



Staff Report

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REPORT TO:	Planning & Strategic Initiatives Committee
DATE OF MEETING:	January 9, 2012
SUBMITTED BY:	Rod Regier, Executive Director
PREPARED BY:	Rod Regier, Silvia DiDonato, Cory Bluhm
WARD(S) INVOLVED:	All
DATE OF REPORT:	December 30, 2011
REPORT NO.:	CAO-11-030
SUBJECT:	EDIF Impact Analysis 2011

RECOMMENDATION:

For information only.

BACKGROUND:

Kitchener's Economic Development Investment Fund is entering its 8th year of a 10 year program schedule. In 2009, City staff reported on the impact of EDIF on a number of variables for which data was available. During the budget deliberations of 2010, Council requested that staff consult with experts at the local universities to review assessment methodology. That review took place in mid 2010 and suggestions from those discussions have been taken into account in this subsequent analysis. In 2011, Council requested staff prepare a second assessment which reflects currently available information. The attached report summarizes the findings of this analysis.

REPORT:

When EDIF was established in 2004, Council articulated five key objectives.

1. Stimulate assessment growth
2. Stimulate employment
3. Stimulate the development of residential units in the Downtown
4. Seek maximum contributions in addition to the City's funding for each project with a target of securing 15% overall from such sources, where possible
5. Strive to achieve a return on investment, both direct and indirect

These objectives are the primary focus of the report. The objectives are primarily quantitative. However, on the advice of academics from Wilfred Laurier's School of Business and Economics, we have also begun a discussion of a number of related qualitative measures of the impact of EDIF. These include the perception of safety and investor confidence as a starting point. It will be possible to further refine the analysis over time as new data becomes available.

It is important to note at the outset that this report reflects a number of limitations in the availability and quality of data. First, while a Canadian Census was undertaken in 2011, the last census available for analysis is 2006. Other information, such as assessment data, also has significant time lags associated. Moreover, many of the objectives relate to real estate development which is characterized by long planning cycles and only results in increased assessment, tax revenue, and employment many years after projects are conceptualized. As a result, projects that are in the planning or development process right now will not have had a material impact on several of the measures for EDIF performance for some time to come.

That said, it is possible to identify a clear set of outcomes from investments made through EDIF. These outcomes were beginning to be apparent in the 2009 report, but they are even more clear at the end of 2011. It is expected that they will become even more pronounced after the conclusion of the program in 2014, and the 2016 Census should produce a clear statement of the impact of EDIF over the life of the program. EDIF investment decisions will continue to stimulate change until the end of this decade. However, after 2017 it is expected that it will be increasingly difficult to separate the impact of EDIF from other significant investment decisions such as the LRT and the opening of the multi-modal station at King and Victoria.

ALIGNMENT WITH CITY OF KITCHENER STRATEGIC PLAN:

By providing a systematic and critical examination of the impact of a significant program, this report is directly aligned with the objective of providing efficient and effective government.

FINANCIAL IMPLICATIONS:

None.

COMMUNITY ENGAGEMENT:

The report is available for public information.

CONCLUSION:

EDIF has had a significant and growing impact on the City of Kitchener's economy. Assessment, tax revenue, employment, and residential development all increased more than would otherwise have been expected in the period following the launch of the program in 2004. EDIF projects attracted significantly more partnership funding than was originally expected and with increased tax revenue, the fund is now generating a modest financial return for the City. This additional tax revenue is expected to increase overtime as additional projects are constructed, occupied and assessed.

ACKNOWLEDGED BY: Carla Ladd, CAO

**City of Kitchener
Economic Development Investment Fund
Impact Analysis**

January 4, 2012

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BACKGROUND:

In 2004, the City of Kitchener engaged in an extensive public consultation regarding the future direction of economic development for the City. Two investment strategy options were considered. The first was the opportunity to create additional industrial employment lands in the City of Kitchener's south-west greenfield area. The alternative was to invest strategically in the development of new industries largely based in the City's core. This option was bolstered by a new brownfield remediation program, the City's Downtown Strategic Plan and the Region of Waterloo's Growth Management Strategy.

Five educational and interactive public meetings were held to get input from the general public. A Community Capital Investment Ranking Team (CCIRT) and Council ranked 5 objectives and 21 specific projects. Options were presented to a citizen's panel consisting of members of EDAC, DAC and the CCIRT. This round table discussion in Council Chambers resulted in a recommendation to Council that the City of Kitchener move forward with the second option supported by a \$110 million Economic Development Investment Fund (EDIF).

The panel recommended support of an economic development program anchored by strategic investments in education institutions starting with the Waterloo Catholic School Board offices and Downtown Community Centre, the Wilfrid Laurier University Faculty of Social Work, and the University of Waterloo's School of Pharmacy. The fund also included allocations for downtown streetscapes, parking solutions, and greenfield industrial land projects.

From the outset, it was recognized that the program will take a full 10 years to implement and that its effects will not be fully realized until well after the conclusion of the program, and beyond the current term of Council. Five objectives were spelled out for the fund – i) assessment growth, ii) employment growth, iii) residential development downtown, iv) leverage of EDIF investments by 15 per cent from other partners, and v) to achieve a return on investment, both direct and indirect.

EDIF has only two years remaining of its implementation period. Approximately 80 per cent of the fund has been invested and planning is underway for projects which will consume the remaining available funds. This report is a continuation of the 2009 EDIF five-year review, building on that framework to offer further evidence of early EDIF successes.

REPORT:

2011 Academic review

In early 2011, the 2009 five-year review of EDIF was presented to a panel of professors from economics and geography at Wilfrid Laurier University, as co-ordinated through Dr. William Morrison, Director, Laurier Centre for Economic Research & Policy Analysis.

