

Report to Planning and Environment Committee

To: Chair and Members
Planning and Environment Committee

From: Scott Mathers, MPA, P.Eng.
Deputy City Manager, Planning and Economic Development

Subject: 5-Year Review – Community Improvement Plans and
Financial Incentive Programs Background Analysis

Date: May 23, 2023

Recommendation

That, the report dated May 23, 2023, from the Deputy City Manager, Planning and Economic Development, summarizing the background analysis undertaken to support the City's Community Improvement Plans and associated Financial Incentive Programs 5-year program review, **BE RECEIVED**.

Executive Summary

The purpose of this report is to provide Council a summary of the background analysis undertaken as part of the London's Community Improvement Plans (CIPs) and the Financial Incentive Programs 5-year Review. The report includes the results of the evaluation of the established measures, indicators of success, and targets previously set by Council and provides information requested by Council following the 2017 5-year review on the experience of mid-rise and/or smaller scale residential development accessing the Residential Development Charges Grant Program. The background analysis in this report has been used to inform the recommendations provided in a companion report titled "5-Year Review – Community Improvement Plans and Financial Incentive Programs Interim Report".

Linkage to the Corporate Strategic Plan

The 2023-2027 Strategic Plan identifies Council's priorities and implementing strategies to inform the Multi-Year Budget. The 5-Year Review of Community Improvement Plans and Financial Incentive Programs aligns with the Strategic Area of Focus: Economic Growth, Culture, and Prosperity. The pertinent outcomes of this Area of Focus include that London encourages equitable economic growth and diversification and that London's Core Area (Downtown, Midtown, Old East Village) is a vibrant neighbourhood and attractive destination.

Linkage to the Climate Emergency Declaration

On April 23, 2019, Municipal Council declared a Climate Emergency. The loan and grant Programs support the City's commitment to reducing and mitigating climate change by incentivizing rehabilitation and reinvestment to improve the environmental and economic performance of properties in designated Community Improvement Project Areas throughout the city to encourage more effective and efficient use of existing urban lands and infrastructure, brownfields clean-up, and the regeneration of existing communities.

Analysis

1 Background Information

1.1 Previous Reports Related to this Matter

Planning and Environment Committee – April 27, 2017 – Service Review of Community Improvement Plan Incentives

Planning and Environment Committee – May 13, 2019 – New Measures and Indicators of Success

Planning and Environment Committee – November 16, 2020 – Community Improvement Plans Performance Measures and Indicators of Success

Planning and Environment Committee – March 29, 2021 – Downtown Community Improvement Plan – Performance Measures and Indicators of Success

Planning and Environment Committee – March 29, 2021 – Old East Village Community Improvement Plan – Performance Measure and Indicators of Success

Planning and Environment Committee – June 21, 2021 – CIP - Performance Measures and Indicators of Success

Planning and Environment Committee – November 1, 2021 - SoHo Community Improvement Plan – Performance Measures and Indicators of Success

Planning and Environment Committee – November 1, 2021 - Lambeth Community Improvement Plan – Performance Measures and Indicators of Success

Planning and Environment Committee – November 1, 2021 – Hamilton Road Community Improvement Plan – Performance Measures and Indicators of Success

Planning and Environment Committee – May 9, 2022 - Community Improvement Plan (CIP) Financial Incentives Program 5-Year Review Project Launch

1.2 Community Improvement Plans

A Community Improvement Plan (CIP) is a tool defined by Section 28 of the *Planning Act* that is intended to replan, redesign, redevelop, and rehabilitate a designated area in need due to age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social, or community economic development reasons.

A CIP can help:

- Focus public attention on local priorities and municipal initiatives;
- Target areas in transition or in need of repair, rehabilitation, and redevelopment;
- Facilitate and encourage community change in a coordinated manner; and,
- Stimulate private sector investment through municipal incentive-based Programs.

Financial Incentive Programs in Community Improvement Plans are often used as tools to encourage and support community and economic redevelopment. The Financial Incentives are geared to encourage private sector investment in specific areas that further support the City's policy goals and objectives, for example reinvestment in the Core Area.

2 Research and Data Collection

2.1 Targets and Metrics

In 2020 and 2021, Council approved amendments to the Downtown, Old East Village, SoHo, Hamilton Road, and Lambeth Area Community Improvement Plans to include targets and metrics for the Financial Incentive Programs. The following table summarizes the targets and metrics that apply to the various Financial Incentive Programs.

