide municipal capital facilities. Assistance may consist of: (i) loans/grants; (ii) giving/lending/leasing/selling property; and (iii) guaranteeing borrowing. Section 110 may also be used to "exempt lands on which municipal facilities are or will be located" from municipal and school taxes, and applicable development charges.

[2] Ontario's brownfield legislation is in effect as of October 1, 2004.

Qualifying properties, such as those included under Section 28 of the *Planning Act*, may benefit from reduced or cancelled municipal and school taxes as a property is rehabilitated, as per Section 365.1 of the *Municipal Act*.

Further, as of October 1, 2004, Ontario Regulation 274/04 filed under Section 365.1 of the *Municipal Act* went into force. Proclaimed, Section 365.1 of the *Municipal Act* grants municipalities the power to partner with the Province to provide education property tax assistance to successful applicants. Municipalities with tax assistance provisions in existing CIP are now permitted to seek matching education property tax assistance from the Minister of Finance. This new financial tool is intended to assist with returning brownfields to productive use.

3.4 Development Charges Act

Under Section 2 of the *Development Charges Act, 1997*, a development charge by-law may apply to the entire municipality or part of it. Using this power, Council may exempt certain areas of the municipality from a development charge by-law. Exempt areas may include a downtown, and designated community improvement project areas under the *Planning Act*.

Municipalities may also exempt the first 50% of existing industrial building expansion from municipal development charges. This is made possible under Section 4 of the Act.

Through Section 5 of the Act, municipalities may either fully or partially exempt some types of development from applicable development charges. This provision can be used to waive local development charges and impact fees for new industrial development and/or the expansion of existing industrial uses (Section 4).

3.5 Heritage Act

Under section 39 of the *Ontario Heritage Act*, municipalities are permitted to make grants or loans to the owners of heritage designated properties. The intention of these grants is to off-set the restoration, renovation and repair costs associated with the designated property. Section 39(1) of the Act states that "…council of a municipality may pass by-laws providing for the making of a grant or loan to the owner of a property designated under this Part for the purpose of paying for the whole or any part of the cost of alteration of such designated property on such terms and conditions as the council may prescribe."

3.6 Financial Incentives – Options for a Municipal Tool Kit

Generally speaking, there are four mechanisms available for encouraging private investment in the downtown area and for increasing municipal industrial tax base:

- Grants and loans;
- Tax increment financing grants and loans (TIF);
- Fee reductions, exemptions, refunds, and/or waivers; and
- Development charge waiver.

The first three of these incentives can be applied within designated community improvement areas under the *Planning Act*. As previously indicated, municipal Council may impose a development charge by-law to the entire municipality or only to portion thereof.

3.6.1 *Grants and Loans*

The first approach to promoting downtown revitalization involves providing interested private investors with grants and loans. Ontario municipalities are empowered to extend grants and loans under the provisions of Section 28 of the *Planning Act*. In Ontario, loans have traditionally been favoured over grants because loan repayments have a reinforcing effect, acting as a revolving fund capable of longer term sustainability.

3.6.2 *Tax Increment Financing*

A municipal tax increment is defined as the increase in the difference between the assessed property value prior to redevelopment, compared to the assessed value once a property is redeveloped. A growing number of Ontario municipalities are implementing grant programs that mimic U.S.-style Tax Increment Financing (TIFs) by taking advantage of certain powers granted under Section 28 of the *Planning Act*.

3.6.3 *Fee Reductions, Exemptions, Refunds and Waivers*

Municipal planning and development fees can significantly increase the up-front costs of downtown redevelopment in relation to comparable greenfield (suburban) development and therefore discourage private investment in downtowns. Without planning and development fees exemption economically borderline projects may also not proceed. To remedy this situation a number of municipalities have utilized the powers granted under Section 28 of the *Planning Act* to waive, discount or rebate municipal development fees applied to one or more of the following:

- Official Plan amendment;
- Zoning By-Law amendment;
- Plans of subdivision;
- Development agreements;

- Site plan applications;
- Minor variance applications;
- Demolition permits;
- Building Permits;
- Parkland dedications; and
- Development charges.

3.6.4 *Other Incentives*

Beyond the incentives already specified, some municipalities have attempted to encourage downtown residential development and industrial investment attraction by excluding select properties from parking requirements, imposing flexible zoning requirements for commercial and residential development, and providing grants/loans for feasibility studies.

It is also fairly common practice to waive or reduce development charges on industrial lands. Many of the larger urban municipalities however, are rethinking the long term viability of this approach to investment attraction given the increasing cost implications associated with readying of industrial the lands for development.

We are also aware of a select number of municipalities that have considered or undertaken other means to attract industrial investment such as:

- assembling design/build teams that have costed new construction for select uses and committed to responding to a timeframe for development; or
- assuming head leases on properties to offset the financial obligations of an investor; or
- tying a reduction in development charges to employment levels of investor i.e. full development charges on warehouse/distribution uses – reducing development charges on manufacturing; or
- purchasing the property outright and leasing it back to an investor.

From our review and discussions with municipalities that have or are using these types of efforts, they are usually undertaken in response to a significant investment opportunity rather than formalized through any municipal program.

4 Best Practices: Reinvestment in Downtowns and Industrial Development Attraction

This section of the report explores municipal incentive programs that have been implemented by southern Ontario communities and designed to position a downtown for growth and reinvestment. Programs and incentive tools proven effective at attracting industrial development are also identified. In many cases, a single program combines incentives for encouraging downtown investment and attracting industrial uses. Based on discussions with municipal officials, municipal economic development departments across southern Ontario and our expertise with municipal incentive programs, we have identified the following programs as 'best practices':

- *Encouraging Development for Growth Efficiency (EDGE)*, City of Kitchener
- *Core Areas Revitalization Strategy*, City of Cambridge
- *Central Business District Renaissance Community Improvement Plan*, City of Oshawa
- *Downtown Action Plan*, City of Ottawa
- *Downtown London Community Improvement Plan*, City of London
- *Core Commitment*, City of Burlington
- *Downtown Core Areas and Simpson Street Business Improvement Area CIP*, City of Thunder Bay
- *Downtown CIP*, City of Hamilton
- *Environmental Remediation and Site Enhancement (ERASE) Community Improvement Plan*, City of Kingston
- *Environmental Remediation and Site Enhancement (ERASE) Plan*, City of Hamilton;
- *Brownfield Sites Community Improvement Plan*, City of Brantford

Figure 1 summarizes and compares the various program features in each program. The remainder of Section 3 of the report provides a detailed discussion of the individual programs and the success achieved to date.

Figure 1: Overview of Municipal Incentive Mechanisms

Community	Program	Components	Development Charge Waiver/Reduction ⅄		
			Downtown Residential	Downtown Industrial	City-Wide Industrial• (Green/Brownfield)
Kitchener	EDGE	Downtown Incentives Program Brownfield Remediation Program Heritage Tax Refund Program Property Class for New Multi-Residential Development	✓	✓	First 50% exempt†
Cambridge	CORE	Sign Permit Fee Exemption Building Permit Fee Exemption Demolition Permit Fee Exemption Development Charges Waiver DesignGuide Program Building Revitalization Program Contaminated Sites Grant	✓	✓	Brownfield only*
Oshawa	CBD Renaissance CIP	Residential Development Charge Grant Upper Storey Conversion to Residential Loan Increased Assessment Grant Building Permit Fee Grant Parkland Dedication Fee Grant Façade Improvement Loan Upgrade to Building Code Loan	✓	n/a	Subject to DC charges
Ottawa	Downtown Action Plan	Residential Development Charge Waiver Residential Parking Requirement Reduction	✓	Subject to DC charges (Exemption by Council resoultion)	Subject to DC charges (Exemption by Council resolution)
London	Downtown CIP	Downtown Rehabilitation/Redevelopment Grant Façade Restoration Program Building Code Downtown Renovation Loan	✓	✓	✓
Burlington	Core Commitment	*Incentives under consideration*	Subject to DC charges	First 50% exempt	First 50% exempt
Thunder Bay	Downtown Core Areas CIP	Tax Increment-Based Grant Planning and Building Fee Grant Façade Improvement Loan Rehabilitation Grant/Loan	✓	✓	✓
Hamilton	Downtown CIP	Downtown Residential Loan Commercial Property Improvement Grant Enterprise Zone - Municipal Realty Tax Incentive Grant	✓	✓	Subject to DC charges (Brownfield exemption)
Kingston	ERASE CIP	Redevelopment Grant Study Grant Planning and Development Fees Program Redevelopment Opportunities Marketing/Data Base Getting Our House in Order Program	Brownfield only	✓	✓
Hamilton	ERASE Plan	Redevelopment Grant Study Grant Planning and Development Fees Program	✓	✓	Subject to DC charges (Brownfield exemption)
Brantford	Brownfield Sites CIP	Study Grant Property Tax Reduction Program Performance Tax Grant Back Program Development Charges	✓	✓	✓

⅄ A development charge waiver/reduction/rebate is not neccessarly associated with a given municipal incentive program.

•Refers to properties beyond the designated downtown/core area.

*Only projects which require site restoration (i.e. contaminated site clean-up) are eligible.

†Refers to the first 50% of an expansion of existing industrial uses.

For program details and eligability contact respective municipalities.

Source: urbanMetrics inc.

4.1 Encouraging Development for Growth Efficiency, City of Kitchener

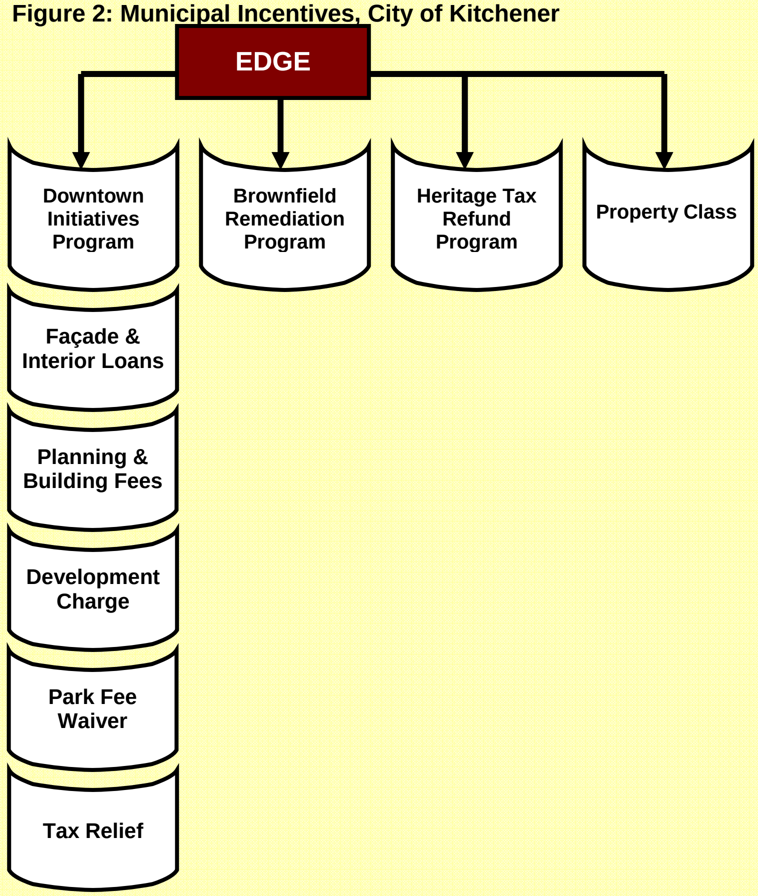
Faced with increasing vacancy rates and economic stagnation in the early 1990s, the City of Kitchener adopted the *Encouraging Development for Growth Efficiency* ("EDGE") program. The program includes a comprehensive package of incentives with the primary objective to encourage the re-urbanization of Kitchener's developed areas, including its downtown. EDGE consists of four interrelated incentive programs, namely:

- Downtown Incentives Program;
- Brownfield Remediation Program;
- Heritage Tax Refund Program; and
- Property Class for New Multi-Residential Development Program.

The Downtown Incentives Program includes:

- Façade/Interior Improvement Loan Program;
- Rebates for Planning and Building Fees;
- Elimination of City and Regional Development Charges;
- Elimination of Park Dedication Fees; and
- City of Kitchener Tax Relief.

Figure 2: Municipal Incentives, City of Kitchener



source: urbanMetrics

Under Kitchener's Downtown Incentives Program, most land uses are eligible[3] for the program's incentives provided that the subject property is located within the confines of the City's Downtown Community Improvement Plan area. Certain incentives are available city-wide.

The Façade/Interior Improvement Loan program provides loans to commercial property owners to cover materials, labour, equipment and professional costs related to the improvement of a building's exterior or interior. The Façade/Interior Loan program is key to making an otherwise unattractive downtown desirable to potential residents and private sector investment.

Additional financial incentives are provided through the Elimination of City and Regional Development Charges program which exempts projects within the CIP from municipal and regional development charges. Grants for planning and development fees (i.e. demolition, building permit, planning-related, etc) are refunded through the Grants for Planning and Building Permit Fees.

All projects are exempt from payment of park dedication fees through the Elimination of Park Dedication Fees incentive. The last incentive tool, Tax Relief, provides a tax rebate related to the municipal tax increment.

