Residential Intensification Case Studies

Municipal Initiatives

Canada Mortgage and Housing Corporation

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Introduction

For the last 50 years, development patterns in Canada have emphasized building out onto greenfield lands at the urban edge at a rate that has outstripped the rate of population growth. This development pattern has resulted in the loss of farmland and natural areas, rising car dependency and traffic congestion. Moreover, many municipalities lack the resources to pay for the infrastructure needed to support expansion into greenfield areas.

One of the ways municipalities have sought to address these issues is through residential intensification, i.e., encouraging housing development in existing urban areas where infrastructure and transit services are already in place. Infill development, adaptive reuse, brownfield redevelopment, lot splitting and secondary suites are examples of intensification that can result in the following:

- Reduce infrastructure costs;
- Use land more efficiently;
- Preserve rural and natural areas outside existing urban boundaries;
- Revitalize urban areas in decline; and
- Create more transportation choice through easier access to daily destinations like work, shopping and entertainment (e.g., mixed-use, pedestrian- and transit-oriented neighbourhoods)

Intensification comes in myriad forms depending on unique local opportunities and conditions. However, as a development process, intensification can be broken down into four distinct types:

- **Infill**—Infill is new housing construction on small parcels of vacant or underutilized land within existing serviced residential areas. Gaps in the existing urban fabric (e.g., on a parking lot, behind a church or on a vacant parcel or side lot) are "infilled" with residential development.
- **Redevelopment**—Residential intensification through redevelopment involves replacing an existing type of urban land use (e.g., industrial, commercial or vacant brownfield) with residential or mixed-use development. This may also include converting low-density residential areas to higher-density residential areas, e.g., demolishing single-family houses and replacing them with mid-rise apartments. Redevelopment is usually on a larger scale than infill and often involves significant infrastructure improvements.
- **Adaptive reuse**—The renovation of an existing non-residential (i.e., industrial, commercial or institutional) building for residential use, e.g., lofts in a former warehouse, factory, school or office.
- **Addition**—The addition of residential units to existing buildings (with or without the expansion of the building), such as introducing secondary suites into a detached house, converting a single-family house to a fourplex or adding residential units above shops on a main street.

These four types of intensification can be found in a variety of intensification settings, including:

- **Mainstreets**—Adding housing above retail uses along arterial streets or converting existing non-residential buildings to include residential uses.
- **Brownfields**—Redevelopment/adaptive reuse of contaminated sites and buildings previously used for industrial or commercial purposes.
- **Greyfields**—Redevelopment/ adaptive reuse of shopping malls or plazas (including their parking areas) to residential or mixed-use.
- **Waterfronts**—Infill or redevelopment of sites in a waterfront location (ocean, lake or riverfront).

- **Transit-oriented development—**Increasing densities around transit nodes to support adequate ridership for transit, typically through infill or redevelopment.
- **Downtowns—**Infill, adaptive reuse or additions focused on downtown revitalization.
- **Neighbourhoods—**Infill on small vacant lots or adding suites to existing buildings that results in the intensification of a whole neighbourhood.
- **Suburbs—**Suburbs can be "retrofitted" to increase densities through infill development, e.g., splitting large lots in half to make way for double the number of smaller lots.

Despite the considerable potential benefits, intensification faces a series of practical challenges, described in Part 2 of this study on residential intensification in a separate CMHC report which presents case studies of built projects from across Canada:

- **Higher development costs—**A number of factors can increase the costs of intensification projects. According to developers interviewed for the built-project case studies, these factors include high land costs, difficulty of obtaining financing due to perceived risk, higher construction costs (e.g., paying for road closures, crew parking, extra security, compensation to neighbouring property owners for blasting damage or overhead crane swings, higher insurance premiums, etc.) On brownfield sites, costs escalate due to the need to decontaminate the site before development can take place.
- **Neighbourhood opposition—**There is often considerable opposition to intensification projects, often relating to perceived threats to property values, incompatible building scale or character, blocking of sunlight, as well as parking and traffic problems. This barrier is likely to be most salient with respect to infill development in low-density residential areas but can affect other forms of intensification as well.
- **Regulatory issues—**For certain types of intensification (e.g., adaptive reuse of existing buildings or adding suites to existing houses) building and fire codes may pose a serious obstacle to development. Parking requirements can make intensification projects in the downtown area prohibitively expensive. Zoning bylaws often impose maximum densities that prevent higher-density infill projects.

Purpose

This study aims to profile successful examples of municipal initiatives that have helped to overcome obstacles such as these, either by removing barriers or providing positive incentives. Most importantly, they have resulted in concrete results "on the ground," in that they have helped trigger or facilitate projects that may not have otherwise gone ahead. This document is intended to be of use to municipal officials and other stakeholders across the country who may be looking for mechanisms with which to encourage intensification.

Part 2 highlights examples of successful built projects from the perspective of the developers, occupants and municipal planners involved in the projects.

Approach

The report profiles 12 case studies of local initiatives that support intensification. In order to ascertain the information most needed by potential audience members, municipal officials in four locations across the country were contacted and asked for their input regarding their information needs for such a report.

