



OFFICE-TO-RESIDENTIAL (OTR) CONVERSION FINANCIAL INCENTIVES PROGRAM(S) (OTR-CFIP)

JULY 2024



CONTEXT

- Rising (high) office vacancy rates
- Concentrated in downtown
- Class 'B' and 'C' oversupply with pandemic impacts
- Contracting office market (post pandemic)
- Adds to urban blight
- Emerging Office To Residential (OTR) trends

FINDINGS

- OTR Trends in major cities
- 20% office inventory as candidate sites (Gensler)
- Over 40 vacant sites in downtown London
- Theoretical 8 candidate sites
- Target 4-6 candidate sites (based on availability)
- Opportunity to update Downtown CIP with OTR Conversion Program
– stay focused on Downtown CIP Boundary

KEY ASSUMPTIONS

OTR Project Costs **20%** ↓ New Construction

- \$350 per square feet conversion cost
- 700 square feet average unit size
- Average 1.68 person per unit

- **\$40,350 per unit = \$32% ROI**

160,000 sq.ft. / 700 sq.ft. = 228 units
= 383 new people
= \$56M in construction activity

THE OTR PROGRAM



London OTR-CFIP has been organized into three distinct programs:

1. FEASIBILITY STUDY GRANT PROGRAM

A grant to fund the cost of technical studies and reduce the risk associated with assessing the viability of converting office spaces into residential units.

2. CONSTRUCTION CONVERSION GRANT PROGRAM

Providing a grant to reduce the cost of construction (initial investment burden) to convert vacant office space into residential units.

3. APPLICATION FEE EXEMPTION PROGRAM

Providing a fee exemption for all planning, building permit and associated fees (e.g. parkland cash-in-lieu) to facilitate the London OTR-CFIP application process through a low-cost entry for property owners and adding to project viability.



THE OTR PROGRAM

- 3 steps for eligible project
- Feasibility study grant with up to \$80k in study cost incentives using 8% of budget
- A maximum \$40,350 per unit grant using 92% of budget
- To exempt application fees (which impact unit yield):
 - Site plan
 - Committee of Adjustment
 - Building
 - Parkland

	Program	Funding Allocation	Purpose	Funding Criteria
A.	Feasibility Study Grant Program	\$800,000 (8%)	Funding towards a technical feasibility study grant program organized into Three Steps.	Maximum \$80,000 per property (phased criteria guided by the Scorecard)
B.	Construction Conversion Grant Program	\$9,200,000 (92%)	Funding towards construction and management costs for eligible projects.	Maximum \$40,350* per unit (based on 228 unit target)
C.	Application Fee Exemption Program	\$0.00 (0%)	A fee exemption to facilitate the OTR program and reduce costs to the project.	Foregone Revenue
Total		\$10,000,000 (total)		

**The maximum funding potential is recommended to facilitate at least 228 OTR units.*



FEASIBILITY STUDY PROCESS

Step	Phase	Study	Target
1	Scorecard	To identify general building conditions and candidacy based on a Three-Star Scorecard.	\$3,000
2	Phase 1 Studies	A second step to assess key building issues for conversion. If there are major issues, the project may not be viable to move to the next step.	
		Conceptual Floor Plan	\$1,500
		Hazardous Materials	\$10,000
		Geotechnical	\$10,000
3	Phase 2 Studies	A more detailed assessment of key building functions and features that will impact project viability and success.	
		Structural Assessment	\$15,000
		Mechanical and Electrical	\$15,000
3	Phase 2 Studies	Fire Life Safety	\$5,000
		Envelope and Energy	\$12,000
		Elevators, Lifts and Escalators	\$5,000
	Maximum Cap		±\$80,000