Kitchener's Downtown Incentives Program is complimented by the City's Brownfield Remediation Community Improvement Plan. The goal of this CIP is to remove the cost disparity between brownfield development and greenfield development at the urban fringe thereby attracting more private sector investment. Incentives provided under the Brownfield Remediation CIP are available to any registered owner, assessed owner and/or assigned owners within the limits of the City of Kitchener. Successful applicants are entitled to the Brownfields Remediation Program, a TIF-based annual grant. Eligible costs include the costs of conducting environmental studies/remediation projects.

EDGE also provides the Heritage Property Tax Rebate Program. The objective of this program is to reduce the costs of heritage structure conversion and maintenance. Under the program the Heritage Tax Refund incentive allows the municipality to rebate a portion of municipal and school taxes levied on eligible heritage properties.

The Property Class for New Multi-Residential Development program offers an incentive to developers of new multi-residential rental apartment buildings. The program's intend is to attract new multi-residential housing. Financial assistance is provided by subjecting eligible projects to a lower tax rate (below that applied to existing multi-residential units) for a period of 35 years. The redevelopment of

[3] According to a contact at the City of Kitchener, a decision was made to make all land use types eligible for the full spectrum of incentives in order to ensure the most effective stimulation of private investment into the downtown. Note that only commercial development is eligible for loans under the Façade/Interior Improvement Loan Program.

industrial/commercial structures into rental units may also qualify for financial assistance. Eligible projects must be built within the City of Kitchener.

Recently, to complement its already comprehensive EDGE program, Kitchener City Council approved a $110 million economic development investment fund, as part of its 2004 budget. The fund's objective is to strengthen and diversify the local economy by providing guidance for strategic investment in infrastructure and economic development projects. To date, the fund has allowed for substantial investment to be made in downtown revitalization. A $30 million investment was provided to the University of Waterloo to construct a new School of Pharmacy in downtown Kitchener. Wilfrid Laurier University has benefited from a $6.5 million fund for the relocation of the University's School of Social Work. The construction of a new Public Library branch has been proposed for a downtown site following the allocation of $9.7 million in economic development investment funds. In addition, an estimated $1.7 million has been allocated for the construction of a new downtown community resource centre. Improvements to the City's downtown streetscape and a historic downtown park are slated to receive $6 million in economic development investment funding.

Cumulatively, these downtown projects represent $54 million in new investment and are estimated to introduce roughly 1,600 new students, faculty and staff into the City's downtown, from the two new downtown university operations alone.

City-wide, the first 50% of existing industrial use expansion is exempt from applicable development charges. As indicated previously, within the CIP, all projects are exempt from development charges.

Program Success

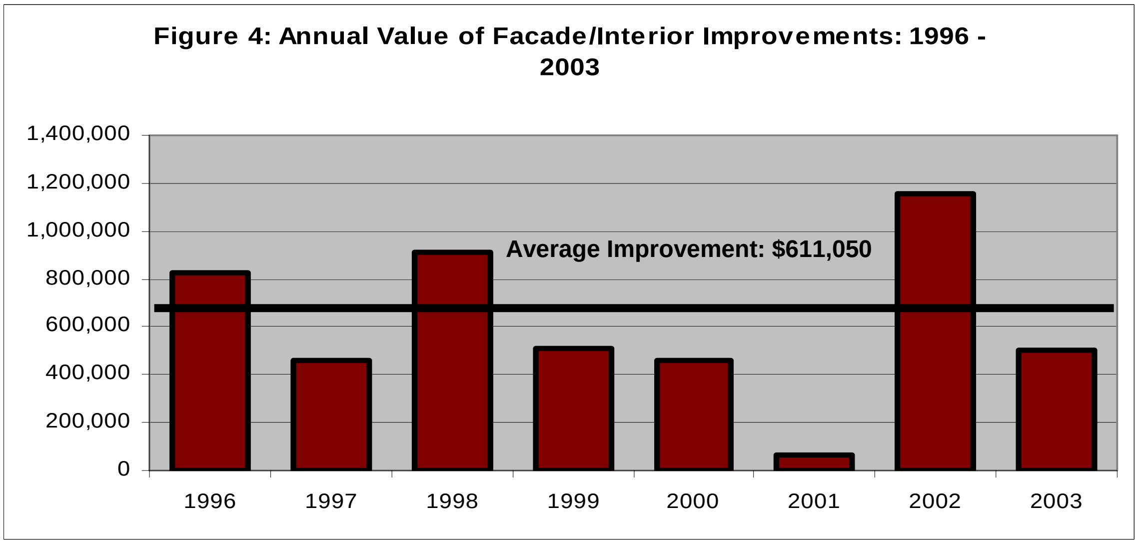
Thus far, EDGE incentives have led to a number of successful developments. Between 2001 and 2003, the Façade/Interior Improvement Loan Program alone generated over $1.7 million in improvements to downtown commercial properties based on over $360,000 in loans (Figure 3). In other words, each $1 in public façade/interior loans translated into almost $5 in private façade/interior improvements.

Figure 3: Uptake of Selected Downtown Financial Incentives, City of Kitechener, 2001-2003

TOTAL INCENTIVE	2001	2002	2003	2001-2002	2001-2003
Incentives/Loans Issued	6 rebates, 2 loans	5 rebates, 6 loans	5 rebates, 2 loans	less 1 rebate, plus 4 loans	less 1 rebate
Value of Façade/Interior Loans	$45,407	$225,000	$90,000	$179,593	$44,593
Value of Façade/Interior Improvements	$65,407	$1,155,000	$500,000	$1,089,593	$434,593
Value of Downtown Rebates	$15,161	$84,242	$200,000	$69,081	$184,839

Source: urbanMetrics inc. based on City of Kitchener *Downtown Monitoring Report - 2002 and 2003*

Between 1996 and 2003, the cumulative value of all improvements made through the Façade/Interior Loan Program exceeded $4.8 million. Figure 4, below, illustrates the trend in the value of façade/interior improvements between 1996 and 2003.



Source: urbanMetrics based on City of Kitchener *Downtown Monitoring Report - 2002*

Rebates on demolition, building, planning-related fees, and tax rebates provide additional stimulus for downtown investment. In 2003, a total of 5 rebates were provided totalling $200,000, an increase of nearly $185,000 from 2001.

Recently, the developer of a 14 storey (169 unit) residential tower benefited from approximately $200,000 in rebated planning and building fees. The same project also benefited from the waiving of over $450,000 in municipal and regional development charges. Combined, the developer received a financial incentive package totalling nearly $700,000 – or approximately $4,100 per unit.

Since the mid-1990s, the City's core has benefited from approximately $80 million in combined public and private sector investment. In addition, in excess of 1,000 new housing units have been added. In 2003, alone, the downtown and surrounding neighbourhoods added 250 new housing units with roughly 200 new residents migrating to the area. Downtown office employment grew by approximately 1,200 jobs in 2003, while 11 new businesses opened. Downtown prosperity was also characterised by a 4,400 person increase in downtown event attendance. Despite substantial growth, residential neighbourhoods surrounding the core have remained relatively stable with housing prices steadily increasing and office vacancy rates declining.

According to City staff, EDGE incentives have resulted in:

- Increased visitation to Kitchener's downtown
- A reduction of surface parking lots,
- Increased investment in art and entertainment facilities (i.e. museums), and
- A decrease in the number of undeveloped/underutilized sites within the CIP.

4.2 Core Areas Revitalization Strategy, City of Cambridge

Under its award winning *Core Areas Revitalization Strategy* (CORE) (implemented in 1998), the City of Cambridge offers the following financial incentives to attract private investment into the City's three "core" areas (Figure 5):

- Sign Permit Fee Exemption;
- Development Charges Waiver;
- Building/Demolition Permit Fee Exemption;
- Contaminated Sites Grant Program;
- Development Application Fee Exemption;
- DesignGuide Program; and
- Building Revitalization Program.

A Development Charges Exemption applies to all new development and redevelopment. This includes additions and renovation on residential, industrial, commercial and institutional uses within the CIP. Development charge exemption is seen a key incentive for attracting private sector investment across all land use types. With estimated savings of approximately $8,000 per apartment unit in municipal and regional development charges, a new project is more likely to proceed as the developer realizes substantial savings. Development charge exemption has proved to be 'crucial' to making certain development proceeds.

Beyond the CIP, greenfield industrial uses are subject to applicable development charges. Despite this, Cambridge has experienced success in attracting industrial uses. On average, about 50 acres of industrial lands are purchased annually. Non-financial incentives are provided through the establishment of new business parks and land servicing. Industrial projects on contaminated sites may be entitled to a credit against payable development charges, not to exceed amount payable to the City.

The chief goal of the Building Revitalization Program is to assist property owners with the restoration of historic buildings which may not meet current building codes. The incentive consists of interest-free loans that are partially forgivable. Property owners receive funds on a matching basis and may use them to off-set the costs related to masonry work, cleaning, painting, and exterior building restoration.

Complementing the Building Revitalization Program is the DesignGuide program. The program provides building owners with a grant to assist with the preparation of building design concepts. The grant allows building owners to retain a City-approved designer whose role is to, among other things, provide a rendering of the ideal appearance of a revitalized building.

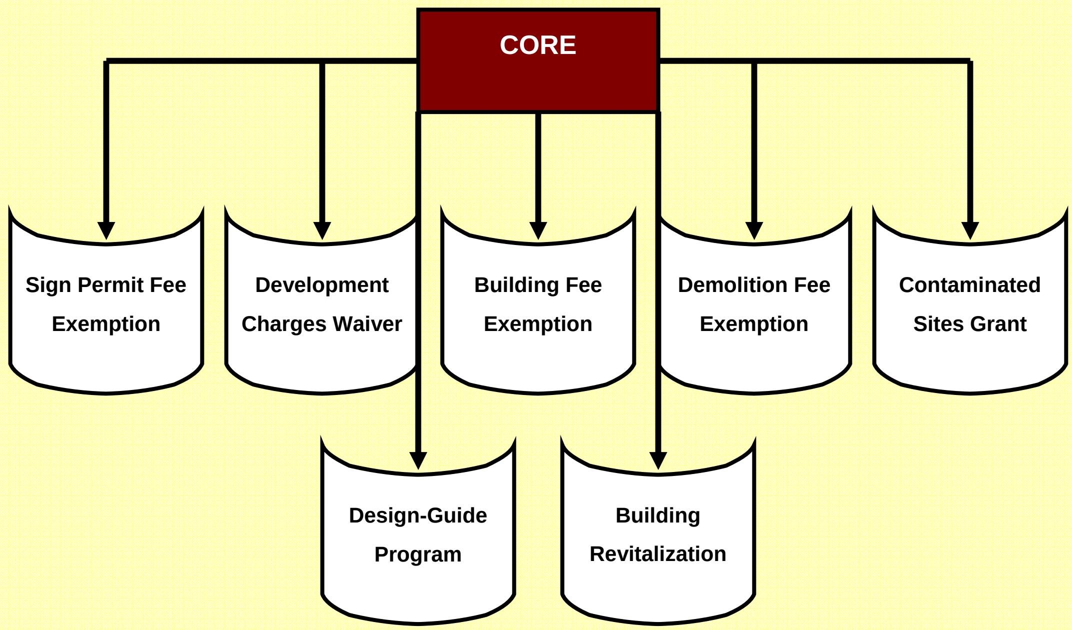
The Core Areas Revitalization Strategy is underpinned by two principles:

- Revitalization must be approached in a comprehensive and integrated manner; and
- Differing needs and features between core areas must be reflected in any revitalization strategy.

According to the City of Cambridge staff, the success of its Core Areas Revitalization Strategy has depended on two factors:

- **Multi-Faceted:** The strategy involves initiatives and projects of varying sizes;
- **Multi-Stakeholder Driven:** City Council, several City Departments, three Business Improvement Associations, and citizens are all involved in the strategy's implementation.

Figure 5: Municipal Incentives, City of Cambridge



Source: urbanMetrics

The goals of the Strategy are four-fold:

- Provide private sector investors and developers with financial incentives to assist with up-front costs of development;
- Provide financial incentives that target a range of projects so that projects of different scales can benefit;

- Encourage the improvement of infrastructure, improve the delivery of municipal services (i.e. parking), and create new features including a civic square; and
- Promote the Core Areas as destination and investment opportunities through marketing initiatives.

As a cornerstone of the Core Areas Revitalization Strategy, the Contaminated Sites Grant Program is restricted to the City's Core Areas. Brownfield lands are scattered throughout all three Core Areas and efforts by the private sector for their development has historically been limited. The City has recognized the fact that in the absence of financial incentives, brownfield redevelopment is uneconomical and hence unlikely to occur. The underlying principles of this program are:

- **Development:** The City of Cambridge Official Plan identifies three Core Areas. The intent of the Contaminated Sites Grant Program is to stimulate development within these Core Areas;
- **Revitalization:** In addition to attracting new development, the program aims to revitalize existing structures and to return otherwise idle and abandoned structures to productive uses which can augment municipal property tax revenues; and
- **Remediation:** The program places significant emphasis on the remediation of contaminated soils in order to remove potential public health and environmental hazards

To achieve these objectives, the Contaminated Sites Grant Program provides private sector developers with a financial incentive to offset site remediation costs. Specifically, the program provides grants equivalent to as much as 100% of the restoration costs associated with new development on brownfield lands. The total Contaminated Site Grant value may not exceed $1,500 per new residential unit and/or $10 per square meter of gross non-residential floor area. Through a typical development financial pro-forma, Figure 6 illustrates the important contribution that financial incentives can provide to an otherwise financially unfeasible redevelopment project.