The academic panel supported the methodology employed in the 2009 framework, with some additional suggestions. Several of those are included in this report including consideration of environmental impacts, and affect on perceptions of safety downtown. However some of the suggestions were not feasible for implementation including use of historic data that is unavailable, or presenting data in ways that would violate confidentiality.

One recommendation produced an unexpected result. The panel suggested considering the benefit to the City not only in tax revenues, but through utility revenues. However an examination of these data showed no measurable relationship between utility consumption and development, suggesting that other factors such as increased efficiency and changing consumer habits are obscuring any gains from new development.

The panel in particular felt it was important to state the benefits of EDIF in terms of the entire region, as the economic benefit is far broader in scope than demonstrated using the current methodology. However to adhere to the original EDIF objectives, and to be conservative, the focus of this report is on directly measurable outcomes associated with EDIF investments. But it should be recognized that the observed results such as employment increases benefit the entire community. The panel further supported efforts to demonstrate both the quantitative and qualitative benefits of EDIF, emphasizing the investor confidence as an important outcome of this commitment by the City to invest its own funds in economic development.

Report Limitations

As EDIF approaches the final years of implementation, it is increasingly difficult to capture the full impact of these investments. A major benefit of the program has been an increase in investor and public confidence in downtown Kitchener, where much of the money has been invested. As such, many non-EDIF projects are underway and will continue to positively impact the economic and social well-being of the core and the local economy as a whole. Therefore it is problematic to isolate the direct impacts of EDIF amidst the momentum it created.

For example, a number of projects including the Kaufman Lofts, Tannery District, and Shoppers Drug Mart at 250 King St W have, according to their owners, been initiated almost entirely because of the development of the Health Sciences Campus. In this case, the assessment and tax revenue growth of those projects are assumed to be an indirect outcome of that investment decision.

An evaluation of the economic impact of EDIF is further impeded by a number of factors, primarily related to timing. While the fund was designed for a ten-year time frame, many of the projects underway are still in the early days of implementation. For instance, while the impending redevelopment of Centre Block has created confidence in the downtown, this project has not yet directly affected permit values, population and residential unit counts, or business activity in proximity to the location. However the delay in realizing benefits associated with these large-scale complex capital projects is justified given the potential long-term impact of an investment of this magnitude.

There is also a time lag in some of the indicators, including assessment values which are updated every four years, and census results which are available every five years, with an additional time lag in the release of local data. As a result, it will be several years after the end of EDIF's last year—2014—before the City of Kitchener is able to evaluate the impact of EDIF more completely.

Finally, as a ten-year investment fund, while EDIF has been fully allocated, not all projects have reached the investment stage, meaning that not all spending has occurred to date.

Regardless, there are still current data available to provide some preliminary conclusions about the impact of EDIF investments. The following sections will outline the current findings against the key objectives for EDIF, as established in 2004.

The five objectives are:

1. Stimulate assessment growth
2. Stimulate employment
3. Stimulate the development of residential units in the Downtown
4. Seek maximum contributions in addition to the City's funding for each project with a target of securing 15% overall from such sources, where possible
5. Strive to achieve a return on investment, both direct and indirect

Objective 1: Stimulate assessment growth

Measurables

- Assessment change
- Tax revenue change

Results

The City of Kitchener collects property taxes based on municipally-determined tax rates and independently-assessed property values. The Municipal Property Assessment Corporation (MPAC) conducts an assessment of market values of properties periodically, with the last valuation date recorded as January 1, 2008. The resulting 2008 market values are phased in over the 2009 to 2012 tax years, with the next market valuation scheduled for 2012. In between valuation years, MPAC will update assessed values for properties with new development, or those that undergo changes in use or renovations.

To determine the impact of EDIF on assessment and tax revenue, it is possible to estimate the incremental change on property values for those land parcels that are affected by EDIF investments. However, properties that are unchanged between 2009 and 2012 will remain on the established 2008 market value progression schedule. Yet the value of these properties may be appreciating faster than the phased-in values due to their proximity to EDIF investments, but this will not be recognized until 2012.

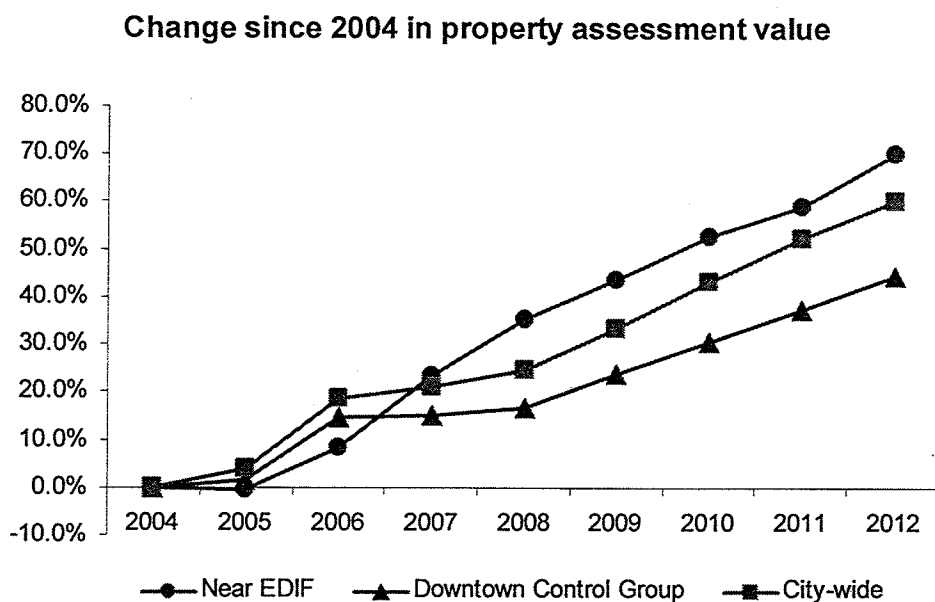
Taxes can only be evaluated up until 2011 since future tax rates have not yet been determined. As well, the total taxes are evaluated including contributions toward the Region and Education, as the entire tax change impacts the community, not just the City portion.

