

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE  MEETING ON MARCH 19, 2012</b>
<b>FROM:</b>	<b>JOHN M FLEMING DIRECTOR LAND USE PLANNING, CITY PLANNER</b>
<b>SUBJECT:</b>	<b>GREEN MUNICIPAL INCENTIVES PROJECT</b>

**RECOMMENDATION**

That, on the recommendation of the Director Land Use Planning, City Planner, the London Green Incentives Final Report **BE RECEIVED** for information.

**PURPOSE OF REPORT**

To inform Council of the final report resulting from the City of London's Green Municipal Incentives Project. The report is a result of a partnership project with the Ontario Power Authority (OPA) to study municipal incentives which may be used to overcome barriers to green development. This report summarizes the *London Green Incentives* final report (attached Appendix A) from the City's consultants, The Planning Partnership.

**PERVIOUS REPORT**

June 21, 2010- Information report Planning Committee

**BACKGROUND**

The Ontario Power Authority requested proposals from municipalities at the beginning of December 2009 for a collaboration with OPA to participate in a sustainable communities program. OPA provided \$40,000 in financing to eligible municipalities to assist in the exploration of the potential for municipal incentives. In December 2009 the City of London entered into agreement with OPA to finance the City of London Green Municipal Incentives Project.

The OPA also partnered with the City of Toronto, the Town of East Gwillimbury and the City of Guelph. The intent of the OPA is for the four municipalities to share the results of their collected projects to assist in establishing workable solutions to stimulate green development.

In February- 2010- The Planning Department selected The Planning Partnership (TPP), as the City of London consultants;

The Terms of Reference for the Planning Partnership to complete the project consisted of 5 phases:

Phase 1 – Background Research- resulting in Memo March 19, 2010- "*Defining What to Incentive*" received from The Planning Partnership

Phase 2 – Consultation- May 12, 2010, meet with the City of London Green Incentives – Steering Committee, consisting of Stakeholders from London Hydro, Union Gas, London

J. Craig Smith

Home Builders Association, London Development Institute, the Mayor's Sustainable Economic Committee, City Staff and TTP;

Phase 3 – Analysis of Options- June 7, 2010- TPP- Final Phase 1 Report;

Phase 4 – Selection of Project Areas and Analysis- on July 20-21 a Consultation Blitz was held at the City of London's Civic Garden Complex, 625 Springbank Drive which included all members of the steering committee.

Phase 5 – *London Green Incentives* final report June 2011.

The City of London participated and presented with the OPA and the other partnered municipalities in three webinars during this process. The webinars were held on:

- January 10, 2010- OPA Community of Practice Webinar;
- June 10, 2010- OPA Community of Practice Webinar; Phase 1 report
- March 27, 2011- OPA Community of Practice Webinar; final presentation

This project is the result of a highly consultative process and included participation by an active stakeholder-focused Steering Committee, which included representation from London's Development and Home Building Industry, local utility operators and a number of municipal departments with direct involvement in the development process.

The consultation process culminated in a two-day consultation event (July 20 and 21, 2010), which included a public presentation on converging issues in sustainable design, best practices in green development and green incentive program implementation, as well as a series of sector-specific discussion forums designed to identify preferred program approaches, effective incentive mechanisms and potential partnership opportunities in the delivery of green development incentives.