Figure 6: Impact of Site Assessment/Remediation Costs on Project Feasibility

COST ITEM	Base Scenario	Financial Incentives Scenario
Soft Costs (Fees/Studies)	$714,669	$714,669
Land Costs	$1,002,238	$1,002,238
Construction/Site Development	$12,093,246	$12,093,246
Site Assessment/Remediation	$575,000	$0
Development Charges	$1,004,785	$1,044,785
Taxes	$26,210	$26,210
Total Cost	$15,416,148	$14,881,148
Revenue (Residential Unit Sales)	$16,215,000	$16,215,000
Profit	5%	9%

Source: urbanMetrics inc. based on City of Guelph, 2002

Note: Without financial incentives provided by the public sector, the 'Site Assessment/Remediation' item would result in the 'Base Scenario' development costing $575,000 more than if the site assessment/remediation costs are off-set. Therefore, without financial incentives, it is unlikely that the private sector would undertake brownfield redevelopment.

City-wide, three incentives are offered which can potentially be used attract industrial tax base. Under the Contaminated Sites Realty Tax Policy incentive, the City may forgive part or all outstanding municipal taxes due on an eligible contaminated property. Lands requiring restoration may also be entitled to receive a credit against applicable municipal development charges. Successful applicants for the development or redevelopment of existing *Ontario Heritage Act* designated structures may be entitled to an allowance for applicable development charges. Property redevelopment must ensure that the designated structure is retained and forms part of the redeveloped property.

Program Success

Since its inception, the Core Areas Revitalization Strategy has met with much success. According to the City of Cambridge's *Core Areas Monitoring Report* (2002), the program has had a "…positive impacts on the health and vitality of the Cambridge Core Areas." Progress is tracked through measurable improvements across six key indicators:

- Housing;
- Population;
- Business Activity;
- Commercial Activity;
- Development Activity; and
- Financial Incentives.

A view of Wellington Square

With respect to new housing, between 1996 and 2002, the residential market share in the three Core Areas was only 3%. In 2002, new residential development within the Core Areas amounted to 11% of all new residential stock in the City of Cambridge. Between 2001 and 2003, the number of residential units constructed increased from 33 to 56 (combined for all three Core Areas), an increase of 23 units. Wellington Square, an 82-unit townhouse development on a former industrial site, is an example of a residential project that benefited from *Core Commitment* incentives.

Between 2001 and 2003, total population within the Core Areas grew by 16% from 3,720 to 4,320 persons. During the same time period, the workforce population increased from 1,930 to 2,235, an increase of 16%.

In terms of business activity, the number of business with the Core Areas has grown steadily since program inception.

The commercial activity indicator shows that Core Area lease rates are increasing to a range that is consistent with the municipal average of $5.00 to $7.00 per square foot. Lease rates within Galt City Centre exceeded the municipal average, rising to between $6 and $8 per square foot with few vacancies. In general, the following observations were made with regards to Core Areas commercial activity:

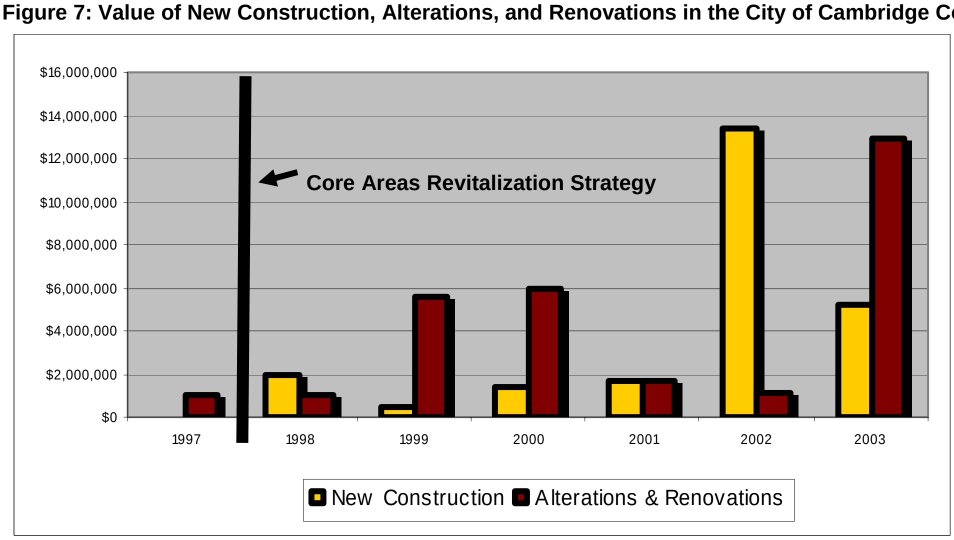
- Rather than relocating to suburban locations, business owners prefer to relocate within the Core Areas. Additionally, several new businesses have chosen to locate with the Core Areas;

- Many business owners are undertaking storefront renovations. These investments are complemented by second and third storey floors improvements and conversions into attractive residential units.

Development activity increased substantially following the implementation of the Core Areas Revitalization Strategy. Specifically, between 1997 and 2003, new development, alterations, and/or renovations have significantly increased the value of private investment entering all three Core Areas. In 2003, alone, new construction activity amounted to $5.2 million. An additional $12.9 million was added in the form of alterations and renovations (Figure 7).

Since the implementation of its Core Areas Revitalization Strategy in 1998, the City of Cambridge has realized over $52 million in new construction, alterations, and/or renovation activity within its three Core Areas.

Figure 7: Value of New Construction, Alterations, and Renovations in the City of Cambridge Core Areas, 1997 – 2003



The last indicator, financial incentives, suggests that the uptake of the Core Areas Revitalization Strategy is growing. In 1999, a total of over $74,000 was paid through the Core Areas Revitalization Strategy under the Building Revitalization and the DesignGuide programs. In 2003, incentives paid under the same two programs approached $197,000. This represents an increase of over $122,000 in just five years. In 2003, the total value of waived charges, loans, and/or grants provided under all eight programs of the Core Areas Revitalization Strategy exceeded $0.5 million.

In 2003, for every $1 waived, loaned/granted under the Core Areas Revitalization Strategy, the City of Cambridge realized approximately $32 in the total value of new construction, additions, and/or renovations within the Core Areas. Additionally, every $1 funded under the Building Revitalization Program and the DesignGuide Program, is estimated to be matched by $4 in private investment.

The City of Cambridge attributes much of the success of its financial incentives to three factors:

- Consultation;
- Front Ending Project Costs; and
- Flexibility.

Overall, the municipality acknowledges that the continued implementation of its Core Areas Revitalization Strategy is a critical factor in attracting private investment into the core areas.

4.3 Central Business District Renaissance CIP, City of Oshawa

Realizing that its Central Business District has not attained its full economic potential, in October 2001, the City of Oshawa adopted the *Central Business District Renaissance Community Improvement Plan* in order to attract private investment in the downtown. Historically, Oshawa's Central Business District has suffered from high retail and office vacancy rates, poor visual aesthetics and an underlying need to rehabilitate lands and buildings. The City anticipates that offering financial incentives will spur private sector investment.

The Central Business District Renaissance Community Improvement Plan consists of the following grant and loan programs:

- Residential Development Charge Grant (to be replaced by a new development charge by-law which will exempt residential development)
- Increased Assessment Grant
- Building Permit Fee Grant
- Parkland Dedication Fee Grant (to be removed)
- Façade Improvement Loan
- Upper Storey Conversion to Residential Loan
- Upgrade to Building Code Loan

The objective of these programs is to aid property owners with a broad range of financing, construction, rehabilitation, and redevelopment costs. In particular, the Residential Development Charge Grant program, provides developers of new residential units within the CIP area with a grant for all or part of the City's residential development charge. A new development charge by-law will make this grant program unnecessary as it will exempt residential development. Development charge exemption is viewed to be crucial to attracting downtown residential development. Downtown residential intensification is also encouraged through the Upper Storey Conversion to Residential Loan Program. Under this program, successful applicants receive funding assistance for the conversion of upper storeys into residential uses. The Parkland Dedication Fee Grant Program provides additional relief for downtown residential construction by offering a grant equal in value to applicable parkland dedication fees for downtown residential projects.

There are no downtown industrial uses. City-wide, industrial development must pay applicable development charges.

Program Success

Since adoption, Oshawa's Central Business District Renaissance Community Improvement Plan has been met with much success. Of the approximately $160,000 in funding provided between May 2002 and May 2003, an estimated $20,000 has been offered under the Façade Improvement Loan Program. A substantial portion of the remaining $140,000 has stimulated the conversion of upper storey space into 19 residential units. This has been accomplished through the City's Upper Storey Conversion Residential Loan Program.

The recent conversion of a vacant 150,000 sq.ft. building into 120 residential units (units currently being sold) has also benefited from financial incentives offered through Oshawa's Central Business District Renaissance Community Improvement. Vacant for the past 10 years, this redevelopment project has benefited from the (i) Building Fee Grant Program; (ii) Parkland Dedication Fee Grant Program; (iii) Façade Improvement Loan Program; and the (iv) Residential Development Charge Grant Program.

4.4 Downtown Action Plan, City of Ottawa

The City of Ottawa has long been committed to downtown vitality and long-term prosperity. In 2000, former City of Ottawa Council approved its *Downtown Action Plan*. The plan's objective was to outline realistic short and long-term initiatives for stimulating downtown revitalization. The plan was subsequently revised by Council in February 2002 and currently offers an assortment of incentives that target private sector investment for downtown redevelopment, including:[4]

- Residential development charge waiver; and
- Residential parking requirement reduction.

As in other jurisdictions, exempting eligible downtown residential projects from development charges has been justified based on the availability of existing municipal infrastructure, and accessibility to cultural and recreational facilities within the downtown, which reduces the need for public investment. In addition, downtown residential intensification supports the retention of downtown retail and entertainment uses, contributes to the retention of schools, and adds to the health and long-term vitality of the downtown. The development charge waiver is viewed to be a key incentive for attracting residential development. In many instances, economically marginal projects would not proceed without a development charge exemption. By way of example, the developer of a 190-unit downtown residential project saved an estimated $2.5 million, including approximately $1.9 million in development charges. In discussion with representatives from the City of Ottawa, imposing development charges on downtown residential construction can make downtown development less competitive with suburban projects.

Eligible downtown residential developments also benefit from a parking requirement exemption. This exemption is intended to encourage residential growth along downtown arterials, over existing commercial uses. Eligible redevelopments (mixed-use and residential) also qualify.

Within the downtown and Ottawa-wide, industrial development is subject to applicable development charges. Non-financial incentives include marketing assistance. Despite this, Ottawa City Council may pass a resolution to eliminate or reduce development chares for contaminated lands within certain parts of the City. No such resolution is currently in place.

Program Success

Exempting residential development from development charges and permit fees has contributed to substantial downtown residential development in the City of Ottawa. The magnitude of development

[4] Exemption from building permit and planning application fees, and cash-in-lieu of parkland levy incentives was cancelled in March 2004.

has allowed the City to realize short to medium-term returns on foregone development charge revenues. In fact, the development charge waiver on residential development has been so successful that Ottawa City Council voted to confine the incentive to a smaller geographic area. Recently the City has achieved its target of adding 3,500 households by 2004. Generally, residential projects have increased, with downtown Ottawa experiencing a significant growth in condominium development. Between 1998 and 2004, an estimated 50 downtown condominium projects have resulted.

Generally speaking, the one-time waiver of development charges and permit fees has neutral municipal budget implications for the first two subsequent years. Thereafter, the waiver exerts positive impacts on the budget generating a net-positive budgetary benefit. It should be pointed out that, in many instances, in the absence of financial incentives the cost disparity between downtown and suburban development precludes downtown development. Consequently, this prevents a municipality from collecting tax revenues on undeveloped properties. Often, the tax generation potential of these under-performing lands can only be captured once financial incentives, including development charge waivers, are provided.

A review of downtown building permit statistics underscores the effectiveness of the Downtown Action Plan's short-term initiatives. Comparing building activity between 2000 and 2001, the first year following the implementation of short-term initiatives, to activity between 1999 and 2000 suggests that the plan provided substantial stimulus for downtown development (Figure 8). Within the exempt area, the value of residential building permits grew from approximately $8.7 million (1999-2000) to $19 million (2000-2001). Over the same time period, the number of residential units increased from just 37 to 243, a six-fold increase. At a conservative market assessment of $250,000, this translates into an increase of approximately $51.5 million in assessment.

Approximately $1.7 million in building permit fees waived between 2000 and 2001 generated a considerable net-budgetary benefit. That is, for each $1 in waived building permit and planning application fees, the former City of Ottawa gained approximately $52 in combined residential and commercial construction value (Figure 8).

Figure 8: Residential and Commercial Building Permit Activity

	Residential		% Change
YEAR	1999-2000	2000-2001	
Construction Value	$8,752,630	$19,036,697	117%
Number of Units	37	243	557%
Estimated Assessed Value	$9,250,000	$60,750,000	557%
	Commercial		% Change
YEAR	1999-2000	2000-2001	
Construction Value	$79,773,733	$93,071,879	17%

Source: urbanMetrics inc. based on City of Ottawa *2002 Evaluation of the Downtown Action Plan*

Between 1999 and 2004, the City of Ottawa (former City of Ottawa) had forgone approximately $5.8 million in downtown development charges. However, over the same time period, a substantial number of residential units have been developed, now generating approximately $4.5 million in taxes annually. That is, for every $1 of waived development charges (a one-time source of revenue), the residential developments now generate $0.77 in annual tax revenue. While it is difficult to attribute all of the residential development to the development charge exemption, the ratio between waived development charges and annual tax revenues produced by residential development provides an indication as to the fiscal benefits that can be generated provided that development charges are waived for residential development.