Downtown observed changes in assessment values

To isolate the impact of EDIF on downtown properties, land parcels in close proximity to EDIF investments were compared to a control group of land parcels within the downtown neighbourhoods (planning communities 1, 2, 3, 4, 5, 7, 8, 9, 10, 13, and 14), but further removed from EDIF investments. The following chart illustrates the change from the 2004 to 2012 in the assessed values for three groups: the two downtown groups mentioned above, as well as the entire city for reference.

The cumulative change since 2004 demonstrates a positive post-EDIF growth pattern. From 2004 to 2006 the properties near EDIF were not increasing in value as much as the control group or city-wide properties. However, beginning in 2007 the 'near EDIF' properties quickly surpassed the other two groups and have continued to outperform them in cumulative assessment growth since that time. This suggests a positive impact on assessed property value directly related to EDIF investments downtown.

Figure 1: Property assessment value



It is noteworthy that downtown 'near EDIF' assessment growth exceeds city-wide assessment growth. Assessment is more likely to rise in Greenfield parts of the city where new development of formerly agricultural land creates a very large jump in the value of property. Assessment growth in the downtown is occurring in an already developed area with set boundaries on properties that are often severely constrained by environmental factors. The pace of assessment growth downtown is therefore a strong indicator of the speed of change underway in the downtown, especially in the context of rapid Greenfield development.

Downtown estimated impact of EDIF on assessment values

While the above graph demonstrates the performance of EDIF-related properties relative to other groups, it does not demonstrate the incremental assessment and tax benefit realized through these investments. This can be estimated again using the 'near EDIF' properties and the control group.

Over time most properties increase in value. To demonstrate the impact of EDIF it is necessary to estimate any additional increase in value beyond expected growth. To determine this expected growth, the downtown neighbourhoods' properties were divided into two groups as above. The land parcels in close proximity to EDIF investments are classified as part of the 'near EDIF' group, while the remaining downtown properties became the control group. The 'near EDIF' group represents about 10 per cent of all downtown properties.

Using the control group, the average assessment growth rates were calculated by tax class (e.g., CT — Commercial Taxable: Full). These growth rates were then applied to the 'near EDIF' properties to provide the expected assessed value for each property. This can then be compared to the actual assessed value to determine if there is additional growth near EDIF investments, beyond typical growth downtown.

Since the 2008 market values are phased in until 2012, in order to use the most current market value the 2012 assessed value should be used. However it should be noted that unless there has been a reassessment since the 2008 market valuation, much of the indirect impact of EDIF investments will not yet be visible in assessment data.

A comparison of expected 2004 to 2012 assessment growth to actual 2004 to 2012 growth for 'near EDIF' properties shows that assessed values are \$53.2 million in excess of expected growth. While it is possible that other market factors have influenced growth, it is unlikely that other factors alone could explain an improvement of this magnitude.

Downtown tax revenue impact of EDIF

A similar approach produces an estimate of the incremental tax revenue change as a result of EDIF investments. However rather than comparing growth from 2004 to 2012, it is necessary to calculate the cumulative annual tax impact for each of the years during that time period.

Since 'near EDIF' assessments began to rise primarily after the 2008 market valuation, the tax revenue gains occurred primarily from 2009 to 2011. In this time period, the estimated incremental tax revenue gain on 'near EDIF' properties was \$1.97 million. This was calculated by using the estimated assessment increases beyond expected growth (as above) and applying the annual tax rates to the difference between actual assessment and expected assessment.

It is important to note that several of the downtown properties with significant assessment growth—particularly the UW School of Pharmacy and WLU's Faculty of Social Work—are now (or already were) tax-exempt. As such, the estimated tax revenue impact is lower than might be expected given the dramatic assessment increases. Nevertheless, given the current EDIF spending of \$88.2 million, the \$1.97 million in additional taxes from the last three years is a return on investment of 2.24 per cent. However these returns are not one-time; these projects will continue to generate tax revenue for many years to come.

Downtown residential incentives

The downtown residential incentives also provide an opportunity to evaluate the impact of an EDIF investment on property assessment. About \$488,000 has been paid out to owners responsible for developing 25 upper storey residential units for six projects. From 2004 to 2012, the assessed values of those properties went up by about \$326,000, or 13 per cent.

The assessment would have grown by much more except one property decreased significantly in the value of the commercially-assessed portion of the building. If this property were excluded, the assessed values of the remaining beneficiaries of the program have increased by \$1.15 million. There are no data available to City staff to provide an explanation as to the cause of either decreases or increases in assessed

value; thus the challenge in using MPAC data is in attempting to draw conclusions about patterns without knowing the true causes of change.

The combined 2011 tax revenue for these properties was \$68,621 however this is not exclusively residential, as the program is designed for upper storey renovations.

Shirley Drive employment lands

In the case of the Shirley Drive employment lands, the increase in assessed value or taxes billed following 2004 can be directly attributable to EDIF, since those lands would not likely have been developed without the City's participation.

In 2004, the total assessed value among the properties that later constituted the Shirley Drive extension and the newly-constructed Cedarview Place was about \$1.37 million. The 2012 phase-in value is \$11.5 million. As well, the total tax amount billed was only \$9,500 in 2004, but has since grown to almost \$320,000 in 2011. Since the subject properties are not fully developed, both assessed values and the corresponding taxes billed will continue to grow.