Table 1 Financial Incentive Program Targets and Metrics

Program	Targets and Metrics			
Rehabilitation and Redevelopment Tax Grant	Residential population		Assessment value of properties	
Residential Development Charges Grant	Residential population		Assessment value of properties	
Façade Improvement Loan	Façade evaluation score	Ground floor vacancy rate	Ratio of private sector investment to public sector loans	Number of loans issued per year
Upgrade to Building Code Loan	Ground floor vacancy rate		Ratio of private sector investment to public sector loans	Number of loans issued per year
Forgivable Loans	Percentage of targeted uses that occupy ground floor commercial space			

These metrics provide details on the success of the programs and triggers for when the programs should be reviewed or eliminated. Each of these metrics link to specific to improvement objectives in each Area CIP to determine when Financial Incentive Programs.

2.2 “Façade Evaluation Score” Metric

The façade evaluation score is calculated using a tool administered by staff based on 17 façade related questions. From the questionnaire, a score percentage is calculated for each eligible property in the Area CIPs. A score of 75% or greater is needed for a property façade to be classified as no longer needing improvement. Façade evaluation data is collected biannually, starting in 2021, the first year the façade evaluation tool was used.

2.3 “Assessment Value of Properties” Metric

The Ontario Government postponed the 2020 property assessment update. The property assessments for 2022 and 2023 property tax years will continue to be based on January 1, 2016, which is prior to the current 2018-2023 Multi-Year Budget. Therefore, the property assessment values will not be part of the evaluation of the Area CIP Financial Incentives at the time of this report. Civic Administration will resume property assessment data collection once the updated values are received from the Municipal Property Assessment Corporation (MPAC) to continue to monitor the success of the Financial Incentive Programs.

3 Grant Program Evaluation

The following sections provide an analysis of each of the grant programs that were created with defined measures, indicators of success, and targets.

3.1 Residential Development Charges Grant

This program is aimed at encouraging private sector investment in Downtown and Old East Village residential property development. A grant equal to a rebate of Development Charges (DCs) is provided for residential units constructed. DCs are required to be paid up-front at the time the building permit is issued. This program grants back a portion of the residential DCs paid by the applicant over a 10-year period until 100% of the residential DCs have been repaid to the applicant.

Program Metrics:

This Grant Program will continue to operate as outlined in the program guidelines until a population target of 12,000 is met for the Downtown area and until a population target of 3,500 is met in the Old East Village area.

The step-down mechanism for reducing the Residential Development Charges Grant in Downtown as the population increases is as follows:

- Population 7,500 reduces Residential DC grant to 75%
- Population 9,000 reduces Residential DC grant to 50%
- Population 10,500 reduces Residential DC grant to 25%
- Population 12,000 reduces Residential DC grant to 0%

The step-down mechanism for reducing the Residential Development Charges Grant in Old East Village as the population increases is as follows:

- Population 2,000 reduces Residential DC grant to 75%
- Population 2,500 reduces Residential DC grant to 50%
- Population 3,000 reduces Residential DC grant to 25%
- Population 3,500 reduces Residential DC grant to 0%

Evaluation:

From the 2021 Census Data, the Downtown CIP Area population is currently 5,073. Therefore, the Downtown Area CIP has not achieved the population target to justify the reduction of Residential Development Charges Grant.

From the 2021 Census Data, the Old East Village CIP Area population is currently 1,916. Therefore, Old East Village has not achieved the population target to justify the reduction of Residential Development Charges Grant.

3.2 Rehabilitation and Redevelopment Tax Grant

Rehabilitation and Redevelopment Tax Grant rebates a portion of the municipal tax increase that results from the rehabilitation of an existing building or construction of a new building. A percentage of this tax increment is rebated back to the property owner each year for ten years.

Program Metrics:

This Grant Program will continue to operate as outlined in the program guidelines until a population target of 12,000 is met for the Downtown area and until a population target of 3,500 is met in the Old East Village area and a population target of 6,000 in SoHo.