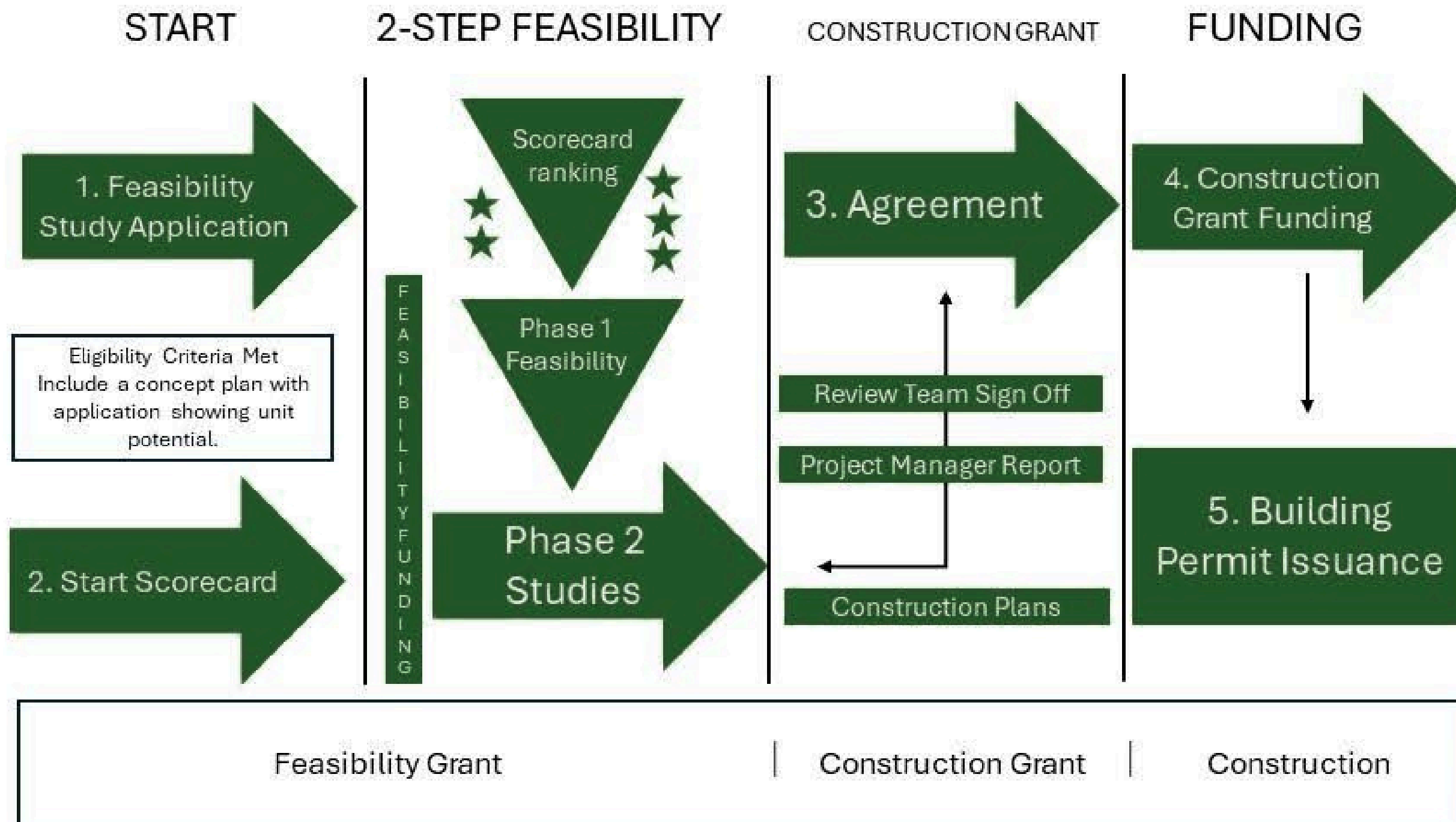
CITY CONTRIBUTION TO OTR: FEE EXEMPTION

CITY OF LONDON “TRIPARTITE” OTR CIP GRANT PROGRAMS

Fees	Applications	Fee	Amount (estimated)
Minor Variance	6	\$1,782	\$10,692
Site Plan	6	\$1,485 + 74 per unit	\$25,782 (\$8,910+\$16,872)
Parkland	228 units	1,250*	\$285,000
Building Permit	6 (160,000 sq.ft.)	\$3.54 sm	\$52,620(160,000 sf = 14,864.5 sm)
Total	6	varies	±\$374,094
			Equivalent to 9.3 units