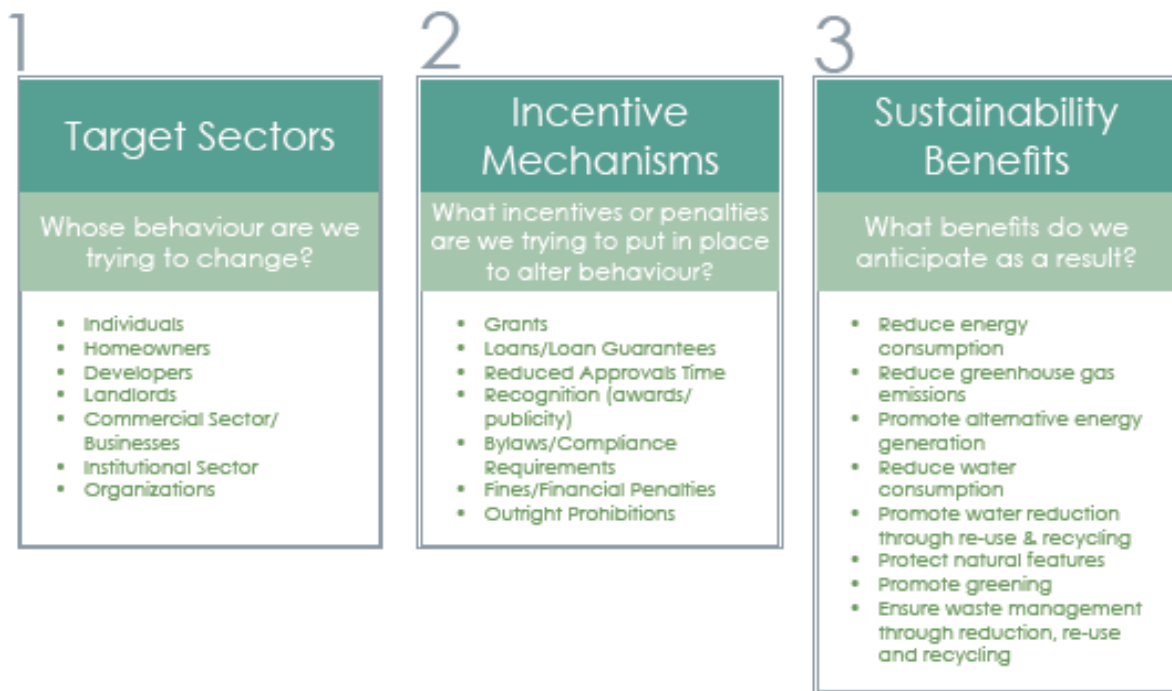
## SUMMARY

### Propose

The purpose of this study was to explore the potential for municipal incentives to stimulate green development in the City of London. Undertaken in collaboration with the Ontario Power Authority, this study is intended to establish a preliminary framework for a London-specific Green Development Strategy and identify opportunities to motivate green development in three specific contexts:

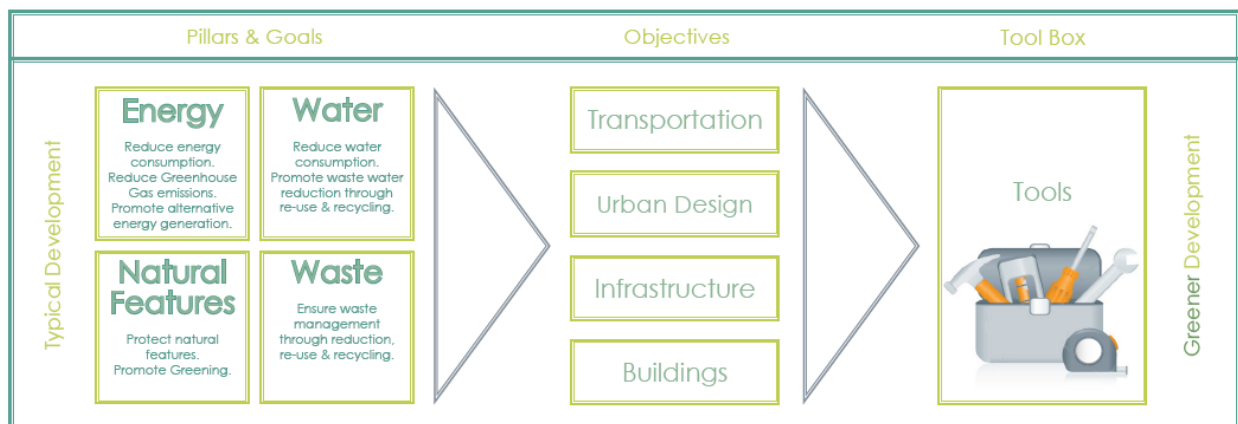
1. New Greenfield Development;
2. Urban Redevelopment; and
3. Site/Building-Specific Retrofit

The underlying question that the City of London must consider is: what should the City incent? To understand what is to be incented the City must establish what behaviour it is that needs to be changed and why; what are the possible benefits to changing this behaviour; and what is the best mechanism (i.e. incentive) to change the behaviour. The following diagram illustrates the range of possibilities in establishing an incentive-based Green Development Strategy. It highlights the varying target sectors; a myriad of incentive mechanisms and potential core benefits that could be addressed through a Council approved Green Development Strategy.



Green Development Framework

To develop Green Incentives it is important to establish a Green Development Framework. The following is a framework that the City of London could use as a template for working towards a Green Development Strategy. Further work which would include continued consultation with the City’s green industry stakeholders and the public is required by the City to refine the goals and objectives in order to meet the City’s needs. A green development framework needs to provide for considerable flexibility in order to adjust goals and objectives as local needs change, and as green technologies and development approaches evolve over time.