The project proceeded by identifying a list of over 50 potential intensification measures through a telephone survey of about 40 Canadian municipalities. From this list, 12 measures were chosen for detailed case study. The selection attempted to strike a balance between regional representation, different urban contexts (e.g., downtown, waterfront, suburban, brownfield) and different types of intensification targeted (e.g., redevelopment, infill, adaptive reuse), while presenting innovative examples that stimulated the creation of new housing units.

The 12 initiatives are summarized in Table 1. They can be categorized as:

- regulatory
- relating to the planning process, or
- involving financial incentives.

Three studies fall in each of the first two categories and six fall into the last category.

The research team interviewed the officials most familiar with the selected initiatives. Respondents were asked to provide information on the following topics:

- policy overview and background;
- policy process;
- ptakeholder response;
- financial issues;
- barriers;
- outcomes;
- overall evaluation;
- reproducibility;
- supporting documentation; and
- contact information.

In most cases, a developer involved in one of the projects resulting from the initiative was also contacted for certain data.

Findings and conclusions

The case studies show that municipalities in partnership with local stakeholders and/or senior governments can significantly contribute to the intensification of existing urban areas using a wide variety of instruments. Although all of the case studies were successful to one degree or another, the impacts of the various measures varied according to the amount of time they have been in place, the geographic scope of the measure, the type of measure, supporting policies, and so on. Thus, the contribution of the measures to increased residential development in the targeted areas varied from several dozen units (e.g., Saskatoon, Cambridge, Winnipeg) to thousands of units (e.g., Toronto, Ottawa).

The diversity of goals, policy conditions and outcomes among the case study initiatives provide a rich vein of experience from which lessons can be mined. Needless to say, these lessons need to be interpreted and filtered in order to judge their relevance to the local circumstances of the reader.

- **Emphasize financial returns**—One feature that helped "sell" these initiatives to politicians and the general public was the fact that they were predicted to have long-term positive impacts on the financial health of the cities involved. Program expenditures by municipal governments were usually relatively low, administrative arrangements were simple and the return to the municipality in the form of increased property tax revenues was expected to be large. Most of the programs paid for themselves within a few years and then provided a net revenue stream to the municipality.

- **Link intensification initiatives to other policy goals**—The initiatives achieved widespread buy-in because they were clearly linked to other important goals that enjoyed wide popular and stakeholder support. For example, in many cases, intensification was linked to downtown revitalization, efficient use of public funds for infrastructure or the retention of heritage buildings.
- **Choose effective public consultation techniques**—The case studies also revealed the importance of effective consultation techniques to achieve widespread acceptance or support for the measures. In the case of accessory suites in Guelph, for instance, the municipality used an innovative approach including visualization of outcomes in order to relieve anxieties about potential impacts. To ensure broad public support for lot splitting, Richmond put a certain amount of decision-making power in the hands of local residents by surveying their opinions before proceeding with regulatory changes. The financial measures used in six of the case studies did not require extensive public relations campaigns as they were directed towards a receptive clientele of developers and builders who would directly benefit from the incentives offered. Nonetheless, even in these cases, the initiatives were usually introduced in response to recommendations made by stakeholder task forces or other consultationmechanisms. This ensured that the target group genuinely wanted the program and that it was shaped in a way that would be of optimal use to them.
- **Work with the market**—Although these measures represent a form of government intervention in the housing market, it is clear that no measure can succeed unless it works in conjunction with larger economic forces. Thus, for example, the downtown revitalization and brownfield redevelopment measures described in this report could not have succeeded in the absence of a latent demand for housing in these areas and larger changes that contributed to the attractiveness of these areas for residential development. Thus the initiatives acted more as intensification facilitators rather than as lone triggers. Programs that attempt to force change in a market not ripe for change will likely fail.
- **Find a policy champion**—A strong, committed individual can inspire new ways of looking at things. In about half of the cases studied, a champion was identified with the adoption and successful implementation of the policy. In some cases, it was a political leader, such as a mayor or councillor (e.g., Toronto, Ottawa and Winnipeg) and in other cases, it was a city official (e.g., Calgary).
- **Keep political costs low**—Most of the initiatives profiled in this report focused on forms of intensification that were not expected to cause intense public controversy and used policy instruments, like financial incentives, that resulted in win-win situations. Three of the initiatives (Richmond, Calgary and Guelph) involved intensification of existing low-density residential areas—usually a politically difficult proposition—but in each case, great effort was taken to ensure that public concerns would be genuinely addressed in the design of the policy and that political risks in adopting the measure would be low.