The waiving of fees by the City of Ottawa has also resulted in the construction of a modest-priced housing development in the City's downtown, transforming a large parking lot into condominium loft apartment buildings. According to the developer, the decision to proceed with the project was substantially motivated by the City's decision to waive applicable development fees.

In statements to the City of Ottawa, several downtown property owners/developers cited the cost disparity between downtown and suburban development. The waiving of various building, development and permit fees was noted as a deciding factor in attracting private sector investment into the downtown. In addition, the development industry noted that the waiving of development fees can make Ottawa more competitive with other jurisdictions which use financial incentives as a means of attracting development.

4.5 Downtown London Community Improvement Plan, City of London

In the City of London, efforts aimed at enhancing the downtown date back to 1984 and include a number of community improvement initiatives. Today, rejuvenation of London's downtown is guided by the City's *Downtown London Improvement Plan* (adopted in 1995). By identifying proposed and already implemented incentives and initiatives, this plan is intended to provide context for efforts aimed at improving downtown London's physical, economic, and social characteristics. The legislative basis for London's downtown includes Section 28 of the *Planning Act* and community improvement policies of the City's *Official Plan*. The plan is flexible and generic, allowing the City to identify projects not specifically mentioned in the CIP provided that a given project will contribute to downtown revitalization and redevelopment.

The plan's underlying theme is to foster an environment that is conducive to growing the downtown's residential component. This theme is complemented by four key objectives:

1. **Public Investment and Coordination:** the plan serves to sharpen municipal investments in streetscape beautification, and municipal infrastructure and services. In addition, the CIP calls on the City to coordinate downtown planning and development activity.

2. **Heart of it All:** Successful implementation of London's downtown CIP will see the downtown prosper into a unique mixed-use community, recognized as the centre of residential, employment and recreational activity. Downtown London will become a regional centre for Southwestern Ontario, while becoming the City's cultural, business, office and administrative centre.

3. **Rehabilitation:** Emphasis in placed on assisting private sector developers in the rehabilitation of existing buildings, and the redevelopment of residential and commercial uses within the downtown. The removal or reconditioning of degraded structures is viewed as an important step toward ensuring the downtown's long-term economic vitality.

4. **Historic Preservation:** Significant heritage properties are to be preserved, thereby improving the downtown's visual quality.

To achieve these goals, the plan aims to attract private sector investment in property maintenance and renewal, the supply of specialized attractions and public facilities, streetscape beautification and improvements, and pedestrian amenities.

Implementation of London's downtown CIP is achieved through the use of three financial incentives:

- Downtown Rehabilitation and Redevelopment Grant
- Façade Restoration Program

- Building Code Downtown Renovation Loan

The Downtown Rehabilitation and Redevelopment Grant aims to foster downtown revitalization by reducing the financial burden of rehabilitating and renovating eligible downtown properties (the program is scheduled to conclude on December 31, 2007). Grants are only provided for projects which, upon the completion of rehabilitation or redevelopment, will increase the property's assessment value. The value of this TIF-based financial incentive is a function of the incremental increase in the municipal portion of taxes that are generated upon rehabilitation or redevelopment. The grant is paid over a period of 10 years, at an annually declining scale. The Downtown Rehabilitation and Redevelopment Grant program is the City's key residential-specific incentive.

London's Downtown Rehabilitation and Redevelopment Grant program sets the grant amount based on the nature of a given rehabilitation or redevelopment project:

- Level 1: Rehabilitation and Designated Heritage Properties: Only Priority 1 properties designated under the *Ontario Heritage Act* are eligible for grant funding under Level 1. In addition, upon rehabilitation/renovation, the heritage designation of any such property must not have been compromised. Level 1 Downtown Rehabilitation and Redevelopment Grants offer the most favourable grant payment schedule.

- Level 2: Rehabilitation/Renovation Grants: These grants apply for the rehabilitation or renovation of existing buildings, including their conversion into new uses (e.g. retail, restaurants, etc).

- Level 3: Redevelopment Grants: Level 3 grants are intended for eligible new construction on vacant or cleared downtown sites. The aim of these grants is to encourage the recycling of otherwise under-utilized lands to productive use. The grant payment schedule for Level 3 projects is least favourable.

London's Façade Restoration Program provides eligible downtown property owners with interest-free loans amortized over 10 years. These loans are intended to be used for the restoration and rehabilitation of commercial properties. The loan covers up to 50% of eligible improvements, to a limit of $15,000 or $625 for each foot of frontage (to a maximum of $25,000). Properties designated under the *Ontario Heritage Act* are entitled to additional funding

The Building Code Downtown Renovation Loan program provides successful applicants with an interest free loan to assist with the costs of bringing older structures into compliance with modern building and fire code regulations.

In addition to adopting the aforementioned three financial incentives, the City has exempted qualifying downtown residential development from parking requirements and has imposed an exemption on development charges relating to residential projects. This development charge waiver is seen as being a key factor in attracting downtown residential development. Average development charge savings of $4,500 to $5,500 per unit are perceived to contribute to making projects more financially attractive to developers, thereby attracting development. Combined with the parking requirement exemption for residential development within the CIP, developers can realize greater savings.

Downtown and City-wide, industrial development benefits from a development charge exemption. Potential investors also benefit from non-financial incentives, including business counselling and ready access to an educated labour pool. While important, the development charge waiver is not generally viewed as being the deciding factor in attracting investment. Rather, labour quality and costs, and proximity to related businesses are seen as the underlying factors in location decision making.

Program Success

The success of London's downtown CIP is measured in terms of the value of private sector investment, number of building permit applications, square footage of demolished and build space, construction value, and the number of new residential units, among other indicators. Generally, the CIP has met with success. Since 1999, approximately 700 residential units have been added. Return on public investment has been substantial and residential prices have risen steadily.

Steady uptake of available financial incentives also indicates that London's downtown CIP has met success. Since 1999, the value of funds (opened and committed loans) offered through the Façade Restoration Program has exceeded $300,000. A further $750,000 has been provided in Building Code Downtown Renovation loans. Projects approved under the Downtown Rehabilitation and Redevelopment Grant program have benefited from grants ranging from approximately $40,000 to $2.5 million, offering substantial savings for successful applicants. The number of applications has grown significantly, increasing from just 2 prior to 2001 to approximately 15 since 2001.

Financial returns on incentives offered by the City have been considerable. By one estimate, each $1 in Building Code Downtown Renovation loans translates into $37 in private investment. Similarly, for each $1, the Façade Restoration Program generates between $28 and $35 in private sector investment. Downtown Rehabilitation and Redevelopment grants generate approximately $4 in private investment for each $1 of public funding.

The Downtown Rehabilitation and Redevelopment Grant and the Building Code Downtown Renovation loans have been used widely for residential development. Since 1998, about 9 residential projects have taken advantage of this incentive. Between 1998 and 2003, approximately 680 new downtown residential units were developed, representing about $40 million in private investment.

Besides directing funds through its downtown CIP, the City has invested an estimated $150 million in 'seed' projects intended to generate spin-off development. These projects have included a convention centre, an arena, and a farmers' market. Private sector investment generated by these projects has approached $70 million.

4.6 Core Commitment, City of Burlington

Although Burlington does not currently offer a formal incentives program directly to downtown property owners, the City is committed to the creation of a re-energized, people-oriented, healthy, safe and prosperous downtown. As part of this commitment, the City of Burlington has developed a conceptual plan for its downtown entitled, *Core Commitment*. The plan identifies the many benefits of nurturing growth in the downtown as well as potential redevelopment and investment opportunities on largely under-utilized lands. Core Commitment provides an excellent overview of the qualitative benefits that can be realized by sustained downtown promotion. With a time horizon extending to 2012, the Core Commitment places substantial emphasis on the attraction of residential development between 2004 and 2012.

The plan's chief objective is to unlock the true potential of the City's downtown by returning currently idle or underused downtown sites into productive uses. This includes uses capable of establishing new high density residential communities, office and retail uses, and cultural and tourism destinations. To accomplish this, the plan serves as a ten-year guide for the allocation of public and private investment in Burlington's downtown.

Six key themes underline *Core Commitment*:

- **Downtown revitalization:** Downtown Burlington will be revitalized to improve quality of life standards, attract tourism, and create an attractive destination for local residents. As part of this effort, *Core Commitments* emphasizes the redevelopment of a number of under-utilized lands for residential, office, retail and recreational uses.

- **Dynamic retail business area:** The City is committed to revitalizing its downtown retail experience through the attraction of public sector investment.

- **Marketing:** To attract tourism to its downtown, Burlington intends to enhance its marketing efforts by developing a single marketing image for downtown Burlington. The objective is to establish the downtown as a dynamic area offering a wealth of residential, employment, recreational, and investment opportunities.

- **Special events and festivals:** To capitalize on the City's waterfront facilities, Burlington intends to nurture existing events and festivals and to complement these with new attractions. The vision for downtown Burlington calls for the core to be the City's cultural centre, where visitors can access a wide variety of visual arts, multi-cultural, and performance events.

- **Leadership:** Successful implementation of a downtown revitalization plan requires political commitment and leadership. Burlington City Council is committed to the implementation of its Core Commitment. Implementation will require prompt response to downtown redevelopment proposal while remaining sensitive to the needs of the local population.

- **Accessibility:** Mixed-use development, pedestrian environment, high density residential, environmental sustainability, and public accessibility are among the principles that will guide the revitalization of Burlington's downtown.

Burlington has identified a number of success factors and initiatives to the revitalization of its downtown. First, the City is committed to providing infrastructure required to stimulate private sector investment, including extending incentives which will bridge the cost differential between greenfield and brownfield development. Second, Core Commitment calls on the City to provide a fair, responsive and expedited planning service for developers seeking to participate in Burlington's downtown revitalization efforts. Next, the City will invest in downtown beautification through facility maintenance and capital renewal.

As part of Core Commitment implementation process, a fiscal impact analysis study was completed for the City of Burlington in October 2004. The purpose of this study was to provide greater clarity to municipal decision makers with respect to the importance of on-going public support designed to encourage private sector development on under-utilized sites. In addition, the report was intended to provide a "quantification" of fiscal costs/benefits for the City and the broader provincial economy as a whole. This was achieved through fiscal impact and economic impact analysis.

At present, the City is reviewing the report's recommendations and is considering the feasibility of adopting municipal incentives to maximize private sector investment in its downtown.

Downtown residential development is subject to development charges. Within the downtown and City-wide, the first 50% of existing industrial use expansion is exempt from applicable development charges. Non-financial incentives offered through the City's Economic Development Corporation include assistance with job fairs and streamlining the development approvals process. This assistance has proven successful in attracting industrial development to the City.

Program Success

Within the framework of Core Commitment, the City has invested in the construction of a municipal downtown parking garage. The City is also investing in various downtown waterfront projects. These 'seed' projects are intended to attract spin-off private investment into the downtown.

As indicated previously, downtown residential development is subject to applicable development charges. To date, considerable private sector interest in residential development has not created the need for a development charge waiver. Within the downtown, two residential projects are currently under construction. One of the projects is a 14-storey 60-unit residential tower with ground-floor retail. A 120-unit, 12-storey residential project with ground-floor retail is also under construction. In addition, the City is in possession of two active applications for high-rise residential development, three applications for townhouse development, and one application for detached units.

4.7 Downtown Core Areas CIP, City of Thunder Bay

In September 2004, to further its downtown rejuvenation efforts, Thunder Bay City Council adopted (awaiting MAH approval) the *Downtown Core Areas & Simpson Street Business Improvement Area CIP* (an update of a 1998 plan). The intention of the CIP is to attract private sector investment in the rehabilitation of lands and existing buildings within the designated area. The CIP provides financial incentives to ensure that the downtown continues to serve a variety of residential, commercial, institutional and recreational uses.

The Thunder Bay CIP includes four rehabilitation-based incentives:

1. Tax Increment-Based Grant Program
2. Planning and Building Fee Grant Program
3. Façade Improvement Loan Program
4. Rehabilitation Grant/Loan Program

Tax Increment-Based Grant Program

Property owners within the designated area are eligible for a TIF-based grant provided that they undertake property rehabilitation resulting in re-assessment. The incremental increase in municipal taxes determines the value of the grant paid to the applicant. The intent of the Tax Increment-Based Grant Program is to spur property rehabilitation, while minimizing the financial burden on the City as this program is self-financing.

Planning and Building Fee Grant Program

This incentive serves to attract downtown business and residential investment. The grant effectively reimburses successful applicants for most municipal planning application fees. Eligible fees include Official Plan and zoning by-law amendments, minor variances, site plan control and development agreements, statements of approval, consents to sever, and plans of subdivision/condominium. Fees associated with building permit applications are also subject to grants.

Facade Improvement Loan Program

Under the Facade Improvement Loan Program, eligible property owners and tenants receive an interest-free loan for facade improvements. The loan has an upper limit of 50% of the facade improvement costs, to a maximum of $15,000. Facade improvement includes, among other things, brickwork, repair of architectural details, window and door repair/replacement, exterior lighting, and the replacement of awnings.