Future developments

There are several major projects that will significantly affect downtown assessment including the second phase of the Tannery, the Breithaupt Block, City Centre Condominiums, and the former Maple Leaf employment lands in the Huron Business Park.

The Tannery District is expected to have an assessed value of \$30 million when complete and fully occupied. Using current tax rates, the estimate future taxes are in excess of \$1.1 million annually.

The City Centre project will directly stimulate assessment in its own properties, with tax revenues to the City of Kitchener estimated to be in the range of \$400,000 annually, and will likely affect the assessments of those surrounding it.

Objective 2: Stimulate employment

Measurables

- Employment
- Business counts
- Vacancy rates

Results

Several EDIF projects have directly affected employment levels such as the Communitech Hub, the Shirley Drive employment lands, UW Health Sciences Campus, and WLU Faculty of Social Work. What is difficult to measure is the number of jobs that have been created or protected indirectly through EDIF investments — without the availability of redeveloped space or land, employment may have been lost from the region. Further, the redevelopment of downtown space affects demand for other goods and services in the core. As well, there are benefits to the construction industry through redevelopment.

While some historical employment data are available for EDIF-related projects, it is not meaningful to compare year-to-year changes in the employment levels for specific businesses. These fluctuations are largely due to economic conditions or business performance. Rather the absolute employment level is only relevant compared to what existed prior to EDIF investment — which in some cases amounted to vacant land, parking lots or underutilized space. In terms of direct employment, there are 460 jobs that can be directly linked to EDIF investments (see table 1).

Table 1 Direct employment

Business/Institution	Employment
Downtown:	
Health Sciences Campus	75
Faculty of Social Work	32
Communitech Hub	264
Sub-total	371
Shirley Drive employment lands	
Bavarian Window Works	19
ACL Steel	42
Snap-Edge Canada/Great North Outdoor Living Products	5
Droven Flooring Supplies	3
Clarkson-Weiser Manufacturing	10
Sub-total	89
Total	460

The Communitech Hub employment is especially noteworthy because it plays a role in job creation. In some cases above, the jobs already existed (e.g., the Faculty of Social Work moved to downtown Kitchener) so from a regional perspective no jobs were gained. But the Hub has played a key role in the emergence of 164 new digital media companies during its first year, with more than 600 companies benefiting from its programs. The Hub currently houses 28 start-up companies, 3 post-secondary academic offices, 5 multi-nationals including RIM and OpenText, and 14 professional services firms plus provincial and federal partners.¹

Downtown employment is in flux, with small incremental but meaningful growth. Most of the growth has been hidden by losses in call centre jobs. However, these losses were offset by digital media employment including the Hub employment above, and other high profile Tannery tenants such as Google and Desire2Learn. The replacement jobs typically pay more than double the call centre positions that were lost.² As well, benefits to downtown vitality are evident through increases in restaurant employment with large new establishments such as The Firkin at the Tannery and McCabe's Irish Pub and Grill.

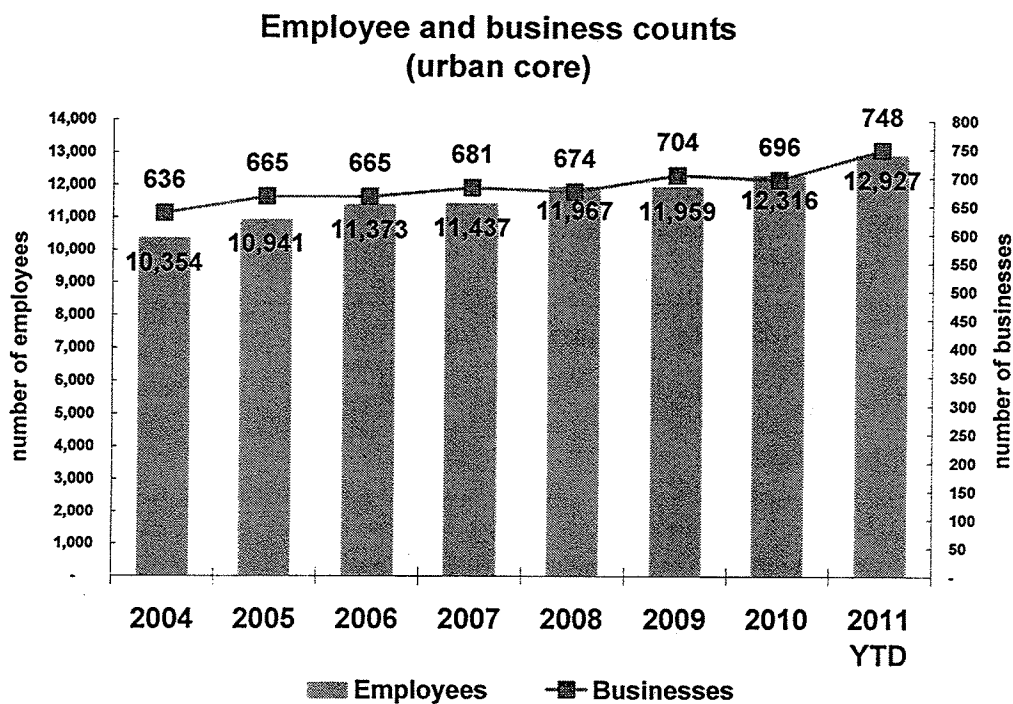
It is noteworthy that the business count rose much faster in 2011 than employment. This is due to the number of small start-ups locating in the Communitech Hub. While the impact on employment is small in the short-term, these businesses have the potential to become the large employers of the future.