- **Create a supportive municipal policy environment**—Most of the initiatives presented in this report would likely have been less successful if they had not been implemented in a supportive municipal policy environment. Typically, this policy environment was prepared in advance through public discussions related to high-profile studies or task forces on urban problems (like the decline of a downtown or the need to provide a wider range of housing opportunities) and then translated into community plans that laid out the policy basis of the initiative and linked it to other strategic goals. Such "high-level" policy statements allowed proponents of the initiatives to advance their causes both in discussions with other stakeholders and in the public debate surrounding adoption of the initiatives. Furthermore, the initiatives described in the report were often complemented by other municipal initiatives. For example, the marketing of vacant lots in North Vancouver was facilitated by municipal investments in improving the cultural and human services in the target area, improved transit and pedestrian facilities and so on.
- Provincial policies enable or support local initiatives—The success of most of the initiatives described in this report depended on the existence of suitable provincial policies or programs. This could take the form of provincial legislation setting out regulatory requirements (e.g., environmental quality acts governing the clean-up of contaminated sites) enabling legislation (e.g., that provided municipalities with the legal authority to offer incentives) or provincial funding programs. Even with supportive provincial policies, intensification must also be supported by municipal planning, zoning, approvals and council decisions.
- Monitoring can consolidate support for a program—Almost all of the initiatives described here were closely monitored to track impacts on the ground. Having data to illustrate the success of the measures in achieving the policy goals helped consolidate support for the measures and contributed to their renewal by council or provincial decision-makers and, in some cases, provided arguments for expanding the geographical scope of the measures.

Table 1: Summary of Municipal Initiatives

Type/Setting of Intensification	Municipality	Title	Description	Implementation Date	Results	Agency Type	Initiative Type
Suburban infill	Richmond, BC	Single Family Lot size Policy Process	The process allows suburban lots to be split into two lots by setting an area-wide policy with considerable input from affected property owners.	1989	522 new suburban lots have been created over the lifetime of the policy.	Municipal	Regulatory
Urban infill	North Vancouver, BC	Marketing of City-owned Properties	City-owned lands in a former industrial area are marketed, rezoned and tendered out by the City for redevelopment by private developers. A new neighbourhood is emerging.	1998	Two projects completed with a total of 114 housing units and another project of 266 units currently underway. Potential for 1200 units in total.	Municipal	Planning process
Neighbourhood infill and redevelopment	Calgary, AB	Planning Mediation Program	Aids City staff and Councillors in managing land use and development related conflicts by allowing the use of trained third party contract mediators and facilitators in resolving disputes.	1998	Several (including larger and smaller) intensification projects have gone ahead after successful mediations.	Municipal	Planning process
Downtown revitalization	Saskatoon, SK	Downtown Housing Incentives	Original program provided a tax abatement that is phased in over five years (100% exemption for first year, 80% for 2nd year, and so on) for new rental housing in the downtown, and a 50% rebate of the building permit fees on the residential portion of any new development in the downtown.	First implemented in 1999 and modified in 2002 to a 100% tax exemption for five years to apply to all housing not targeted to specific types of residents (such as seniors).	Two projects with a total of 104 rental units.	Municipal	Financial
Downtown revitalization	Winnipeg, MB	CentreVenture Development Corporation	Provides public assets to a privately managed, arms-length body with authority to transact deals, provide incentives, do land assembly, and lobby for changes in policies. It focuses on revitalizing the downtown area of Winnipeg, including the stimulation of housing construction, through loans, loan guarantees, and tax credits as well as non-financial means.	1999. Program was renewed and expanded in 2002.	To date, CentreVenture has provided financial support to four separate residential or mixed-use projects for a total of 77 units.	Private-public partnership created by municipality	Financial
Brownfield redevelopment	Cambridge, ON	Contaminated Sites Grant Program	Grants of up to 100% of restoration costs for all new development on contaminated properties in the core areas (up to a maximum of $1,500 per residential unit and/or $10 per square metre of gross floor area).	1999. In 2001, the amount payable was increased to 100% of restoration costs, up to a maximum of $1,500 per residential unit.	One project has been awarded a grant under the program, involving 82 townhouse units that have been constructed or are nearing completion. A further 138 apartment units are planned as a second phase of this project.	Municipal	Financial