**It is assumed the density will range between 75-150 uph for parkland fee calculation.*

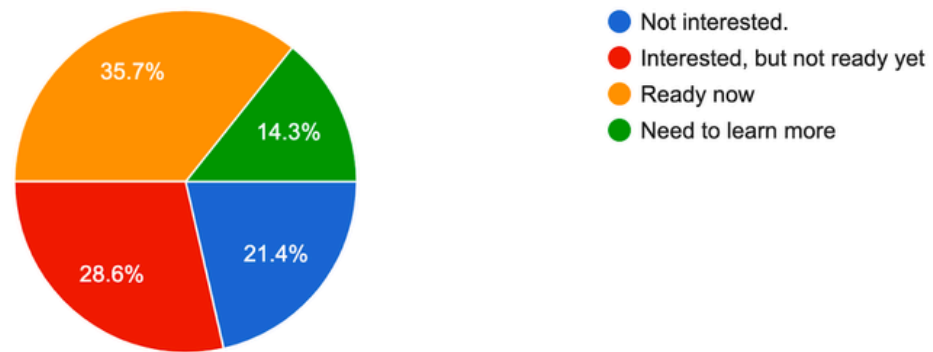
OTR-CFIP APPLICATION PROCESS



ENGAGEMENT

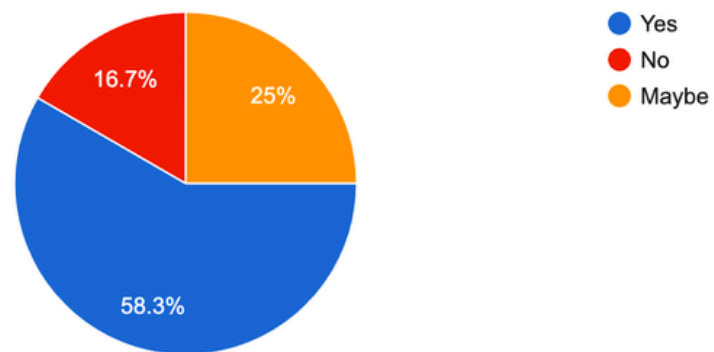
3a. Are you willing to convert vacant office space into residential units?

14 responses



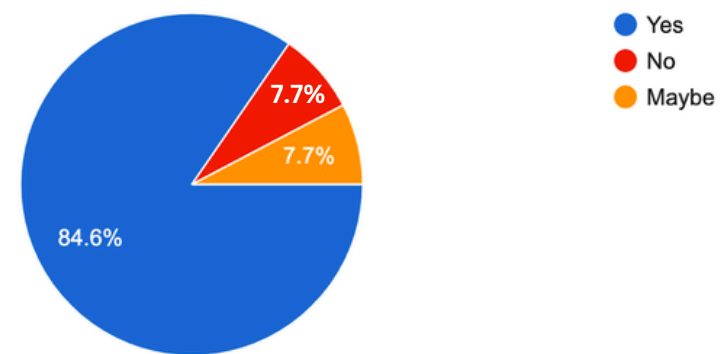
Depending on the incentive, would you be interested in buying / acquiring a vacant building and convert into residential units? Y / N

12 responses



Do you think the a conversion program will be helpful to add vitality to the downtown?

13 responses



PROPOSED EXPANDED DOWNTOWN OTR-CFIP BOUNDARY



RECOMMENDATIONS

The City of London adopts the following recommendations provided in this Comprehensive Report for the Office-To-Residential (OTR) Conversion Financial Incentive Program(s) (OTR-CFIP):

- Update the Downtown CIP to support three new programs: Feasibility Grant Program; Construction Conversion Grant Program; and Application Fee Waivers.
- Waive application fees as outlined in the City of London Office-to-Residential (OTR) Conversion Financial Incentives Program(s) (OTR-CFIP) report.
- Amend the Parkland-Cash-In-Lieu Bylaw to exempt parkland dedication fees for any OTR-CFIP approved project.
- Monitor the Downtown OTR-CFIP on an annual basis and provide a report back to Municipal Council with updates and recommendations.
- Receive the London OTR-CFIP Brochure for information and implement the Communications Plan as presented in Appendix 2.
- Use the Conversion Report (as attached in Appendix 3) as the primary evaluation system to evaluate and recommend OTR-CFIP conversion projects to the satisfaction of the Project Review Team.