¹ Communitech, October 24, 2011. <http://www.communitech.ca/half-billion-dollars-in-tech-company-deals-164-new-digital-media-companies-result-from-the-communitech-hub%E2%80%99s-first-year/>

² Working in Canada, <http://www.workingincanada.gc.ca>

From 2004 to 2011, downtown employment rose by 2,573 or 25 per cent.³ During that same time period, Kitchener-Cambridge-Waterloo Census Metropolitan Area⁴ employment grew by 16 per cent, indicating that downtown employment growth outpaced CMA employment growth. While these labour force indicators for the CMA provides additional context, these two growth rates cannot be directly compared, as the downtown employment numbers are based on a municipal census of workplaces, while the labour force survey is a Statistics Canada survey of households which includes commuter traffic.

Figure 2: Downtown employees and business counts



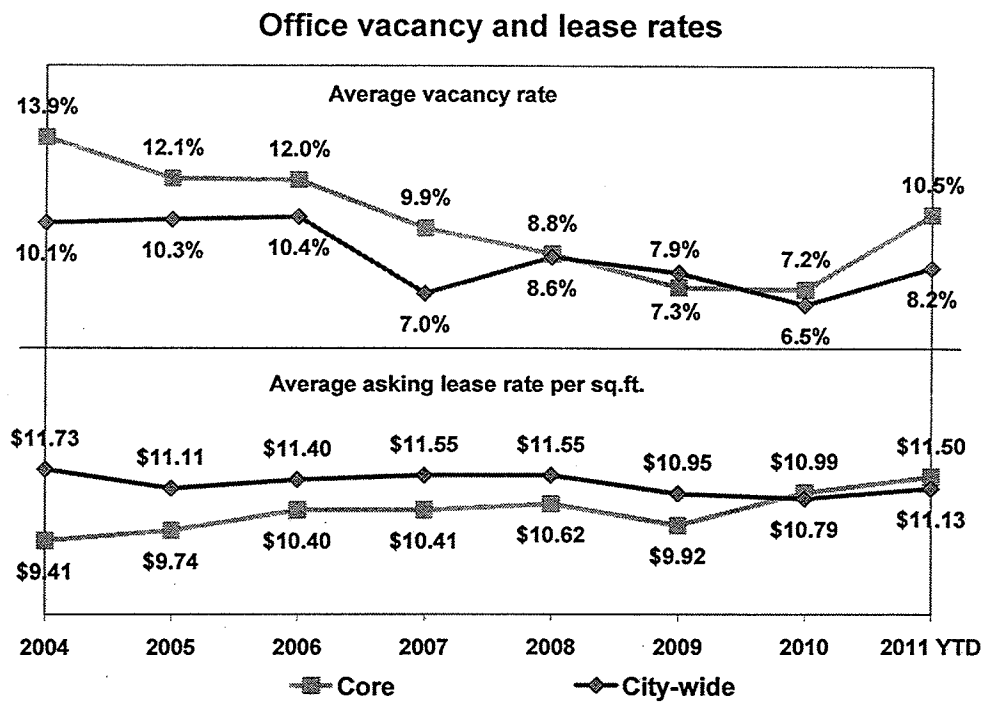
From 2004 to 2009 the downtown office vacancy rate fell steadily until it was lower than the city-wide rate. Since 2009, there has been a substantial increase in the inventory of available space in the core through the redevelopment of underutilized buildings such as the Tannery or the Shopper's Drug Mart building at 250 King St W. Therefore the current increase in the core vacancy rate is not indicative of waning demand, but rather strong investor confidence in the ability to attract tenants to newly developed space.

As indicated above, downtown employment remained stable and grew slightly during the recession. The strong employment performance further supports continued demand for downtown space.

³ Source: City of Kitchener Downtown Database

⁴ Kitchener CMA: Kitchener, Waterloo, Cambridge, Woolwich and North Dumfries.

Figure 3: Office vacancy and lease rates⁵



Future developments

The successful redevelopment of the Tannery has prompted plans for the construction of a second 300,000 sq.ft. phase on adjacent land currently used as surface parking. As well, the \$35 million redevelopment of the Breithaupt Block (formerly the Collins and Aikman plant) will create an additional 175,000 square feet of downtown office space to accommodate as many as 875 employees.

The innovation district is anchored by the Health Sciences Campus, Kaufman Lofts, The Tannery, and the future multi-modal station. This area has the potential to host over 18,000 employees and an additional 4,000 residents under a medium density scenario, provided that two-way commuter rail service is established between Kitchener and Toronto.

Objective 3: Stimulate development of residential units in the Downtown

Measurables

- Residential building permits
- Number of residential units
- Population estimates

⁵ CBRE MarketView Reports, www.cbre.ca

Results

EDIF has directly funded two initiatives to increase the residential population downtown: the redevelopment of Centre Block as City Centre Condominiums, and the creation and execution of an upper storey renovation program.

City Centre Condominiums has built a model on site and has exceeded sales expectations. This project will add 397 new residential units downtown. Using the assumption of 1.8 people per unit,⁶ this project has the potential to bring 715 residents to the core, a substantial population increase of 34 per cent over the current estimate of 2,085 people.

The Upper Storey Renovation Program produced the following results:

- Six projects underway or complete with 11 applications approved overall;
- 26 units (about 35 bedrooms) under construction or built;
- The projects underway or complete have a total project cost of \$1.7 million, of which \$489,250 was or will be loaned by the City.

While the direct impact of EDIF on residential permits to date is minimal given the long timelines associated with the redevelopment of Centre Block, indirectly EDIF projects have built demand for downtown housing. The decision by Andrin Investments to proceed with the redevelopment of the Kaufman Lofts was a direct result of the investment made by the City in the Health Sciences Campus. This resulted in 270 new residential units downtown, with an approximate sales value of \$45,000,000. Assuming 1.8 people per unit,⁷ this project added 486 residents to the downtown.