Summary of Municipal Initiatives continued

Type/Setting of Intensification	Municipality	Title	Description	Implementation Date	Results	Agency Type	Initiative Type
Adding accessory apts. in low-density residential areas.	Guelph, ON	Accessory Apartments Policy	Official plan and zoning by-law changes premitted accessory units as of right in all low-density areas of the city. Registration process was made simple and free.	1994-95	An average of 75 new accessory apartments built and registered per year, for a total of 600 units since 1995	Municipal	Regulatory
Adaptive re-use, redevelopment and infill in 2 downtown industrial areas	Toronto, ON	The "Kings Regeneration" Initiative	A relaxation of planning and zoning requirements in two former industrial areas near downtown Toronto. The flexible zoning in these districts permits almost any residential, live/work, commercial and light industrial use.	1996	Eighty-six development projects are either built, under construction or are being planned in the two areas. Once built out, these projects will add 7,040 housing units.	Municipal	Regulatory
Downtown revitalization	Ottawa, ON	Exemption from Planning and Development Fees	Residential development in the downtown area is exempt from development charges, building permit fees, planning application fees and the requirement to pay for parkland.	Original program established 1994, expanded in 2000 and again in 2002.	64 housing projects and about 4,300 units either built, under construction, or in the approvals process in the downtown area.	Municipal	Financial
Brownfield redevelopment	Montréal, QC	Urban Contaminated Sites Rehabilitation Program - Revi-sols	Revi-sols was designed to spur revitalization of urban areas through the rehabilitation of contaminated sites with strong potential for re development. The program contributes 50% of the eligible clean-up costs.	1998, modified in 2000, renewed in 2002.	Since 1998, 132 development projects in Montreal have had their site clean-up costs subsidized through the Revi-sols program. Of this number, 58 projects have included residential uses for a total of 5,624 dwelling units built, under construction or in the planning pipeline.	Provincial program delivered through municipality	Financial
Neighbourhood adaptive re-use, infill and redevelopment	Québec City	Development and Revitalization Fund	The City of Quebec, first operating through a non-profit municipal corporation and then directly though its own housing department, has provided financial assistance in the form of loans, loan guarantees, and subsidies to property owners in the central area in order to stimulate development, including the improvement and expansion of the housing stock.	1991. Revised in 2000 and expanded in 2002.	Since 1991, 555 residential units have been created through new construction, conversion of non-residential or extensive renovation of existing residential buildings.	Municipal	Financial
Waterfront infill and redevelopment	Halifax, NS	Waterfront Development Corporation	The corporation owns significant waterfront on Halifax Harbour and oversees its planning and development. It has helped transform the waterfront from a desolate area into a vibrant mixed-use destination and living area.	1976	609 residential units have been built and a further 150 are now under construction with more being planned over the next five years.	Provincial crown corporation working in collaboration with municipality	Planning process

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PLANNING MEDIATION PROGRAM | **Calgary, Alberta**

SUMMARY

This program aids City staff and Councillors in managing land use and development related conflicts by allowing the use of trained third party contract mediators and facilitators in resolving disputes.

Date Implemented: 1998

Key Outcomes: Several (including larger and smaller) intensification projects have gone ahead after successful mediations.

BACKGROUND

Calgary is one of the fastest growing cities in Canada and the planning application load is considerable. The City's planning approval system uses a development control model that allows substantial discretion to planners in granting approvals. While this system provides flexibility, it can result in conflicts over what rules to apply in dealing with development applications.

Thus, planning staff and Council were open to experimenting with ways to reduce the extent and intensity of planning-related conflicts. A senior planner with the department had a personal interest in mediation as a form of conflict resolution and was aware of a program using this technique to handle certain types of development approvals in Kamloops, BC[1]. In 1994, he proposed that Calgary pilot a more ambitious and inclusive program, for which he won Council approval in 1997.

DESCRIPTION AND GOALS

The Planning Mediation Program is designed to aid City staff in managing land use and development-related conflicts by allowing the use of trained third party contract mediators and facilitators.

The program is founded on the concept of "interest-based mediation". This type of mediation is quite different from the processes that are usually employed to handle planning-related conflicts. Traditionally, planning decisions are made following a bureaucratic procedure that relies heavily on one-way communication (e.g., written briefs) and attention to previous decisions in the matter. If procedures are properly followed, each step in the process follows from previous decisions and the final outcome is the "right" answer. The party favoured by the decision is the winner and other party is usually the loser.

With interest-based mediation, there is no right or wrong answer: the key question is not "who is right and who is wrong", but "what outcome is everyone willing to live with?" This approach minimizes the importance of formal communication mechanisms in favour of structured face-to-face negotiations. Previous decisions in the matter are swept aside and parties are asked to look forward to potential solutions.

The Calgary program, introduced in 1998, uses trained mediators hired on a per-case basis to bring the parties to a conflict together, set the rules, get them negotiating and help them identify workable solutions. The program is managed by a senior planner with a small budget (for mediators and other experts) and handles conflicts referred to it by City Councillors and staff.

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[1] The ACT program, funded by CMHC, provided a grant to the City of Kamloops to help them develop a mediation program. A case study of this project is available on the ACT web site www.actprogram.com.

Only conflicts that are proving difficult to handle through the normal planning procedures are addressed by the program. Thus, each case begins with a dispute that has escalated to the point where City staff or a City Councillor decide that the normal planning process has proven unsuccessful. The dispute is referred to the program coordinator who decides whether the conflict is likely to benefit from mediation.

Once a decision has been made that mediation may be helpful, the parties are asked if they wish to participate. Generally the party which feels in the weakest position will be more positive towards the use of mediation, while the other(s) may need stronger persuasion. That may involve having a planner or Councillor explain the possible outcomes to all the parties, e.g., what could be lost by a negative decision.

Once agreement is reached to undertake a mediation, a professional mediator is retained. He or she contacts the parties, gives a detailed outline of how the mediation process will work and sets up the time and location for the first meeting among the parties and, if necessary, a staff planner (who provides technical input). If necessary, subsequent meetings are held until the parties agree to a solution or choose to discontinue the process. A Mediator's Report is prepared and submitted to the planning approval authority for final ratification. Although there is always the risk that the authority will not ratify the decision, the approval bodies have thus far supported mediated settlements.