Rehabilitation Grant/Loan Program

This program provides direct grants/loans to successful applicants that engage in downtown rehabilitation projects. The Rehabilitation Grant/Loan Program is intended to assist the private sector with the costs of downtown rehabilitation. The value of the grant/loan may not exceed the value of the work completed.

In addition to the four financial incentives identified above, portions of the City's downtown are subject to less restrictive zoning requirements. A more flexible zoning approach permits a greater number of uses and establishes more favourable yard, frontage, and parking requirements. There are no development charges in the City of Thunder Bay. Industrial development within the City’s waterfront CIP benefits from TIF-based grants, while the City’s Tourism and Economic Development department provides non-financial incentives. These include facilitating access to Federal assistance programs and marketing.

Program Success

The success of the Thunder Bay CIP will be assessed based on the number of building permits, types of applications and their value in addition to other indicators. To date, (including funding offered under the 1998 plan), the City has approved approximately 54 applications under the CIP program. These applications benefited from a total of about $232,000 in incentive funding. Thus far, all of the applications have been for commercial development.

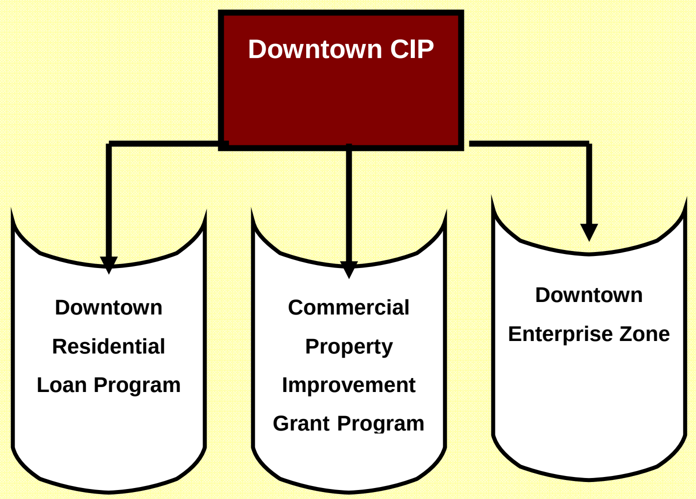
4.8 Downtown Community Improvement Plan, City of Hamilton

To stimulate downtown residential investment, commercial property improvements, and overall downtown renewal and regeneration, the City of Hamilton provides three financial incentives:

- Downtown Residential Loan Program;
- Commercial Property Improvement Loan Program; and
- Enterprise Zone.

These incentives serve to implement the objectives of Hamilton's Official Plan and the Downtown Secondary Plan as they relate to the downtown area. To be approved under the above programs, a proposed development must conform to the goals and objectives of Hamilton's Official Plan and its Downtown Secondary Plan.

Figure 9: Municipal Incentives, City of Hamilton



source: urbanMetrics

Incentives offered through the Enterprise Zone and the Downtown Residential Loan Program apply to the Downtown Hamilton Community Improvement Project Area. Financial assistance provided through the Commercial Property Improvement Grant is limited to Hamilton's 11 Business Improvement Areas (BIAs). The Downtown Community Improvement Project Area includes 3 of the 11 BIAs.

Downtown Residential Loan Program

The Downtown Residential Loan Program is a key incentive offered by the City to attract downtown residential investment. Qualifying applicants are entitled to an interest-free loan (maximum 5-year term) to assist with the costs of commercial space conversion into residential uses. The loan may also be used to reduce the costs associated with the bringing existing residential uses to compliance with applicable by-laws, property standards and fire code requirements. Projects concerned with the development of new residential units on vacant lands may also qualify for funding. To calculate the maximum loan value, a $20 per square foot of habitable floor space value is used, with Council having the right to define what constitutes such space.

Commercial Property Improvement Grant Program

Financial assistance offered under the Commercial Property Improvement Grant Program is intended to assist eligible commercial property owners (or authorized tenants) within Hamilton's 11 BIAs with the costs of commercial property appearance improvements. The City has identified commercial property improvements as contributing to the overall vitality and health of its commercial base. The program aims to foster long-term physical improvement to commercial properties.

The value of the grant is based on estimates of work to be done on a given commercial property. The grant has a maximum value of $7,500 for eligible work and is paid on a matching basis. Eligible costs include those associated with storefront improvements, door upgrades, lighting, awnings, architectural design fees (up to $750), and interior improvements (up to $2,500).

Enterprise Zone

The Enterprise Zone program provides successful applicants with a municipal realty tax incentive grant. Financial assistance is intended to act as a catalyst for stimulating the development, redevelopment and/or the renovation of residential and commercial properties located within the Enterprise Zone. This includes new development and the redevelopment of vacant or under-used commercial buildings and lands. Existing buildings can qualify for the municipal realty tax incentive provided that they exhibit, at minimum, a 50% annualized commercial/residential vacancy rate.

Assistance is offered in the form of a 9-year grant. Hamilton City Council has the discretion to set the value of the grant, provided that the amount does not exceed the municipal realty tax increase directly attributable to the development/redevelopment. The total nine-year grant value cannot exceed the total value of the work done.

Downtown residential development (in defined areas) is exempt from applicable development charges. Similarly, within certain downtown zones, industrial development is also exempt. Beyond the downtown, industrial development is subject to applicable development charges. However, in some instances brownfield industrial development may be exempt from applicable charges. According to municipal staff charged with downtown renewal, development charge waivers offer considerable impetus for private sector investment. One downtown office development benefited from approximately $1 million in development charge savings.

Program Success

To date, the three community improvement area incentives have met with much success. Under the Enterprise Zone program, alone, the City has processed approximately 14 applications. An estimated $19 million has been committed by the City in Downtown Residential Loan funding. It is anticipated that this investment will generate $100 million in construction and add 1,000 residential units. This translates into roughly $5 in construction value for each $1 of residential loan funding. In a 2004 report[5] Hamilton City Council concluded that "In 2003, in Downtown Hamilton building permits were issued for the construction of 47 dwelling units. Of these, 46 of the proposed units have been approved…under the terms of the Hamilton Downtown residential Loan Program…without the loan program, only one dwelling unit would have potentially been constructed in 2003…without the loan program, very little residential construction occurs". This underscores the need to provide financial assistance to private sector investors.

Uptake of the Commercial Property Improvement Grant program has also been substantial, benefiting over 100 properties. An estimated $700,000 in public funding has been provided and is associated with roughly $1.8 million in construction value. That is, each $1 in commercial property improvement grants translates into approximately $2.5 in construction value. Between 2002 and 2003, Hamilton City Council approved approximately 66 applications under the Commercial Property Improvement Grant program.

Incentives provided to the community improvement area have contributed to the completion of a 90 unit residential project. In addition, approximately seven residential projects are currently under construction. These projects range in size from approximately 11 to 200 units.

[5] Our Downtowns and BIAs – 2003 Annual Report and 2004 Downtown Renewal Division Work Plan (PD04101) (City Wide).

4.9 Environmental Remediation and Site Enhancement (ERASE) CIP, City of Kingston

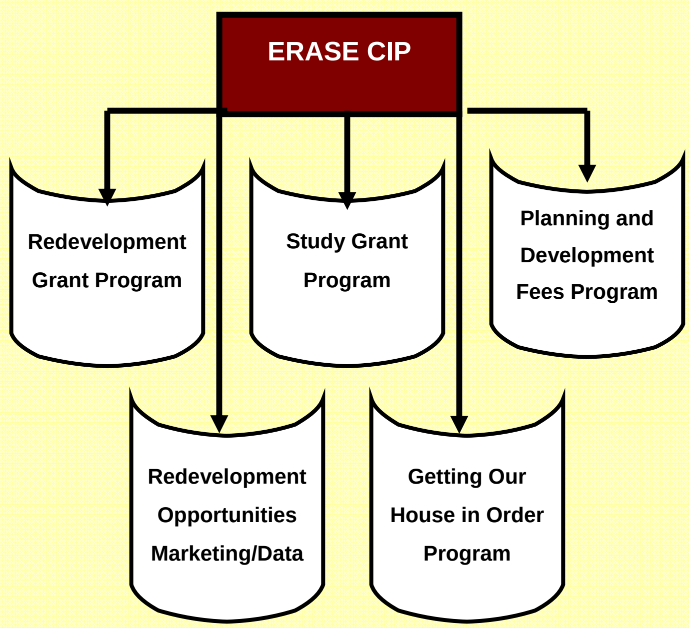
To spur the redevelopment of underutilized and contaminated industrial sites, the City of Kingston has crafted the *Kingston Environmental Remediation and Site Enhancement (ERASE) CIP*. The program is scheduled to be approved by Council in December 2004. The Kingston ERASE CIP is based on a 'public good' rationale with an emphasis on the positive socio-economic benefits associated with the return of idle industrial lands to productive use. Recycled into productive use, brownfields have the potential to (i) augment the municipal tax base; (ii) generate employment; (iii) minimize the need for new infrastructure; (iv) revitalize neglected neighbourhoods; and (v) remove potential public health hazards posed by contamination associated with brownfields.

Kingston's ERASE CIP serves as a comprehensive strategy for promoting the remediation and redevelopment of eligible industrial properties. The ERASE CIP program consists of five main components (Figure 9):

- Redevelopment Grant Program;
- Study Grant Program;
- Planning and Development Fees Program;
- Redevelopment Opportunities Marketing and Data Base Program; and
- Getting Our House in Order Program.

Kingston's ERASE CIP will also include policies to allow the City to provide education property tax assistance to successful applicants.

Figure 9: Municipal Incentives, City of Kingston



source: urbanMetrics

Redevelopment Grant Program

The intent of the ERASE Redevelopment Grant Program is to leverage public investment to provide financial assistance to private sector developers who undertake redevelopment within a Community Improvement Project Area(s). This assistance is meant to offset property remediation and redevelopment costs associated with brownfield redevelopment. Only projects which will result in re-evaluation and a property tax increase are eligible for redevelopment grants.

Funds under the ERASE Redevelopment Grant Program are provided to developers on a ‘pay-as-you-go’ basis whereby the developer is required to pay all remediation and redevelopment costs up front. Total grant value may not exceed the total value of eligible work completed on which the site re-assessment was based. Eligible work includes the cost of:

- Environmental studies;
- Environmental remediation;
- Site preparation;
- Demolition.

Study Grant Program

Brownfield redevelopment is slow to materialize in the absence of adequate information as to the specific nature and location of contamination. Therefore, the chief objective of the ERASE Study Grant Program is to provide detailed information on the existence, type, and extent of contamination, as well as the estimated cost of site remediation. To generate new information and stimulate private sector investment in environmental studies, the program makes grants available to assist with the cost of environmental site assessment studies.

Planning and Development Fees Program

Municipal planning and development fees can significantly increase the costs of brownfield redevelopment. In light of this, under the ERASE Planning and Development Fees Program, grants are provided to developers to offset fees paid for the following:

- Official Plan Amendment;
- Zoning By-law Amendment;
- Minor Variance;
- Zoning Verification;
- Site Plan Application;
- Revision of Approved Site Plan;
- Demolition Permit;
- Building Inspection Fee;
- Permit for Change of Use.

Redevelopment Opportunities Marketing and Data Base Program

The ERASE Redevelopment Opportunities Marketing and Data Base Program consists of two main components: (i) a marketing program, and (ii) a data base program. The key objective of the ERASE Marketing Program is to communicate the financial incentives available under the ERASE CIP program to potential brownfield developers. Generally, the ERASE Marketing Program involves compiling a list of key brownfield redevelopment sites together with data on the condition of each site and making this information available to the development industry.

Complementing the marketing program is the ERASE Data Base Program. The objective of the ERASE Data Base Program is to compile current information on all brownfield sites within a given municipality/area of a municipality. Site location, size, ownership, and severity of contamination are among the items which are normally included is an ERASE Date Base Program. Once complete, an ERASE Date Base Program will serve to assist municipal staff in:

- Responding to information inquiries;
- Monitoring brownfield redevelopment within the CPIA;
- Implementing and monitoring the ERASE CIP programs;
- Providing feedback to improve the ERASE CIP program as required; and
- Supplying information to support the ERASE Marketing Program.

ERASE Getting Our House in Order Program

Funded by a 20% municipal property tax increase from properties redeveloped under the ERASE Redevelopment Grant Program, the aim of the ERASE Getting Our House in Order Program is to expedite brownfield redevelopment through direct municipal action. Such action may involve the municipal purchase and redevelopment of strategically located brownfield sites with a CIP. Alternatively, the funds may be used by a municipality to engage in public-private partnerships in order to redevelop publicly or privately held sites.

City-wide, industrial development (irrespective of site condition) is exempt from applicable development charges. Within the ERASE CIP area, development charges are waived for eligible residential projects provided that the project is related to the remediation and/or redevelopment of brownfield sites (e.g. site requiring remediation, etc). Based on the experience of other municipalities, it is assumed that development charge waivers are crucial to attracting private sector investment.