Overall, from 2004 to 2011, there were permits issued for 1,017 residential units, and the number of residents⁸ in downtown neighbourhoods⁹ increased by 1,658 (478 in the core). Residential building permit values¹⁰ in downtown neighbourhoods totalled \$128.9 million.

Future developments

As mentioned above, the City Centre Condominiums will add 397 new residential units downtown. While it is the largest residential project under development, there are numerous other developments in the planning stages ranging in size from 8 to 320 units. In total, there are 1,626 units underway or in planning for the future. These units have the potential to add 2,927 residents downtown.

⁶ Source: Statistics Canada, 2006 Census of Population, Statistics Canada catalogue no. 97-554-XCB2006032.

⁷ Source: Statistics Canada, 2006 Census of Population, Statistics Canada catalogue no. 97-554-XCB2006032.

⁸ Source: City of Kitchener AMANDA database, Statistics Canada, 2006 Census, Economic Development Population Estimates

⁹ Includes planning communities 1, 2, 3, 4, 5, 7, 8, 9, 10, 13, and 14.

¹⁰ Source: City of Kitchener AMANDA database

Objective 4: Seek maximum contributions in addition to the City's funding for each project with a target of securing 15% overall from such sources, where possible

Measurables

- Contributions from other agencies or partners

Results

One of the ways that EDIF is especially effective is in leveraging funds to initiate investments that may not otherwise have been possible. Table 2 illustrates the extent to which the City has succeeded in achieving this objective. In fact, the 15 per cent target turned out to be very conservative. EDIF-funded projects were actually able to attract more funding from other sources than from EDIF.

For most projects involving additional funding, the City was able to double the value of the project. Among all projects so far, including projects with no additional investment by partners, the City has spent \$88.2 million, and estimated partner investments have reached \$232.9 million (spent and allocated), representing \$2.64 in additional funding per dollar spent by the City, or 264 per cent of EDIF was matched by partners.

Table 2. Summary of projects with additional funding from partners

Project	EDIF allocation	Partners' allocation	Additional investment per dollar spent by City
Health Sciences Campus	\$30,000,000	\$47,244,460	\$1.57
Faculty of Social Work	\$6,500,237	\$10,599,763	\$1.63
Victoria Park improvements	\$2,700,000	\$1,200,000	\$0.44
King Street Streetscaping	\$5,680,000	\$4,443,500	\$0.78
Communitech Hub	\$500,000	\$46,530,000	\$93.06
City Centre	\$19,444,420	\$90,000,000	\$4.63
Downtown Community Centre	\$777,680	\$1,300,000	\$1.67
KPL expansion	\$32,500,000	\$31,631,182	\$0.97
TOTAL	\$98,102,337	\$232,948,905	

A closer look at the King Street reconstruction project in Table 3 illustrates funding from three additional partners.

Table 3. Detailed additional funding from partners for King Street streetscaping

Funding source	Investment
City of Kitchener (EDIF)	\$3,830,000
City of Kitchener (Community Services)	\$350,000
Provincial government	\$3,200,000
Federal government	\$1,230,000
Tree Canada	\$13,500
City of Kitchener (DTS)	\$1,500,000
TOTAL	\$10,123,500

Table 4 illustrates that Communitech leveraged a \$500,000 contribution from the City of Kitchener into the \$47 million digital media hub (\$93.06 per dollar).

Table 4. Funding from partners for Communitech Hub

Funding source	Investment
City of Kitchener (EDIF)	\$500,000
Provincial government (requested)	\$26,400,000
Federal government through CECR	\$5,350,000
Federal government through CAF	\$280,000
Industry contributions	\$14,500,000
TOTAL	\$47,030,000

The Kitchener Public Library renovation and related parking garage project are being funded primarily through EDIF and other government contributions.

Table 5. Funding from partners for KPL and Civic District Parking Garage

Funding source	Investment
City of Kitchener (EDIF)	\$32,500,000
KPL Renovation/Expansion:	
KPL Fundraising	\$500,000
Capital Out of Current	\$3,050,400
Development Charges	\$4,028,000
Civic District Parking Garage	
Contribution from KPL	\$5,285,000
Contribution from Province	\$7,000,000
Contribution from Region	\$5,964,500
Contribution from debt (Parking Enterprise)	\$5,803,282
TOTAL	\$64,131,182

Objective 5. Strive to achieve a return on investment, both direct and indirect

The concept of Return on Investment (ROI) is difficult to define for EDIF-funded projects. A traditional definition of ROI is not appropriate for projects in which the funds are granted to a not-for-profit corporation such as a university, or invested in a downtown community centre, road infrastructure, or public library renovation. For these projects, ROI must be defined much more broadly to attempt to identify if the City of Kitchener has achieved its strategic objectives, thereby setting the stage for new industries or clusters, improved employment, and increased tax revenue over time. This is therefore reflected in the analysis of the first four objectives.

Other Outcomes

While the framework for this analysis was provided with the establishment of the original five objectives of EDIF, there are other positive community benefits not directly associated with the stated objectives. These include an increase in the availability of healthcare professionals, environmental benefits, improved perceptions of safety downtown, national recognition in many award categories and improved investor confidence.

Health care

EDIF provides funding for both physician and specialist recruitment. But the fund has also contributed to the teaching, research and professional opportunities in health care through the Health Sciences Campus comprising the University of Waterloo School of Pharmacy, the McMaster School of Medicine, and the Centre for Family Medicine.