At the outset, the program was limited to handling planning application matters but has gradually expanded to address all types of issues related to land use and development (see below).

COMPLEMENTARY POLICIES AND PROGRAMS

Negotiation skills can be applied in any planning approval dispute, regardless of whether it is the subject of a formal mediation. If more planners were to become more experienced with effective negotiation strategies, the number of planning appeals and the demands for formal mediation might decline.

Towards this end, all City of Calgary planning staff were offered in-house training in mediation and conflict resolution approaches, most of whom have availed themselves of the offer. The training was comprised of a three-day course in interest-based negotiation, along with a two-day follow-up. For those staff members who are interested in pursuing this instruction further, the City provides support for outside courses in mediation.

The Planning Mediation Program does not handle neighbour-to-neighbour disputes unless there is clear City involvement in the matter at hand. Neighbour disputes are often referred by the planning department to Community Mediation Calgary, a non-profit society (partially funded by the City) that provides volunteer mediators.

Calgary operates an extensive Planning Education Program, which offers workshops, publications, and videos to train developers and the public in the approval and strategic planning process. This program supports the use of mediation and facilitation where appropriate.

The Alberta Government's Municipal Affairs Department has also initiated a mediation program, the inter-Municipal Dispute Resolution initiative. The initiative was developed to encourage municipalities to work together to resolve disputes between them in a manner that meets the interests of all involved. Alberta Municipal Affairs encourages mediation, provides municipalities with financial support to cover mediator costs, and maintains a roster of experienced mediators.

STAKEHOLDER RESPONSE

The program was set up by a senior planner who gradually built support for it among elected officials, senior managers and middle managers. Middle managers required the most convincing as some were concerned the proposed program would disrupt existing decision-making processes. Their support was eventually gained once they realized that the program would only be used in the small minority of cases that were consuming most of their attention and time. The program, it was argued, would reduce their work load and the frequency of angry confrontations. Once the program had been approved by Council, the CEO of the City circulated a letter asking staff to use the program.

The program initiator also contacted outside agencies (e.g., the Calgary Urban Development Institute, the Federation of Calgary Communities) and obtained their support for the initiative. He consulted the Alberta Arbitration and Mediation Society in order to gather information on the hiring of mediators, contract conditions, remediation, and so on.

Because the program was designed to be triggered by City staff or Councillor (not be the general public), there was no announcement to the public about the program and there was no media attention given to the initiative at the time of its launch. Since then, there has been the expected media coverage of the higher-profile conflicts dealt with through the program, but little coverage of the program itself.

IMPACTS

The mediation program is suitable for only a small number of the most controversial and time-consuming applications. On average, the program handles about 10 applications per year, for a total of about 30 over its three-year lifetime. Not counted among these numbers are the informal mediations performed by program staff not involving an external mediator (many of which involve location decisions for affordable housing, group homes and homeless shelters). Also excluded are those disputes resolved by the parties themselves when they are told that their conflict would be subjected to formal mediation.

Of the 30 formal mediations conducted so far, many are not related to housing intensification: mediations have covered everything from neighbourhood objections to nuisances from adjacent industry, noise from bars and outdoor restaurants, and issues related to signage and lighting. However, several mediations have directly impacted on residential projects in the already urbanized area of the city.

Included among these was a four-block area in the Windsor Park neighbourhood. Although the built form of the area has been low density residential, it is zoned medium density. When landowners came forward with development proposals for multi-unit housing in the area, the community and neighbours lobbied to have the area down-zoned in order to prevent any density increase. A mediated agreement was reached that allowed development at densities up to 40 units per acre, i.e., close to what the developers had originally proposed. Some parcels have already been constructed and about 200 units will result once the agreement is fully implemented. The consensual agreement means that further appeals and objections are unlikely.

A second project in the Ogden area in east Calgary involved the redevelopment of a vacant shopping area in a mature suburban area of the city. The project included a substantial affordable housing component and was resisted by surrounding residents.

Figure 1: Denser building forms permitted in Windsor Park as a result of a successful mediation. Source: City of Calgary

The mediation program provided facilitation and with support of the local politician and design modifications, the project was approved. About 100 units are planned for this site.

A number of mediations have helped resolve disputes related to the creation of new duplexes on infill lots in single-detached neighbourhoods. At least 10 units have gone ahead that might have otherwise had their approvals denied or approved with conditions less acceptable to the neighbours.

In most cases, mediations take place before the planning authority makes its decision in the matter. However, there are situations where the program has been used at the request of the local Councillor or planning authority to resolve issues arising out of an approval decision. In one case in the Beddington/Huntington area of North Calgary, a dispute between local residents and a developer arose over a 130-unit apartment building proposed for a mostly single-family area. The planning commission (which has the ultimate authority in these matters) made a decision that local residents feared would have worsened impacts on the community. The local Councillor called upon the mediation program to help resolve the matter. A modified version of the project was eventually approved.