Evaluation:

Table 2: Rehabilitation and Redevelopment Tax Grant Program Evaluation

Community Improvement Plan	Population Target (2021 Data)
Old East Village	1,916 (Target: 3500)
Downtown Area	5073 (Target: 12,000)
SoHo Community Improvement Plan	3,433 (Target: 6000)

Based on the 2021 Census Data, the Downtown, Old East Village and SoHo CIP Areas have not met the targets to trigger changes to the Rehabilitation and Redevelopment Tax Grant Program.

3.3 Façade Improvement Loan

A Façade Improvement Loan is a loan from the City to improve building facades, including upgrades to windows, doors, brick repair, painting, lighting, and signage that is affixed to the façade. The loan will cover 50% of the cost of the improvements — up to a maximum of \$50,000. This loan is paid back at 0% interest over a 10-year period. In certain areas, a portion of the loan may be forgivable. These loans are discussed in the section titled “Forgivable Improvement Loans”.

Program Metrics:

The building façade condition target is that 90% of façades in the CIP Area do not need improvement. The ground floor vacancy rate target is less than 9%. The target ratio of private sector investment to public sector loans for this program is 2.8:1 or greater. The target number of loans per year varies by CIP.

Evaluation:

Table 3: Façade Improvement Loan Program Evaluation

Community Improvement Plan	Façade Condition (Target >90%)	Ground Floor Vacancy Rate	Private Sector Investment (Target >2.8)	Number of Applications per year* (2018-2022)
Old East Village	45%	17% (Target: 9%)	2.02	6 (Target: 6)
Downtown Area	45%	21% (Target: 9%)	2.51	7 (Target 9)
Lambeth Area	65%	4.1% Target: 3%	N/A	0 (Target 3)
SoHo Community	58%	11% Target: 3%	N/A	1 (Target 3)
Hamilton Road Area	70%	6% Target: 3%	1.80	7 (Target 3)

* Number of Applications per year (Actual and Target) are counts of the total number under both loan programs.

Based on the table above, the façade evaluation values and the ground floor vacancy rates for the CIP areas are below the targets that would trigger a change in the program in the Downtown, Old East Village, Lambeth, SoHo Community, and Hamilton Road Areas.

3.4 Upgrade to Building Code Loan

The Upgrade to Building Code Loan program provides loans to property owners who improve their buildings for items that relate to Ontario Building Code requirements. Loans are up to \$200,000 or half the value of work, whichever is less. Loans are paid back at 0% interest over a 10-year period. In certain areas of Downtown, Old East Village, and Hamilton Road Area a portion of the loan may be forgivable. The metrics related to areas eligible for forgivable loans are discussed in the following section.

Evaluation:

Table 4: Upgrade to Building Code Loan Evaluation

Community Improvement Plan	Ground Floor Vacancy Rate	Private Sector Investment (Target >2.8)	Number of Applications per year (2018-2022)*
Old East Village	17% (Target: 9%)	2.13	6 (Target: 6)
Downtown Area	21% (Target: 9%)	2.93	7 (Target 9)
Lambeth Area	4.1% Target: 3%	N/A	0 (Target 3)
SoHo Community	11% Target: 3%	N/A	0 (Target 3)
Hamilton Road Area	6% Target: 3%	2.54	7 (Target 3)

* Number of Applications per year (Actual and Target) are counts of the total number under both loan programs.

Based on the table above, the façade evaluation values and the ground floor vacancy rates for the CIP areas are below the targets that would trigger a change in the Upgrade to Building Code Loan program in the Downtown, Old East Village, Lambeth, SoHo Community, and Hamilton Road Areas.

The private sector investment target for the Downtown does exceed the target; however, exceeding the private sector investment to public sector investment ratio does not automatically trigger the scaling back or defunding of the Upgrade to Building Code Loan Program. The success of the Upgrade to Building Code Loan Program in generating private sector investment highlights the impact of the Program on property rehabilitation. The 2021 Downtown Community Improvement Plan amendment that added measures of success and targets to the CIP provides direction to Civic Administration on next steps if targets are met, including refining a loan program's purpose to tackle other City priorities. In this instance, keeping the Upgrade to Building Code Loan in the Downtown funded is justified to better target vacant properties in addressing emerging Council priorities such as the Core Area Land and Building Vacancy Reduction Strategy.