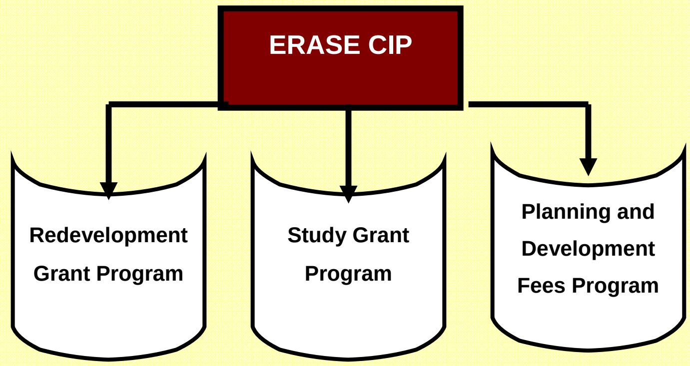
Program Success

Upon approval, success of the ERASE CIP is likely to be measured in terms of the number of applications filed, value of rebates granted, and the net tax revenue generated for the City. Interest in ERASE CIP incentives has been strong, with four developers ready to proceed with projects once the incentives come into effect. Three of the developments are likely to be mixed residential-commercial projects, including a hotel. One of the proposed residential-commercial projects will consist of approximately 1,000 units.

4.10 Environmental Remediation and Site Enhancement (ERASE) Plan, City of Hamilton

In 2001, the City of Hamilton approved the *Environmental Remediation and Site Enhancement (ERASE) Plan* (Figure 10). The objective of the plan's incentives is to promote brownfield redevelopment and re-use within a 3,400 acre area industrial area. The plan's chief objective is to encourage the return of old industrial lands into productive economic uses.

Figure 10: Municipal Incentives, City of Hamilton



source: urbanMetrics

Hamilton's ERASE Plan has three component programs:

- ERASE Redevelopment Grant;
- ERASE Environmental Study Grant; and
- ERASE Planning and Development Fees.

Under the Redevelopment Grant program, eligible property owners are entitled to grants which cover brownfield redevelopment-related costs. Eligible costs include (i) remediation/environmental studies; (ii) demolition; and (iii) site preparation costs. A grant is only paid if the redevelopment translated into increased property taxes and assessed value.

Environmental Study grants offset Phase II and Phase III Environmental Site Assessment costs. The City provides matching grants, to a maximum of $10,000 per study or 2 studies per property.

Further relief is offered through the Planning and Development Fees incentive. Successful applicants receive a grant in-lieu of applicable planning and development fees. Fees relating to the following may be eligible for a grant: official plan amendment, zoning by-law amendment, minor variance, zoning verification, approved site plan revision, demolition permit, building inspection, and permit for change of use. Waiving these fees can substantially reduce the cost of a project and make it more economically viable.

The three incentives offered through Hamilton's ERASE Plan are complemented by the presence of a Brownfield Coordinator. This single point-of-contact is responsible for providing guidance on ERASE applications, providing brownfield information, and streamlining access to regulatory and planning officials. The Brownfield Coordinator also advocates for inter-departmental and inter-governmental cooperation on brownfield issues.

As previously indicated, qualifying downtown residential and industrial developments are exempt from development charges. Beyond the designated downtown area, industrial uses are subject to applicable development charges. An exemption may be made in cases where industrial development requires site remediation/restoration.

The development charge waiver has proven to be a key factor in attracting downtown residential investment. Results collected from a questioner distributed to the development community indicated that a development charge waiver is frequently the pivotal factor in deciding whether to proceed with a project. A development charge waiver was seen to be significantly more important than the waiving/rebating of applicable planning/building fees. Industrial uses are subject to applicable development charges city-wide, including within the ERASE Plan area.

Program Success

The ability of ERASE CIP to attract private investment has been widely acknowledged. Interest and understanding of the ERASE Plan has steadily improved. In the first 18 months of the program, nine applications were submitted. Of these nine applications, two resulted in the construction/refurbishment of 228,000 square feet of space and the rehabilitation of over 11 acres of contaminated lands. Work associated with the project increased employment by 12 full-time positions and allowed for the retention of an additional four full-time positions. Assessed property value increased by $6,000,000, augmenting municipal property tax revenue by approximately $360,000. By May 6, 2003, the City of Hamilton approved a total of $987,100 in ERASE CIP grants. This ERASE CIP funding has leveraged $14,200,000 in construction expenditures. In other words, for every $1 of ERASE CIP funding, approximately $14 in private sector investment has been leveraged.

Success of Hamilton's ERASE Plan is measured using common indicators, including the (i) number of approved applications; (ii) value of granted incentives; (iii) construction value; and (iv) land area remediated. It is anticipated that, with minor modifications, the existing ERASE Plan will be expanded to apply city-wide by the end of 2004.

4.11 B*rownfield Sites CIP*, City of Brantford

To promote the rehabilitation of contaminated sites and their return to productive use, in January 2003, Brantford City Council approved the *Brownfields Strategic Action Plan*. The plan provides eligible property owners with four financial incentives to attract private sector investment in the rehabilitation and redevelopment of the City's brownfields (located in the downtown area). Underpinning Brantford's CIP is the conviction that recycling brownfields into productive use can (i) improve public health by removing potential environmental hazards; (ii) expand the municipal tax base; (iii) remove environmental contaminants; and (iv) improve public understanding of the environmental, social and economic benefits generated by brownfield development.

The plans intent is to level the financial cost differential that exists between greenfield and brownfield development. Currently, an acre of serviced greenfield industrial land in the City of Brantford sells for $55,000 to $60,000 an acre. For brownfields, site remediation costs alone can range from $150,000 to $300,000 per acre. In addition to remediation expenses, costs associated with the demolition of existing structures can render the cost of redeveloping brownfields prohibitive. In many instances, remediation and demolition costs associated with a brownfield site can far outweigh its land value.

To assist in bridging this disparity, Brantford's CIP provides eligible property owners with the following four incentives:

1. Study Grant Program;
2. Property Tax Reduction Program;
3. Performance Tax Grant Back Program;
4. Development Charges.

Study Grant Program

This program is intended to reduce the costs associated with completing environmental site assessment and remedial work plans. Participants in this program must agree to supply the City with a copy of funded studies, and agree that the study will be made publicly available. This program is not yet operational.

Property Tax Reduction Program

To attract brownfield remediation and redevelopment activity, the Property Tax Reduction Program reduces/cancels property taxes collected for municipal and school purposes. The value of this program may not exceed the value of work completed. This program is not yet operational.

Performance Tax Grant Back Program

This program serves to leverage private sector investment by providing with a TIF-based grant. The grant is available to successful applicants who rehabilitate vacant or under-utilized former commercial/industrial lands and generate an increase in municipal property taxes. This program is not yet operational.

Development Charges

Qualifying downtown residential developments benefit from reduced or eliminated development charges. A development charge waiver is viewed as an important tool in attracting private sector investment. City-wide, industrial uses are exempt from development charges.

The City's financial incentives are further complemented by its commitment to direct municipal action on brownfield redevelopment. Direct municipal action entails, among other things, the (i) coordination of municipal actions to facilitate brownfield remediation and redevelopment, (ii) ensuring inter-departmental cooperation on issues pertaining to brownfield redevelopment; (iii) forming strategic partnerships with Federal and Provincial governments; (iv) encouraging the development and use of innovative brownfield remediation technologies; and (v) marketing available CIP incentives.

In addition to the CIP, Brantford City Council has established a brownfields sites reserve fund to finance brownfield related projects. To date, the fund has been used to fund several brownfield related projects.

Lastly, as part of Official Plan review activities, Brantford has also been engaged Phase II environmental investigations, revisions of Official Plan policies pertaining to industrial lands (e.g. including planning policies to stimulate environmental remediation and to allow more uses on remediated brownfields).

Brownfield development in Brantford is also aided through the existence of a Brownfields Community Advisory Committee. The Committee's mandate focuses on providing advice on matters related to brownfields.

Program Success

The success of Brantford's CIP is likely to be measured based on the number of sites redeveloped and the amount of tax revenue generated. To date, the City has not provided any funding under its Brownfields Sites CIP, largely due to insufficient staffing necessary for program implementation.

While the association between development charge waiver and industrial tax base growth is difficult to establish, such a waiver can increase the competitiveness of one municipality over another. The more competitive community is generally more effective at attracting development. In Brantford, the

City's industrial base has grown steadily. Based on a five-year average, approximately 55 acres of serviced city-owned lands are sold annually.

4.12 Summary of Findings

Based on our review of the various programs and consultation with municipalities, we arrived at the following key findings:

1. **Recent changes to Ontario legislation have provided municipalities with broader powers and tools relating to the provision of financial incentives. Used effectively, these tools have the potential to positively impact both downtown residential investment and city-wide industrial development.**
2. **Municipal efforts at targeting downtown residential intensification and industrial tax base growth are generally undertaken through the use of the Community Improvement Plan provisions of the *Planning Act*.**
3. **The Community Improvement Plans often underscore the economic, social and environmental benefits of downtown industrial development on vacant and under-utilized sites. As such, efforts targeting the industrial tax base usually focus on re-development rather than greenfield development.**
4. **Efforts at increasing the industrial base on a city-wide basis have largely been limited to development charge waivers and non-financial assistance in the form of business planning assistance, marketing etc.**
5. **The municipal programs and revitalization tools reviewed in this report are seen as having been very successful. This is largely attributed to the fact that financial returns on private sector investment are frequently many times higher than the initial value of the incentive.**
6. **A review of best practice programs targeting growth and reinvestment in downtowns reveals that the community benefit derived from new downtown residential development necessitates either the elimination or reduction in applicable development charges. The one-time costs of a development charge waiver are far outweighed by the economic (increased economic activity, assessment and tax revenues); social (removal of stigma, decrease in number of underutilized or vacant sites), and environmental (contaminant removal) benefits.**
7. **Exempting downtown properties from development charges is an effective way of off-setting the development cost premium of downtown infill development as development charges are seen as an impediment to private sector investment.**

Industrial tax base growth can also benefit substantially from a development charge exemption when looking to stimulate industrial growth.

8. **An over-riding factor in the success of the incentive programs discussed in this report has been the initial involvement and ongoing coordination between municipal departments, the public and the development community. The internal administration of these incentive programs has also been a coordinated effort usually involving planning, economic development, and finance departments.**

Building on these findings the next section of the report comprises a review of local issues and interests as it pertains to the use of incentives. As can be appreciated, the crafting of financial and land use planning tools to stimulate private sector investment requires considerable consultation and input from a variety of local stakeholders. This approach ensures that recommended, and any subsequently adopted incentives, reflect local needs and addresses specific issues pertaining to development and re-development of the downtown or the City's industrial areas.

As part of this process, we have consulted with the local development community, investors, businesses, property owners as well as municipal staff. We have also been further informed on the downtown as a result of our involvement in the Downtown Investment Plan and Management Structure Study. Should the City of Guelph proceed with the implementation of an Incentives Program in the downtown, further consultation with local property owners will be necessary.

5 Use of Incentives in Guelph's Industrial Areas

As discussed earlier, the use of financial incentives for the purposes of investment attraction to industrial sites has largely been limited to the reducing of, or waiving of applicable development charges. While there are examples of municipalities becoming more aggressive in their investment attraction efforts (e.g. assuming a head lease, buying the property and leasing it back to an investor, selling of municipal land at cost), these efforts are not associated with any program and are usually entertained only when there is an opportunity in hand and only then, with Council's approval.

The exception to this has been in municipalities with older industrial lands that may require remediation before they can be considered for re-use. The financial, legal and liability hurdles often severely impede their development and soft costs associated with brownfield projects (e.g. legal fees, insurance, contingency, financing, etc) can often exceed those associated with comparable greenfield projects. In addition, buildings located on old inner-city industrial/brownfield sites are often incapable of accommodating the space requirements of modern industrial uses, rendering them obsolete. In this instance, the use of incentives may be necessary to ensure the reuse or redevelopment of said lands.

The City of Guelph has a Brownfield Redevelopment Community Improvement Plan that details the City's intent with respect to the clean up and redevelopment of select brownfield sites and provides the incentives to support and encourage these community improvement activities.

5.1 Consultation: Business and Industry Stakeholders

In discussing the use of incentives to attract or expand industrial investment in Guelph, local business leaders have suggested that financial incentives alone would not have the desired impact of attracting new investment. Rather, what was required was a more comprehensive and flexible approach to dealing with the needs and requirements of business and industry. For a complete listing of issues raised please refer to Appendix B.

5.2 Recommendations: Incentives for Industrial Lands

Financial Incentives

In addressing whether the use of financial incentives would have the effect of attracting new investment to Guelph's industrial areas, it is our opinion that financial incentives, such as the waiving of applicable development charges are not required at this time. We have based this on the fact that:

- The current level of development charges are seen as being competitive;

- The City of Guelph has a Community Improvement Plan in place to deal with the remediation of brownfield sites;

- The City of Guelph has provisions in its Development Charge By-law for waiving 50 percent of the development charge fees of any planned expansion of existing facilities;

- The City's ability to increase industrial assessment is hampered in large part due to the lack of supply of readily available and serviced industrial land; and that

- The interest and demand for industrial sites in Guelph is set to increase with the opening of the Hanlon Creek Business Park.

An important consideration too, was the foregoing of development charge revenues that would otherwise enable the City to offset the costs of developing the new Hanlon Creek Business Park, and begin the planning associated with any future employment lands.