FINANCIAL ISSUES

The major cost component of the program is the time of the coordinator. This person worked intermittently for two years setting up the program and now spends .25 FTE administering and conducting mediations, while an assistant spends .2 FTE.

In addition, it is often necessary to have a planning staff person in attendance at mediations for technical input. As the mediators gain experience in planning matters, they are becoming better able to handle matters without the assistance of planning staff, which is gradually reducing the cost of the program to the City.

A budget of $20,000 is made available annually by the City to hire mediators and other experts that might be needed to assist with mediations (e.g., a sound engineer to assess noise impacts). Mediators typically charge about $700-800 for a simple case but some more complicated cases have cost in the range of $4-5,000.

The City does not recoup any of the cost of operating the mediation program through user fees charged to the parties involved. However, if mediation is reducing the drain on staff resources in the planning department, it is helping to reduce overall administrative costs. The City is also gaining tax revenues from projects that go ahead as a result of mediation that might have otherwise been cancelled or delayed due to conflicts. Mediation also reduces costs to developers (e.g., holding costs as an application winds its way through the approvals and appeals process) and to community volunteers.

EVALUATION

The record of successful mediations suggests that the program is an effective way of reaching planning decisions under certain conditions, despite the costs and time involved. The process works best in situations that are highly complicated from a planning process point of view, involve multiple stakeholders, lend themselves to very emotional debates, and in which the basic facts and applicable regulations may not be entirely clear.

One limitation is that the program is not designed to handle mediations where the City is a party to the dispute. For instance, the program is not used to mediate between the City and developers or between the City and residents who are opposing a City initiative (although sometimes exceptions are made to this rule).

Another limitation of the program is that although it allows a great flexibility in the range of matters that can be negotiated, some of these issues cannot be enforced precisely because they are not normally part of the approvals process. For instance, if neighbours want a developer to plant trees on their lawns or fix any foundations damage caused by blasting as a condition for agreeing to let a development go ahead, the parties have to have side agreements outside the approvals process.

Finally, the program is not always effective: mediation has proved unsuccessful in about ten percent of cases handled. In other cases, mediated agreements have been violated by one of the parties, necessitating recourse to enforcement procedures. In still other cases, mediated settlements are eventually appealed by parties trying to improve their positions. In the vast majority of cases, however, mediation has been successful at arriving at a consensual agreement or at least improving communication among the parties such that the regular planning process is more likely to result in a decision that makes projects more acceptable.

The mediation approach is best suited for use in a planning approvals system that provides broad discretion to planners to negotiate outcomes with developers and other stakeholders. It can only be used where Council is strongly supportive of mediation as an alternative to the regular planning approvals process.

FOR MORE INFORMATION

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www.gov.calgary.ca
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RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

CONTAMINATED SITES GRANT PROGRAM | **Cambridge, Ontario**

SUMMARY

Grants of up to 100 per cent of restoration costs are provided for all new development on contaminated properties in the core areas (up to a maximum of $1,500 per residential unit and/or $10 per square metre of gross floor area).

Date Implemented: 1999, expanded in 2001

Key Outcomes: One project has been awarded a grant under the program, involving 82 townhouse units that have been constructed or are nearing completion. A further 138 apartment units are planned as a second phase of this project.

BACKGROUND

The City of Cambridge (part of the Regional Municipality of Waterloo) is a small but growing city about 100 km west of Toronto. It has three core areas (Galt, Preston and Hespeler), which correspond to the downtowns of the former city and towns that were amalgamated into the City of Cambridge in 1973.

Industrial activity played a prominent role in the history of the three core areas and a number of potential residential sites have been vacant for many years. In working with potential developers of these properties, staff realized that even with the City's willingness to write off past taxes, forgive development charges and offer tax rebates, a major impediment to the development of new residential uses remained. The costs associated with the removal of waste or contaminated materials, typically generated by past industrial uses, are enough to effectively make development unprofitable.

This issue was seen as standing in the way of a long-standing City objective, namely stimulating residential development in the core areas of the city as a key to economic revitalization. A staff recommendation to City Council in June 1999 resulted in the adoption and implementation of the Contaminated Sites Grant Program.

DESCRIPTION AND GOALS

Under the Contaminated Sites Grant Program, the City offers a grant to property owners for new development on a rehabilitated contaminated site in a core area.

The boundaries of the three core areas where the program applies are defined by the City's Official Plan. Figure 1 shows the target areas.

The original version of the program, adopted in 1999, targeted residential development and the grants covered 50 per cent of restoration costs up to a maximum of $1,500 per residential unit. The grant can be used to cover any cost associated with the remediation or clean-up of a qualifying site, including labour, materials, and soil disposal or destruction of contaminants.