3.5 Forgivable Improvement Loans

Forgivable Improvement Loans are available through the Downtown, Old East Village and Hamilton Road Area CIP Financial Incentive Programs and are evaluated by the percentage of targeted uses that occupy ground floor commercial space. Loan forgiveness applies to applications made under the existing Façade Improvement Loan and the Upgrade to Building Code Loan programs.

Program Metrics:

Forgivable Improvement Loans are evaluated by the occupancy percentage of targeted uses in a CIP Area. Targeted uses include restaurants, retail stores, and other similar pedestrian generating uses. A 75% occupancy of targeted uses would trigger a

refinement in the Downtown and Hamilton Road Area and a 90% occupancy of targeted uses would trigger elimination of the program. In Old East Village, a 70% occupancy of targeted uses would trigger a refinement.

Evaluation:

Table 5: Façade Improvement Loan Program Evaluation

Community Improvement Plan	Targeted Occupancy (Target >75%)
Old East Village	63% (Target: >70%)
Downtown Area	65.4% (Target: >75%)
Hamilton Road Area	34.8% (Target: >75%)

The CIP Areas that are eligible for Forgivable Improvement Loans have not met the targets to trigger program changes.

4 Residential Development Charges Grant Program: Council Information Request

The Residential Development Charges Grant Program was introduced in the Downtown and Old East Village Community Improvement Plan Project Areas to encourage residential development in areas that do not have strong residential populations. The population targets for Downtown (12,000) and Old East Village (3,500) were developed as the residential population required to support prosperous communities in these areas. With the 2021 amendments to the Downtown and Old East Village Community Improvement Plans, Civic Administration built in a step-down mechanism to reduce the Residential Development Charges Grants as population thresholds are reached. As of the latest 2021 Census Data, the population of both Downtown and Old East Village Community Improvement Plan Project Areas have not reached the threshold to justify the reduction Residential Development Charges Grants in these areas.

In the Council Resolution following from the 2017 Review, a request was made to provide further details related to application to the Residential Development Charges Grant Program:

- o) as part of the monitoring of the revised incentive Programs, the Civic Administration BE DIRECTED to report back on the experience of mid-rise and/or smaller scale residential development accessing the Residential Development Charges Grant Program*

The Residential DC Grant Program is available in certain parts of Downtown CIP Area where maximum building heights of 20–35 storeys are permitted and in the Rapid Transit Corridor in the Old East Village CIP Area where maximum building heights of 10-12 storeys are permitted in The London Plan. Further, the Old East Village Dundas Street Corridor Secondary Plan permits up to 24 storeys along the south side of Dundas Street, between Colborne Street to directly east of Ontario Street. A mid-rise scale residential development is generally defined as being 8 storeys or less.

The table below illustrates the total number of developments with Residential DC Grants issued or committed. From the 7 developments, there are 2 developments that are considered mid-rise or small-scale. The total funding issued or committed to date for mid-rise or small-scale developments is \$489,971. Approximately 98% of the overall funding from the Residential Development Charges Grant Program is accessed to support high-rise developments (greater than 8 storeys).

Table 6: Downtown Residential Charges Grant Applications

# of Applications	7
Funding Issued:	\$17,495,372
Committed but not yet Issued:	\$7,702,192
Total Funding Committed or Issued to date:	\$25,197,564
% of Funding Committed or Issued to Mid-rise or small-scale developments	2%

5 Next Steps

As outlined in the analysis provided above, none of the target metrics considered above trigger changes to any of the existing Financial Incentive Programs. The 5-Year Community Improvement Plans and Financial Incentive Programs review process will consider the above noted background analysis when considering changes to the existing programs. The companion report titled “5-Year Review – Community Improvement Plans and Financial Incentive Programs Interim Report” provides a full assessment of proposed changes to the existing programs based on the background analysis provided in this report, feedback from public engagement, and the new Council’s Strategic Plan.

Conclusion

The background analysis provided in this report was undertaken as part of the London’s Community Improvement Plans (CIPs) and the Financial Incentive Programs 5-year Review process. This report includes the results of the evaluation of the established metrics and targets previously set by Council and provides information requested by Council following the 2017 5-year review on the experience of mid-rise and/or smaller scale residential development accessing the Residential Development Charges Grant Program. The companion report titled “5-Year Review – Community Improvement Plans and Financial Incentive Programs Interim Report” has used this background analysis in developing a list of proposed changes to the existing programs highlighted in this report.

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