The McMaster School of Medicine will have 84 medical students enrolled when fully developed, with 77 currently in the program. The inaugural class members of 2007 are in their second year of residency and as such are not yet practicing physicians. However, the success of the Center for Family Medicine residency program shows the benefit of local medical programming in retaining physicians. The Centre for Family Medicine residency program began graduating family physicians in 2007. The initial four graduates have remained in the Waterloo-Wellington area. From 2007 to 2011, of the 36 graduates of the local McMaster family medicine program, 25 are practicing in the Waterloo-Wellington area. This represents almost a 70 per cent retention rate which is much higher than in traditional residency teaching sites.

Together, McMaster and UW have 416 students studying in downtown Kitchener, with another 127 to come. This results in improved access to health care for the entire community, and also brings research and potential commercialization opportunities to the core. This is also complemented by the 247 students enrolled in Wilfrid Laurier University's Faculty of Social Work — another EDIF investment — which provides economic benefits downtown.

Environment

EDIF has produced environmental benefits both directly and indirectly. A portion of the fund is allocated to support the Local Environmental Action Fund (LEAF), a program intended to reduce or repair our city's impact on the environment.

Other EDIF investments have incorporated the environment as a priority. For example, the green features included in the King Street Streetscaping resulted in a Tree Canada designation of the City of Kitchener as a Green Streets Canada Community. Indirectly, EDIF supports the Economic Development strategy and Kitchener Growth Management Strategy by encouraging intensification and redevelopment. This also relates to the investment in transportation infrastructure (e.g., Light Rail, GO Transit) that supports urban intensification for energy efficiency.

While the regional Brownfields incentive program is not an EDIF-funded initiative, many EDIF-related projects have benefited from both programs for redevelopment. As such, EDIF investments have precipitated environmental remediation that may not otherwise have been feasible without access to these resources.

There are several remediation projects directly related to EDIF expenditures as shown below. One of the extensive remediation projects funded through EDIF was the removal of coal tar as part of the Gaukel Street clean-up. The reconstruction of Joseph and Gaukel Street area features the new entrance of Victoria Park, which offers a green community space and focal point to the park.

Records of site conditions have been issued on over 11 hectares of downtown land, related directly or indirectly to EDIF. There is another 4 hectares expected through the second phase of the Tannery, the Breithaupt Block, and the GO station.

Table 6. Record of site conditions¹¹

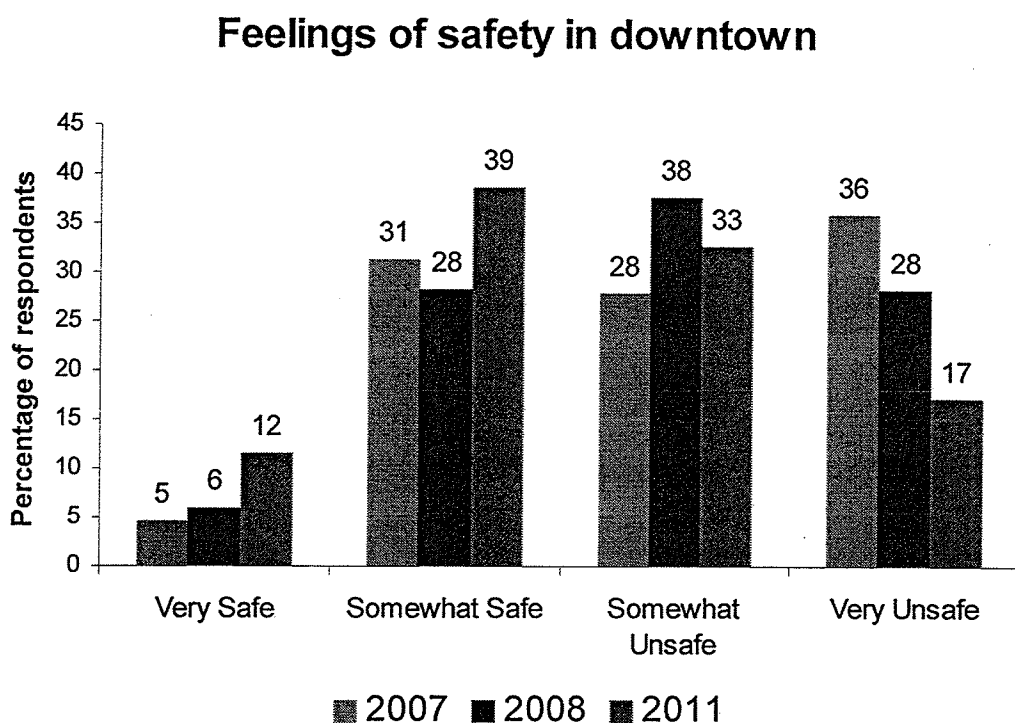
Directly related to EDIF			
Name	Location	Date	Size in hectares
City of Kitchener	44 Gaukel St	June 22, 2011	0.11
City of Kitchener	44 Gaukel St	June 22, 2011	0.76
City of Kitchener	Centre Block	March 18, 2010	1.20
LP Holdings (School of Pharmacy)	5212 King St W & 10 Victoria S	Sept 25, 2009	2.22
City of Kitchener	48 Ontario Street	Sept. 8, 2009	0.10
Indirectly related to EDIF			
Francis Street Inc.	36-50 Francis St (The Tannery)	Dec 12, 2008	1.60
Arrow Lofts	112 Benton St	July 15, 2008	0.62
K1000 Limited	110 Highland Rd (The InTowns)	Sept 29, 2005	3.38
410 King Properties Ltd	Kaufman Lofts	June 17, 2005	1.25
Indirectly related to EDIF			
The Tannery Phase 2	Victoria, Joseph, Linden and Oak		1.12
Breithaupt Block	51 Breithaupt St		1.43
VIA – GO Station	King, Victoria, Waterloo & Breithaupt + parking on north side of Breithaupt		1.43

Perceptions of Safety

Increased investment activity in the downtown should contribute to a more positive perception of the safety of the core. This is demonstrated through the Waterloo Region Crime Prevention Council's surveys which show that more people feel safe in downtown Kitchener in 2011 than in prior years. In 2007 only 36 per cent of respondents felt somewhat safe or very safe, but by 2011 this had increased to 50 percent.