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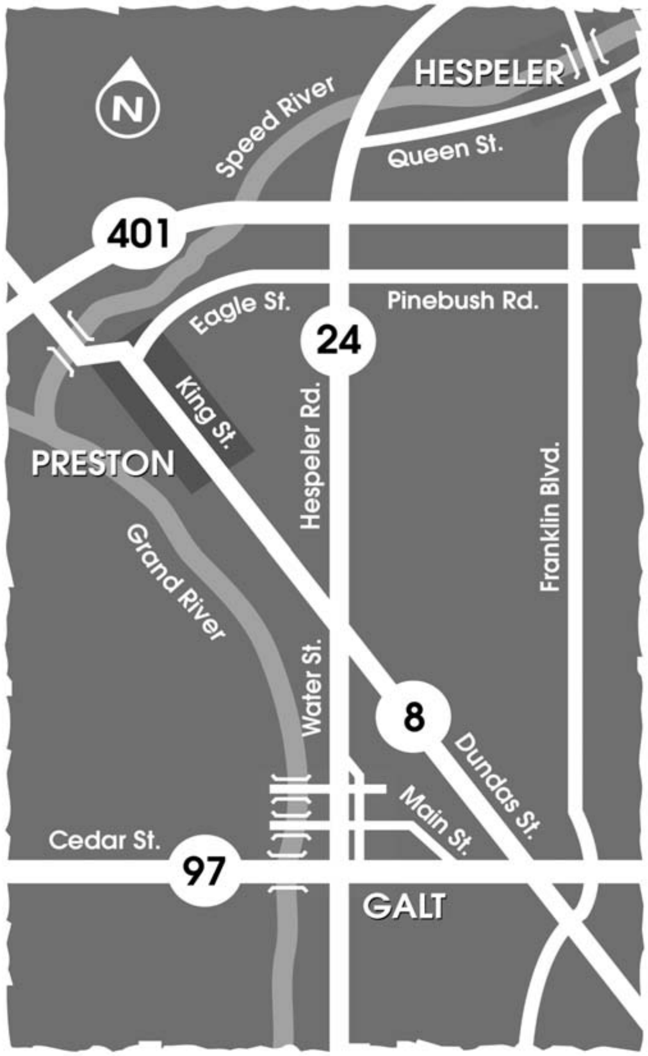

Figure 1: Cambridge's three core areas
Source: City of Cambridge

In February 2001, Council approved the formation of the Brownfields Strategy Task Force that included representatives from Council, City staff and a wide range of community groups. The Task Force recommended revisions to the Contaminated Sites Grants Program to expand its scope. As a result, the program was changed in 2001 to include all types of development (e.g. residential, commercial, industrial, institutional) and to cover a maximum of 100 per cent of restoration costs within the existing cap of $1,500 per residential unit or $10 per square metre of gross floor area (as defined in the Zoning By-law) for non-residential developments.

Applicants to the program submit a completed application form after receiving their building permit. Applications have to include a confirmation that the site has been restored (e.g., a Record of Site Condition acknowledged by the Ontario Ministry of the Environment), and a confirmation of the cost of the restoration work (receipts, invoices, etc.) Successful applicants receive payment from the City after approval of the final construction inspection by the City of Cambridge (i.e., when the building has cleared inspection and is ready for occupancy).

COMPLEMENTARY POLICIES AND PROGRAMS

The Contaminated Sites Grant Program is one component of a comprehensive Core Areas Revitalization Program that also includes several other financial incentives for development and/or property maintenance in the core areas. This includes:

- Exemption from Development Charges: All properties in the Core Areas are exempt from paying City of Cambridge (since 1996) and Regional Municipality of Waterloo (since 1998) development charges on all new development(s) and renovations.
- Development Application Fee Waiver: New development proposals on restored sites in the core areas do not pay the application fees for applications under the Planning Act (e.g. Site Plan, Zone Change, Official Plan Amendment, Subdivision).
- Building Permit Fee Exemption: All new development (including renovations and additions) in the core areas is exempt from paying the building permit fee (since 1999).
- Contaminated Sites Realty Tax Cancellation Policy: Opportunity for potential purchasers of contaminated sites to cancel a portion of or all outstanding taxes (since 1998).
- Realty Tax Rebate Program: Three-year phased program that provides a rebate of a percentage of the City's portion of the increase in City property taxes as a result of property improvements. Applies to all property improvements that result in an increase in City property taxes in the core areas (since 1996).

The Contaminated Sites Grant Program and other aspects of the Cambridge Core Areas Revitalization Program are undertaken within the framework of a Community Improvement Plan (CIP). These are plans that are approved by the Province's Ministry of Municipal Affairs (MMA), and enable municipalities to provide financial incentives. Specifically, the Planning Act allows a municipality to make grants or loans to property owners to pay for all or a portion of the cost of rehabilitating lands and buildings. The objective of new residential development in the core areas has been recognized in the City's CIPs, which also recognize that there may be a need to undertake site remediation as a specific means of community improvement.

Ontario's Brownfields Statute Law Amendment Act, 2001, is expected to streamline the planning, financial and administrative issues involved in setting up CIPs. In the past, for instance, only sites falling within a geographical CIP could be offered financial incentives. Under the new legislation, "criteria-based" CIPs will be permitted in order to address brownfields properties on a site-by-site basis. Furthermore, municipalities will be allowed to create most types of CIPs without the need for ministry approval, which will substantially simplify the process.