The Green Development Framework is premised on four key pillars of green development. These pillars capture the fundamental environmental elements that are influenced or impacted through development decisions and approaches:

1. Energy – encompasses energy consumption (i.e. electricity, gas, etc.) and local energy generation (i.e. solar voltaic, wind turbines, etc.)
2. Water – includes water consumption and the impact of development on local water resources
3. Waste – encompasses waste management and diversion approaches used during the development/ construction process and overtime by the users of a particular development project
4. Natural Features and Resources – encompasses the impact of development on the natural environment

### Goals

Under each of the four pillars, through a public consultative process the City can establish a range of broad overarching goals that Council wants to achieve through development. These goals would be City-wide in scope and would clearly outline the City's primary aspirations for green development. These goals can over time be modified by Council to meet any future needs for green development.

### Objectives

Through a Green Development Strategy, once goals of green development are determined, then Council can establish a series of specific objectives to be achieved through new development projects. These objectives can be categorized under four key headings, which represent four main elements considered through the planning and development process; Transportation, Urban Design, Infrastructure, and Buildings. The goals can also be adjusted over time in accordance with evolving needs and level of achievement.

### Tools

Tools are the actual mechanisms to achieve the desired objectives. They include a combination of technological and design approaches, investment and policy interventions to influence desired forms of development. An example of a tool would be to build more efficient public transit (BRT-LRT) which would assist in achieving the objective of promoting more public transit which would assist in achieving the goal of reducing energy consumption.

With continual advancements in new building technologies and green development techniques, the tools will be subject to constant change. Therefore, the City, in its efforts to promote green development, must be flexible and open to new and innovative tools that contribute to the achievement of its overall goals and objectives.

There are many tools available to achieve desired objectives and goals. A matrix providing examples of the types of tools that the City may consider is contained on page 15-19 of the attached report.

Types of Incentives that can be used to influence change:

- Development Charges Reductions or Exemptions
- Direct monetary incentives through the establishment of a Community Improvement Plan
- Height and Density Bonusing
- Reductions in Parking Requirements
- Development Application Assistance

### Other Incentives

In addition to the above incentives, there are a number of other mechanisms that other municipalities have used. Appendix "A" on the attached report presents a comprehensive list of incentive mechanisms that have been used or proposed throughout North America. A review of

any incentive's direct applicability and legality within the City of London would require further investigation.

The use of incentives has to be based on obtaining clear goals established through a comprehensive Council approved Green Development Strategy. The question that should be asked by Council prior to establishing an incentive program is: What is the benefit to the municipality of attaining a certain performance threshold? And is achieving the specific performance threshold economically viable? The costs associated with the use of incentives include "upfront" costs to the municipality and the benefits of "cost offsets" realised by achieving the goals set for the incentive. These should be fully understood prior to implementation. It is noted that the benefits can be other than monetary and can include goals that are intended for the betterment of the whole community (i.e. carbon reductions) which are more difficult to assign a measurable conclusion.

A possible process that could be of use to assist Council to define green development incentives is the use of demonstration projects

As part of the final report, staff requested that the consultants review the possibility of two demonstration projects; one in a suburban/greenfield context and the other in an urban context that could test particular incentive mechanisms and demonstrate/quantify both the costs of developing green and the resulting benefits to the City, developers and end users of the development(s).

#### Proposed Urban Demonstration Project –

There are areas in the City of London which are currently the subject of a City-initiated Area Study. These areas such as the McCormick Area could be an urban test case of the green development incentives. Located within the urban growth boundary, the McCormick Area is an older industrial area surrounded by stable neighbourhoods. With its sizeable inventory of vacant lands and industrial buildings, it has considerable redevelopment potential. The City is currently evaluating land use options to explore the Area's redevelopment potential, including opportunities for mixed-use residential development.

#### Proposed Greenfield Demonstration Project –

The City could select a demonstration project through a competitive RFP process that sets out key selection criteria. At a minimum, selection criteria should include:

- Development size
- Designation and Location
- Developer Commitment

## RECOMMENDATIONS

Section 7.5 of the attached consultants report provides for strategies implemented in other jurisdictions to achieve a Green Development Strategy. The below strategies are recommended by the City's consultants to achieve objectives for establishing a London Green Development Strategy:

### 1. *Establish the environment for change*

*A predicate for green development is to establish political will and a broad culture of awareness of the necessity for change. To date, the City has taken the initiative to begin the process, and has strongly voiced its support for green development as a priority. This sends a powerful message. However, the City must continue to lead the way, quickly moving on short-term opportunities and actions, while keeping the long-term goals at the forefront of the public agenda. Local residents, businesses, community groups, landowners and developers should all be intimately involved in all parts of the process.*

*In the near term, the establishment of a workable Green Development Strategy will set the scene for implementing green incentives to encourage greener forms*

of development. Other immediate actions are outlined in the “Quick Wins” section that follows.