¹¹ Ministry of the Environment, <http://www.ene.gov.on.ca>

Figure 4: Feelings of safety downtown



Awards

A number of the projects related to EDIF have been recognized with a variety of awards. This recognition not only confirms the quality of the investments, but also sets the bar high for new development.

2005: Kaufman Lofts won a Canadian Urban Institute Brownie Award for Best Project — Small/Medium Scale. Andrin Developments initiated this project as a result of the construction of the University of Waterloo School of Pharmacy at the same downtown intersection.

2005: The Downtown Kitchener Student Housing Program was honoured by the Economic Developers Association of Canada. The program was developed through a partnership between the City, the University of Waterloo and Wilfrid Laurier University specifically in preparation for the opening of the universities’ two new downtown campuses.

2006: The Wilfrid Laurier University Faculty of Social Work won the City of Kitchener Mike Wagner Heritage Award for Outstanding Achievement.

2007: The Centre Block project was recognized by the Economic Development Council of Ontario (EDCO) for Product Development/Redevelopment Initiative.

2008-2009: Tree Canada designated the City of Kitchener as a Green Streets Canada Community, in recognition of the green features included in the new King Street streetscape.

2010: The University of Waterloo School of Pharmacy received a silver Design Exchange Award for architectural design.

2011: The Tannery won the Mike Wagner Heritage Award for Rehabilitation Adaptive Re-use.

2011: The King Street Streetscaping won a gold award for urban design, from The Design Exchange Awards. This makes it the top Urban Design project in Canada this year.

2011: The King Street streetscape reconstruction won a City of Kitchener Urban Design Award of Excellence in the category of Civic Projects — Public Spaces.

2011: The Canadian Urban Institute honoured The Tannery with the Brownie Award for Best Overall Project in Canada. This prestigious award recognizes excellence in Brownfield redevelopment.

Investor confidence

With the commitment by the City to invest \$110 million in economic development stimulus projects, an important outcome is the observed investments by the private sector as a response to the catalyst projects. Since the announcement of EDIF, the private sector has responded with \$265 million in investment in major residential and commercial projects alone (see table 7). Since 2004, the construction value of building permits in the downtown neighbourhoods has \$670 million, of which \$439 million has been invested in the core. This demonstrates the confidence of property owners and investors in the impact that EDIF will make on the urban economy.

Table 7. Private investment downtown for major projects

	Estimated private investment
Residential	
Le Marche	
Mansion Street	
Kaufman Lofts	
Eaton Lofts	
InTowns	
560 Queen St S	
310 Queen St S	
Arrow Lofts	
Upper Storey Residential	
TOTAL RESIDENTIAL	\$156,290,750
Commercial/Office	
The Tannery	
The Hub	
Breithaupt Block	
Shopper's Drug Mart	
TOTAL COMMERCIAL	\$108,880,000
TOTAL PRIVATE	\$265,170,750

CONCLUSION:

The Economic Development Investment Fund now has only two years remaining in its implementation period, yet the impact of the fund extends well beyond that timeframe. Ongoing benefits include higher assessment and tax revenue, and an increase in the downtown residential inventory which translates to population growth. These outcomes are measurable and more easily identified.

But the more complex benefits relate to cluster development and employment changes. A residential development such as City Centre is fixed in location and number of units, and as such is easily linked to EDIF. But new businesses may start up in the Communitech Hub and graduate to another location in the region. Or a regional business may partner with the School of Pharmacy on a project that can not easily be tracked to the initial EDIF investment. As such the work to invest in new business areas benefits the entire region, but is much more difficult to isolate in terms of cause and effect.

The analysis is constrained by the time lag for census and assessment data, and the lack of available local data for other potentially relevant indicators. But perhaps the biggest challenge to this early analysis is the need to allow for the maturation of EDIF investments. Also, there are projects such as the Downtown Community Centre and the Library which do not directly meet an EDIF objective, yet they contribute to a positive environment for investment in the downtown.

Nevertheless, an examination of only the measurable results demonstrates that EDIF has made a positive economic impact. Assessment is growing faster near EDIF investments, and both downtown developments and employment land development have secured jobs. New residential units have been added through the redevelopment of Kaufman Lofts and through the Upper Storey Renovation Program, and a number of other residential projects are in the planning stages. For every dollar in EDIF, other partners have contributed, or will contribute \$2.64, which demonstrates the capacity to leverage city funds for stimulus. Further, in some instances additional spending comes from the private sector which shows that investors have confidence in the projects made possible through this fund. And some downtown redevelopment is entirely driven by the private sector, which demonstrates the commitment of investors to downtown.

It is this confidence in Kitchener as a growth location for business and investment that helps support additional non-EDIF investment. Since 2004 a number of other developments have proceeded ranging from small façade improvements to the massive consolidated provincial courthouse. A significant factor in future development will be transportation infrastructure, as light rail transit and GO Transit influence the movement of people within the city and between cities. EDIF helped position downtown Kitchener as the centre of the region for business, transportation, and culture. Yet, there is a portion of the fund still committed to support industrial land, helping to balance the needs of the manufacturing base with the expanding urban economy.

The effect of EDIF is expected to continue to grow over the remaining life of the fund and it will have a lasting and measurable impact on the city and region over the long term.