Although financial incentives are not recommended for the attraction of new industrial operations, in order to assist with the retention and expansion of existing businesses, we recommend that the City give consideration to:

- A 50% reduction of development charges for those existing Guelph businesses wishing to expand their operations to a different site

Non-financial Incentives

While additional financial incentives may not be required at this time to attract interest and investment in Guelph's industrial areas, the City must not become complacent with respect to the need to maintain a competitive market position relative to other Western GTA and South-western Ontario municipalities. For this reason we recommend that the undertaking of the following non-financial incentives:

- Create a central point of contact in the City with respect to the handling of development applications;

- Develop a process for fast-tracking development applications for existing industrial operations;

- Improve communication and promotion of the City's brownfield remediation program;

- Articulate the brownfield strategy for the attraction of, and support for local industry; and

- Expand the City's brownfield program to encompass the entire City

6 Use of Incentives in Guelph's Downtown

In contrast to the use of financial incentives to increase tax assessment in the City's industrial, it is our opinion that an incentives program could be effective in expediting the development of new residential units in the downtown, as it would assist in eliminating some of the financial risk that is equated with infill development. We base this on the fact that:

- Infill development is riskier and thus more costly than traditional Greenfield development because of more stringent and costly building code requirements and life safety issues;

- Infill development is often prototype development in contrast to the predictable nature of greenfield development, resulting in a long and more costly approvals process;

- Off-site costs incurred by infill development can have a significant impact on the viability of the project;

- Older buildings require regular maintenance and improvement and when underused, or unused, represent an even higher cost to upgrade and may be prone to vandalism and damage;

- Both the development community and finance community agree that residential development in the downtown will not succeed at any significant level without incentives; and

- The unanimous agreement of select municipalities as to the effectiveness of this tool.

The introduction of an incentive program would also serve other purposes – to assist in increasing the population living downtown, thus creating a ready market for downtown businesses and services. It would also maximize the opportunity for increased tax assessment and assist with maintaining and improving existing building stock. This in turn would help to ensure a sustained economic growth in the downtown and support the vital character of the downtown that was identified by stakeholders as being such an asset to the City of Guelph.

We strongly recommend that the City of Guelph proceed with the development of a community improvement plan for an expanded downtown or central core area that reflects a broader range of investment opportunities for both business and residential development.

The Community Improvement Plan should also include a comprehensive incentive program to stimulate new investment, particularly residential development. In addition, we would also suggest that Guelph incentivize development indirectly through:

- improvements to downtown public facilities (parking, open space, the pedestrian network);
- an increased emphasis on high quality architecture and design; and
- a well defined downtown development fast-tracking program.

Based on the success experienced in other municipalities, we are recommending that the City focus its incentive efforts in two areas - attracting residential development to suitable sites in the newly defined central core area and support for upper storey renovations of existing buildings.

6.1 Consultation: City Staff and Downtown Stakeholders

In discussing the use of incentives in the downtown with City staff, it was suggested that there may be a broader public perception that the downtown is doing well and therefore does not require any financial assistance. It was also suggested that there is a general lack of understanding as to why the downtown should be treated differently than any other commercial area of the City. In addressing the need for the introduction of incentives to stimulate residential development, it was recommended that effort be given to addressing these issues. In our opinion, this issue is more appropriately addressed as part of the Downtown Investment and Management Structure Study. In general, the discussion with staff focused on two key themes – policy issues and the implementation considerations of an incentives program.

In discussing the use of incentives to stimulate residential development in the downtown with local stakeholders, there was wide spread recognition that the value of a healthy downtown needed to be more effectively articulated to municipal officials and the public at large.

In general, the results of our discussion with downtown stakeholders focused on several key themes: planning issues, risk evaluation and public investment. For a more detailed review of these discussions, please refer to appendix B.

The section that follows discusses the financial implications associated with providing a residential incentives program in the City of Guelph's downtown.

6.2 Options for a Municipal Tool Kit

As noted previously any municipal efforts at targeting downtown residential intensification are undertaken through the use of the Community Improvement Plan provisions set out in Section 28 of the *Planning Act*. The City of Guelph currently has a Community Improvement Plan that includes the downtown area, but the policy framework only applies to the re-development of brownfield sites. The introduction of incentives to attract residential development will require a new Community Improvement Plan

Once Guelph has approved community improvement policies for the downtown within the framework of its Official Plan and designated a community improvement area, it may use the powers afforded it under Section 28 to issue grants or loans to registered owners of land and buildings within the designated area.

In addition to the provisions of the Planning Act, the Ontario Heritage Act further allows municipalities to make grants or loans to owners of heritage designated properties. These grants or loans are intended to pay for all or part of the cost of alterations of the designated property as per terms and conditions set by Council**.**

Section 27 of the Development Charges Act also enables municipalities to exempt areas of a municipality from the application of a development charges bylaw. Such areas can include a downtown or a development area, including a community improvement project area.

A key component of the incentive programs administered in other municipalities has been the waiving of fees and development charges to encourage residential development. Figure 2, sets out a range of City of Guelph municipal fees that can be waived, refunded or exempted as appropriate to provide an incentive to encourage the development of residential uses in the Downtown.

Figure 2 – City of Guelph Application Fees

SERVICES/PROCESS	APPLICATION FEES*
Residential Development Charges	Multiples - $2,136 / Apartments $1,052 to $1,456 per unit
Official Plan Amendment	Major - $5,030 / Minor - $3,910
Zoning By-law Amendment	Major - $5,590 / Minor - $2,790
Minor Variance	On Street Townhouse - $335.40 / Other $531.05
Demolition Permit	
Building Permits	Townhouse - $.901 per sq. foot / Apartment - $.751 per sq. foot
Site Plan Application	Residential $89.40 per unit
5% Parkland Dedication	
Parking Requirements	

*City of Guelph DC Admin Manual, May 2005 / City of Guelph Website, May 2005

6.3 Financial Implications

In determining the appropriateness of an incentives program for the City of Guelph an important consideration is the financial implications or cost to the municipality. Working with the staff of the Economic Development Department, two downtown properties were selected and development scenarios were confirmed. Scenarios were then developed to illustrate the costs associated with providing financial incentives, using fee waivers, and the overall resulting fiscal benefits gained by the City through the subsequent residential development.

It must be noted however, that this exercise is only intended to demonstrate an order of magnitude as to the increase in tax assessment that could result from the re-development of each site. Site specific considerations, such as a heritage grant for the re-development of Cardigan Street property or any off-site costs that may apply to a re-development have not been considered as they are difficult to quantify in the absence of a specific development proposal. In the case of the Cardigan Street re-development, the developer was reluctant to share key information as it relates to a heritage grant until after negotiations with the City were completed. Further, we have not considered the economic impact of an additional 133 residential units in the core area.

For the purposes of this study we have focused on those incentives most commonly applied by municipalities in the attraction of residential development to a downtown. This includes the waiving of development charges, building permit fees and application fees associated with a major amendment to an Official Plan and Zoning Bylaw.

In selecting these sites, we have assumed:

- The suitability for residential development; and
- A development time line of 2 years with occupancy occurring in year 3

The two properties considered were:

- A vacant redevelopment site on Yarmouth Street that was previously proposed for a 9 storey, 51 unit apartment condominium; and
- A current re-development project on Cardigan Street that proposes an 82 unit mix of loft condominiums, apartment condominiums, and townhomes.

The following table illustrates three scenarios – property taxes collected over a 10 year period should the sites remain vacant; property taxes collected over the same time period should the site be re-developed; and property taxes collected if select incentives are in place for the redevelopment.

Figure XX: Impact of Incentives on Tax Revenue

	Taxes Collected on Status Quo Scenario	Taxes Collected on a Built Scenario	Taxes Collected on a Fees Waived Secenario	Estimate of Fees Waived
Cardigan Street Redevelopment	$128,002	$1,879,391	$1,552,760	$205,334 D.Charge Fee - $99,984 Blg.Permit Fee - $94,730 OPA/ZBA Fee - $10,620
Yarmouth Street Redevelopment	$29,335	$794,106	$666,471	$140,174 D.Charge Fee - $60,399 Blg. Permit Fee - $60,155 OPA/ZBA Fee - $10,620

Notes
Based on a 10 year NPV
Information provided by the City of Guelph Planning Tax Departments
Does not include Educational Tax Levy

As noted previously, we have focused on those incentives that are at the core of many of the municipal incentive programs in Ontario. They also represent incentives that are easily quantifiable and tangible to a developer. In addition to the waiving of fees Council many also consider a variety of other loans and grant programs. One consideration should be the use of incentives to encourage upper storey renovation for residential use in the downtown. However, this should be done in consultation with the local development community and property owners in the downtown.

By way of example the City of Kitchener has recently implemented an upper storey program that provides funding for building renovation/upgrade/conversion of up to $100,000 per building based on 50% of renovation cost; where half of the amount is repaid through an interest free loan, having a maximum 10 year repayment period. A feasibility study grant was also provided to a maximum of $5,000.

What is clear from our analysis, is the tremendous benefit that would result to the municipality should these sites be developed for residential use. Faced with the prospect of the sites remaining vacant or underused, the use of incentives to stimulate interest and investment in the core area is recommended.

However, as we have stated throughout this report, incentives in and of themselves will not stimulate residential development in downtown Guelph. Consideration must be given to approaching residential development in the downtown in a new way. The City needs to see the development community as partners and work towards a process that benefits both.

6.4 Recommendations: Downtown Guelph

In our opinion the City of Guelph's downtown is at a crossroads. While there are indicators to suggest that the City's core area is a healthy urban centre - a diversity of existing commercial enterprises (shops, services, restaurants, and offices) there are also indications that the downtown is experiencing a decline. The negative press received in recent years has deterred people and activity in the downtown, tax assessment derived from economic base has declined, there is a reluctance to invest on the part of the private sector development community, and aspects of its physical appearance have deteriorated. Therefore, in order to create an atmosphere that will attract private sector investment, in particular, residential development we recommend that the City of Guelph undertake the following three main actions:

1. Proceed with the development of a community improvement plan for an expanded downtown or central core area that reflects a broader range of investment opportunities for both business and residential development. The Community Improvement Plan should also include a comprehensive incentive program to stimulate new investment, particularly residential development.

2. Develop an incentive program and eligibility framework that focuses on:

- Attracting residential development to suitable sites in the newly defined central core area. In our discussions with municipal staff and representatives from the development community a significant number of sites were identified as being suitable for residential redevelopment. While there were some sites within the current downtown, but there were many more key sites that surround or abut the downtown that would enhance the downtown if they were to be re-developed for residential purposes. An expanded core area also means they would also benefit from an incentive program. A consideration for these sites will be adoption of as of right zoning to enable more intensive development.

- Supporting upper storey renovations of existing buildings. Many communities are faced with the dilemma of vacant and deteriorating upper storey buildings. If the City is serious about increasing the resident population and activity in the core area then consideration must be given to the renovation of upper storey units.

- The reduction or waiving of development charges for new residential construction in a newly defined Central Core Area;

- The reduction or waiving of building permit or planning fees for new residential development;

- The reduction or waiving of the 5 percent residential parkland levy;

- The reduction of parking requirements for residential development;

- An upper storey renovation program in the form of both loans and grants;

- A façade improvement loan that seeks to enhance the downtown's heritage architecture

- Tax increment funding for heritage improvements and property designation under the Heritage Act;

- A feasibility study grant to assist with identifying structural issues; and

- The development of a marketing piece that promotes the individual programs for the downtown.

3. Incorporate a new policy framework for the downtown in the City's Official Plan that includes a more flexible approach to height, density and built form. There is a need to amend both the Zoning By-Law and Official Plan to provide for greater flexibility as it relates to residential development in the downtown. This combined approach will achieve a higher level of tax assessment but it will also ensure the long term economic viability of downtown businesses and public sector investment already located there.

In addition, we also recommend that Guelph incentivize development indirectly through:

- improvements to downtown public facilities (parking, open space, the pedestrian network);

- an increased emphasis on high quality architecture and design; and

- a well defined downtown development fast-tracking program (a one window approach to development approvals in the downtown) ;

- a greater level of inter-department coordination and cooperation with respect to the treatment of development applications;

- a well articulated, well marketed incentives program; and

- recognition of the role and function of the downtown in the Official Plan as a destination for living, working and playing.

6.5 Program Implementation Plan

All community improvement plans start by setting the boundary of the community that is being studied for improvement. This is called the "Project Area". It keeps the study focused within a certain territory and identifies where any financial incentives that appear in a community improvement plan may be spent. In our opinion, the boundary for Guelph's downtown community improvement area should extend south and east to the Speed River, west to Dublin Street and north to London Street.

City Council must initiate the Community Improvement Plan. When the plan is finished, Council will adopt a bylaw that designates the area in the Official Plan as a CIP Project Area, and includes a set of guidelines and procedures to establish the specifics of how the Plan will operate. The Ontario Ministry of Municipal Affairs must then approve the plan after Council adopts it.

The actual study work and writing of the plan can be done by staff or others hired to do the job. The Planning Act requires that at least one public meeting be held before a community improvement plan is adopted by Council. This ensures that the "the community" has input into the community improvement plan. We would strongly recommend a fairly inclusive consultation process with property owners in the downtown and the development community. This will ensure that the incentive program will have the impact and uptake necessary to effect change in the downtown.

While there is no statutory requirement to complete the Plan in a certain time period, the preparation of a Community Improvement Plan should take in the order of 6-8 months to complete. The implementation of the plan is typically over 10 years. Council has the discretion to adjust the timeframe and the incentives, as appropriate.