2. *Reduce the cost of development*

*Green building and development is more expensive than traditional development and construction practices. As has been addressed at great length in this report, in order to facilitate greener development, incentives need to be offered to potential developers. These assist in reducing developer costs and increasing the economic sustainability of investment in innovative and greener forms of development (potential incentive mechanisms were outline in Section 7.3)*

3. *Reduce the risk of the approvals process*

*As well as high costs, private developers also face regulatory risks. In order to reduce risk and increase attractiveness to developers, the City should establish an environment of certainty. This could include:*

- Municipal investment in green development and infrastructure, which sends a strong signal of public sector intent and thereby substantially reducing the risk to “pioneer” developers and builders; and,*
- Enhanced policy framework that that establishes clear green development goals and objectives.*

4. *Monitoring and Measuring Success*

*Evaluation is an important component for the continued advancement of a Green Development Strategy and to ensure that the City’s resources are being used effectively to achieve it fundamental green development goals.*

Section 8.0 of the consultant’s report provides a list of recommendations and priority actions that could be implemented by Council if it were to establish a City of London Green Development Strategy. The recommended actions are:

1. *Commit Staff Resources*

*Clearly more work is required to refine the Green Development Strategy Framework and establish targeted incentive mechanisms to support green development activity. The City should assign committed staff to coordinate interdepartmental efforts to articulate the City’s green development priorities and objectives, define green development targets and verify best value incentives*

2. *Initiate a Demonstration Project*

*Building on the growing interest within the local development industry to utilize new green building techniques, the City should explore a potential partnership with a local developer (or consortium of developers) to undertake a demonstration project(s) for the purposes of testing the preliminary strategy and analyzing the need to adjust the rigidity of objectives and the level of incentivization required.*

3. *Recognize Innovation*

*The City should make a concerted effort to formally recognize local innovation in green development. This recognition should take the form of an awards program that celebrates creativity and success in the completion of green development projects. The green development awards could be a stand-alone program or form a sub-component of the City’s established Urban Design Awards program.*

4. *Promote Education*

*Green building and development is still a relatively new concept that is experiencing rapid changes in thinking, building technologies and development practices. At the same time, the promotion of green development has wide-reaching implications on land use*

J. Craig Smith

*planning, municipal infrastructure, and municipal finances. In order ensure that the City stays ahead of the curve the City should promote education internally with relevant departments and externally with key stakeholders and the wider public.*

5. Disseminate Information

*Given the emergent nature of green development and the vast number of incentive programs being touted by all levels of government and utility companies, there is a degree of confusion in the market-place as to program availability and requirements to access funds. The City should consider establishing a single-window information source that disseminates information on government and utility-based incentives available to London residents, businesses and developers. In many ways, the existing Mayor's Sustainable Energy Council EnergySaver website already serves this purpose and could form the basis for a more extensive information resource to facilitate access to available green development programs. This sort of information repository could be further enhanced with dedicated staff to assist development interests in identifying the most appropriate programs for a particular development proposal and completing associated application requirements. London Hydro indicated through the consultation process it would consider providing funds to train a dedicate staff person to oversee such an initiative.*

6. Foster Partnerships to Avoid Program Duplication and Enhance Incentive Potential

*There is little value in implementing incentive measures if someone else is already delivering them effectively. This study was originally premised on exploring opportunities within three development contexts: new greenfield development; urban redevelopment; and, site/building specific retrofits.*

<b>CONCLUSION</b>
-------------------

City Staff met twice with the London Home Builders Association and the London Development Institute in 2011 following the receipt of the consultant's report. The LHBA and LDI continue to promote best practices in the industry to encourage sustainable development. Recent changes in the Ontario Building Code mandate new levels of sustainable construction practices. LDI and LHBA wish to continue to work with the City in any future projects or programs that will continue to enhance their existing sustainable practices. The attached London Green Incentives final report provides for a comprehensive analysis that can be utilized to achieve Green Development in the City of London. The report provides for strategies, actions and recommendations that could be implemented by Council to answer the question of what to incent, what is to be incented and what is the best mechanism (i.e. incentive) to achieve a Council-led Green Development Strategy.

<b>PREPARED BY:</b>	<b>SUBMITTED BY:</b>
<b>C. SMITH, PLANNER, COMMUNITY PLANNING AND URBAN DESIGN</b>	<b>JIM YANCHULA, MCIP, RPP MANAGER – COMMUNITY PLANNING AND URBAN DESIGN</b>
<b>RECOMMENDED BY:</b>	
<b>J.M. FLEMING, MCIP, RPP DIRECTOR, LAND USE PLANNING AND CITY PLANNER</b>	

J. Craig Smith

March 13, 2012

JCS/

Attached

Y:\Shared\implemen\Green Development Strategy\Green Incentives Project\Report-memo\finalreport-comments-correspondance\BNECreportfinal.doc