As part of the implementation of an incentives program it will be necessary to identify a qualified municipal incentives coordinator to oversee the development of the program and monitor the success of the incentives program year over year. In the first year of implementation the coordinator's responsibilities should include:

- developing qualification criteria for the incentive program;
- developing a communications strategy for the marketing of the incentives program;
- liaising with the development community and DBM as to the opportunities associated with the Community Improvement Plan and the Incentives Program as well as ongoing downtown issues;
- coordinating all of the City's loans/incentives programs including the heritage and brownfields programs; and

- establishing an operating budget, long term capital budget requirements, and hiring or seconding of qualified staff to implement/administer the incentives program, as required;

- convening a project review committee of senior staff from finance, legal, building and planning to oversee the review and approval of incentive applications; and

- convening site review teams with representation from planning, engineering, and building department to facilitate a faster approvals process for applications in the downtown.

The costs associated with the implementation of an incentives program will vary depending on the programming that results from the Community Improvement Plan process. However, we would anticipate in year one costs associated with the salary consideration of the Incentives Co-ordinator and an annual marketing budget – brochure, monitoring report etc. Additional staffing requirements could be assessed once the City has an understanding of the uptake of the incentives program.

7 Conclusions

The effective implementation of an incentives program in downtown Guelph provides the City with an opportunity, in part, to stem the tide of disinterest and disinvestment that has characterized its downtown in recent years. The trend towards downtown infill development, residential intensification in a downtown and the creation of an environment that draws people, businesses and activity to the core is playing out in communities across southern Ontario. To date however, there has been little evidence of it in downtown Guelph.

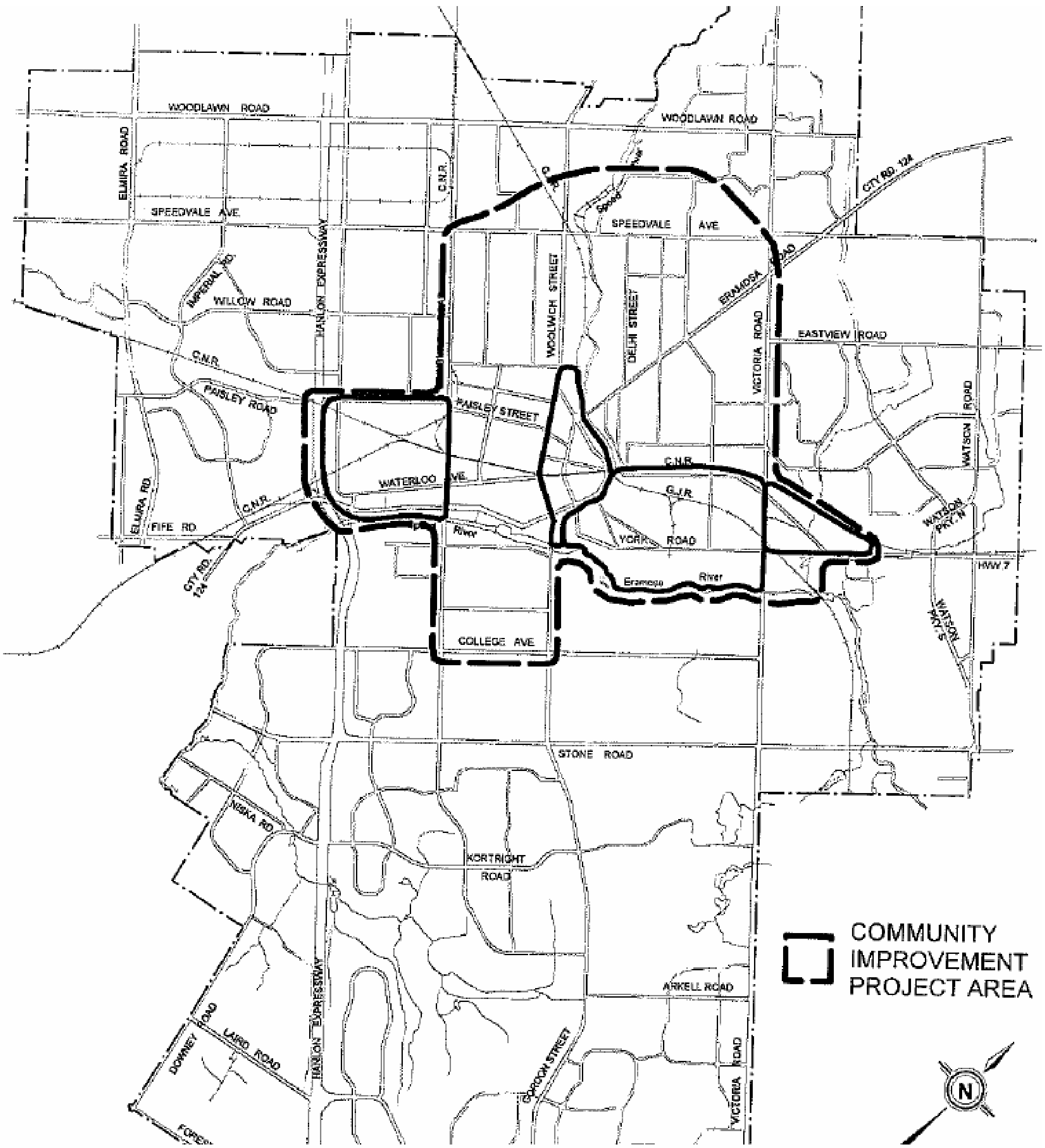
While there are a wider range of issues being considered as part of the Downtown Investment Plan Study, we believe the recommendations associated with the implementation of an incentive program represent a good first step in establishing a downtown that is in demand as a place to live, a place to visit and a place to invest.

Financial incentive programs geared to attracting investment to industrial sites, however, has largely been limited to the reducing of, or waiving of applicable development charges, particularly in municipalities outside of the GTA. While there are examples of municipalities becoming more aggressive in their investment attraction efforts these efforts are not associated with any program and are usually entertained only when there is an opportunity in hand and only then, with Council's approval.

In discussing the use of incentives to attract or expand both residential and industrial investment in Guelph, local business leaders have suggested that financial incentives alone will not have the desired impact of attracting new business investment. Rather, what was required was a more comprehensive and flexible approach to dealing with the needs and requirements of business and industry and a process that benefits everyone.

APPENDIX A – Brownfield CIP Area Map

Figure A - Brownfield CIP Area Map, City of Guelph



Source: City of Guelph. (2004). *City of Guelph Brownfield Redevelopment Community Improvement Plan*.

Appendix B:
Business and Industry Stakeholders: Issues

Attitudes towards Business

- Guelph is broadly perceived as a difficult place to do business, in part because of the bottlenecks created within some City departments

- There is a need to streamline the City's approvals process, since a developer is likely to invest where the conditions are most favourable and where there is the least resistance to new development

- There is a lack of coordination between City departments and a need to address the 'silo management' of development applications. A central point of contact between the development community and the City is required. Other communities have recognize the advantage to providing developers and the community with this 'one-window' approach to development approvals

- Guelph has not been proactive in seeking new industrial investment

Supply Issues

- The City is not able to attract large industrial users as there is an insufficient supply of larger parcels and as a consequence small businesses that would otherwise support the larger industrial operations are also not attracted

- Industry needs sites that are serviced and ready to go. Vacant, albeit available rural or agricultural lands not seen as a suitable or competitive supply of land

- There is an urgent need to get the new Hanlon Park employment lands on stream. There has been a protracted 5 year approval process that is still not complete

- Local real estate brokers receive regular enquiries from U.S. companies with respect to the availability of 50 acre sites. These companies have expressed an interest in locating in Guelph because of the City's proximity to the Greater Toronto Area.

- The City needs to start planning for the supply of future employment lands and stop thinking in short term time frames

- Because of the land supply situation in the City, vacancy rates are relatively low while rental/lease rates are relatively high

- Guelph's ratio of residential to non-residential assessment is unbalanced. Approximately 83% of the City's assessment is residential and 17% is non-residential.

- Guelph does not have a plan/strategy on how to attract industry. A strategy is required since different industries have different needs. This would help to inform where the land needs to be and what kind of land is required

- There is little concern or attention currently being given to retaining and expanding existing businesses particularly in the treatment of expansion efforts

- Difficulty in attracting business executives to live in Guelph

Value of Development Incentives

- The City is currently seen as competitive in terms of development charge fees when compared to surrounding municipalities

- Waiving development charges are not a deciding factor by themselves. However, some stakeholders have indicated that development charges are a significant issue which can potentially 'kill a project'. Compared to the benefits gained from new development (that can be attracted by waiving development charges), any lost development charge revenue from waiving applicable development charges is relatively small

- Give the investor/prospect the real cost of the land. Consider rolling the cost of development charges into the cost of the municipal land. In many instances, it is the optics of being hit with a 'tax' that puts off some investors, particularly when they are also looking at communities with no development charges

- Local development community sees brownfield redevelopment as being too complicated and risky and having an approvals process that is too long and burdensome to the developer

- Environmental clean-up standards for brownfields are too strict and very costly. Often the costs cannot be accurately accounted for before a project begins

- Contaminated sites in Guelph are not selling as there is little interest from the local development community and not enough interest from the broader and largely GTA based development community

- City can assist the development community by being more flexible in its approval process

- A development charge waiver may be the key to making some projects economically feasible

- City should adopt an attitude of “this is how you can do it” rather than the current attitude of “this is why you can’t do it”

Policy Issues

- There is a perceived lack of interest on the part of municipal staff and council in advancing investment in the downtown

- There is a need for greater flexibility in permitting and enabling residential development as it relates to applicable provisions of the Zoning Bylaw and the policies of the Official Plan

- Support for downtown initiatives varies among City departments. Examples included: the perceived unwillingness of the parking authority to address the impact of parking policies as it relates to the downtown; and the ease with which monies earmarked for downtown improvement are allocated to other areas of the City

- There is a need to establish some balance between preserving the downtown’s historical character and attracting new residential development

- The height restrictions and site lines in the downtown are a major impediment to attracting new residential development

- There is a need for council to articulate a vision for the downtown and support it, even in the face of community opposition

- Council should not wait for more visible signs of deterioration before taking action on the downtown

- There is a need to ensure that a downtown incentives program receives a long term funding commitment from the City and the resources with which to implement the program effectively.

Implementation Issues

- Legacy incentive/loan programs were not comprehensive or well marketed and lacked an appropriate ‘payback’ period for the investor

- Conflicting messages to the broader development community as to the importance/function of the downtown are seen as a deterrent to private sector investment

- To be effective the City must look to combine a range of incentives that would apply to a range of development opportunities – residential as well as mixed use developments

- There needs to be a dedicated staff person to function as a coordinator/project manager to work with developers applying for development incentives as well as other related municipal staff

- Favourable parking requirements will be important in the attraction of residential development to the downtown. A parking requirement waiver is not necessarily a benefit unless access is provided to some other form of parking.

Planning Issues

- Enabling downtown residential development will be key to the long term success of the downtown as it increases the flow of money and activity into the area

- Site lines associated with the Church of Our Lady limit building height and reduce the profitability of downtown residential re-development

- There is a lack of retail density in the downtown, in part because of the office uses that have encroached at street level

- The river should be integrated in any vision of the downtown with select sites along the river identified for residential intensification

- There is a need to ensure a speedier, one window approach to the development approvals process for downtown re-development projects

- The implementation of an incentives program requires a greater level of inter-departmental cooperation and coordination than is currently the experience

- City needs to consider a more equitable approach to the assigning of offsite costs as it relates to residential infill development. Where greenfield development is able to apportion the costs over a number of developments, the developers of infill projects are usually burdened with the entire cost

- The lack of a consistent and well articulated vision for the downtown has impeded private sector investment in the downtown

- There is a lack of recognition in the Official Plan that the downtown is important to the overall vitality of the City

- The downtown retail area needs protection in the City's planning documents as there is an increasing lack of continuity due to the amount of ground floor office use and government office uses at street level

- Consideration should be given to creating a different multi-residential tax assessment category as a way to stimulate more viable residential development

Risk Evaluation

- Local banks see downtown re-development as riskier than traditional greenfield development resulting in higher financing costs

- Greenfield development is predictable and repeatable while downtown re-development is often a prototype

- Traditional residential builders do not typically undertake downtown re-development projects

- Construction of multi-residential development is more costly than stick frame construction, as a result of more stringent building code requirements, life safety issues and the provision of common space elements

- Developers are typically looking for a higher rate of return when undertaking a downtown development project, as there is often higher financing costs associated with re-development, a longer approvals process which mean greater carrying costs and a longer period before the product comes to market

- The costs and risks associated with downtown re-development are often a disincentive for local developers

- In order to be effective in attracting private sector residential investment to the downtown, incentives on a per unit basis need to be in the order of $25,000 - $30,000.

Public Investment

- The perceived lack of leadership and inconsistency of council on matters of the downtown have to be addressed as part of the efforts to encourage private sector investment

- There is a perceived lack of investment by the municipality into public facilities such as the library, green space and general maintenance

- The downtown lacks a positive and consistent marketing message that would attract more people and investment to the area

- The downtown suffers from negative media coverage which has discouraged private sector investment

- The drop in municipal tax assessment in the downtown is attributed to an increase in the amount of government office uses

- The City's ward system for electing councillors means that collectively, they do not have a vested interest in the downtown

- Without a strong commitment from council and staff, an incentives program alone will not impact the level of private sector investment in the downtown