STAKEHOLDER RESPONSE

The original grant program was part of a package of financial incentives developed by the Core Areas Revitalization Advisory Committee (CARAC). The committee advises City Council on matters related to the health of the three core areas. It is composed of representatives from City Council, the Chamber of Commerce, one representative from each of the Business Improvement Areas (BIA), the business community at large and citizens at large.

In February 2001, City Council approved the formation of a Brownfields Strategy Task Force with the purpose of developing strategies that facilitate the redevelopment of contaminated sites throughout the city. The task force was chaired by a City Councillor and included representatives from the development industry, financial institutions, remediation specialists, the provincial Ministry of the Environment, environmental groups, and City departments. The meetings of the Brownfields Strategy Task Force became the primary means of consultation on the grant program at that point.

The Task Force and CARAC supported the Contaminated Sites Grant Program. There was no opposition to the program and no objections were raised either in the meetings of the Task Force or of CARAC. The program was approved by Council during open Council meetings. The program is promoted through the City of Cambridge Financial Incentives Brochure and on the City of Cambridge Web site.

IMPACT

There are ten projects at various stages in the planning approval process that have or may qualify for the program if they proceed to completion. Of these, six projects have a residential component for a total of 372 potential units.

To date, one project, called Wellington Square, has been approved for funding under the program. The site is located in the Galt City Centre across the street from the bus terminal and within walking distance of the main shopping area. Located on the site of a former foundry, the development represents the first residential infill project in that area since 1997. The first phase of the project was started in 2001 and 82 townhouse units have been constructed or are nearing completion. The second phase of 138 apartment units has not yet begun.

Figure 2: Wellington Square.
Source: City of Cambridge

The project developer reports that the grant was a catalyst in his decision to undertake the project. He also made use of other City incentives programs including fee waivers for planning applications, and the waiver of the applicable development charges. The developer used the realty tax rebate program, which benefits the purchaser, to market his development.

FINANCIAL ISSUES

Although considerable staff time was required to participate in the Brownfields Strategy Task Force, the operational costs of the program now that it is up and running are minimal. Less than 1 hour per week on average of staff time is dedicated to administering the program.

From the City's perspective, the only large cost involved in the program is the amount of the grant. An estimate of potential payouts is reviewed each year during budget deliberations based on the development approval status of potential projects.

This approach is made possible by the fact that most development projects that would qualify for the program take several months to complete, allowing time to allocate the appropriate amount of funds in advance.

For the Wellington Square project, a total of $123,000 will be paid upon completion of the first phase of the project. This is the maximum payable under the program for a development of that size. In this case, the site clean-up costs (approximately $1 million) exceeded the amount available from the grant program. However, the other incentives programs will result in further savings to the developer of about $738,000 on the first phase of development.

The property tax rebate program will reduce taxes for the first three years after completion of the project, but then tax revenues of about $2,250 per unit are expected to flow from this project, for a total of about $184,500 per year.

If all eight projects that currently qualify for the program go ahead, the one-time potential payout by the City will be approximately $750,000 for the Contaminated Sites Grants. However, the property tax base will be increased substantially with annual tax revenues for the 372 residential units estimated at about $837,000.

EVALUATION

The Wellington Square project has achieved all of the objectives set by the City when the program was originally formulated. An unsightly contaminated site is replaced with new residential construction that maximizes the use of existing infrastructure and services and helps sustain core area businesses. The property tax increase expected from this development far outweighs the City's financial contribution to the project.

Co-operation and agreement from all segments of the community made this program possible. It should be possible to adapt this program to other municipal settings where it is desirable to redevelop vacant or underused industrial areas but where financial incentives are required to make projects profitable.

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REPORTS:

City of Cambridge. July 6, 1999. Staff Report. (on setting up the Contaminated Site Grant Program).

City of Cambridge. September 24, 2001. Staff Report. (on changes to the financial incentives package applied to core areas).

City of Cambridge. undated. Financial Incentives: Restore, Rebuild, Rejuvenate! (brochure describing the range of financial incentives available in the core areas of the city).

WEB SITES:

www.city.cambridge.on.ca
(City of Cambridge site)

http://www.city.cambridge.on.ca/doc_detail.php?rdid=24
(information about the program and application form)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

ACCESSORY APARTMENTS POLICY | **Guelph, Ontario**

SUMMARY

Official plan and zoning by-law changes permit accessory apartments "as of right" in all low-density areas of the city. The registration process is made simple and free.

Date Implemented: 1994-95

Key Outcomes: 75 new accessory apartments built and registered per year, for a total of 600 units since 1995

BACKGROUND

Guelph is a rapidly-growing university town 100 km southwest of Toronto. During the 1980s and into the 1990s, the city's rental market had been very tight with extremely low vacancy rates. Rental rates were increasing at about twice the inflation rate throughout that period, making it increasingly difficult for lower-income people to find housing they could afford. The result was strong unmet demand for inexpensive rental housing among students and "non-family" households.

Much of the housing stock in Guelph is in the form of detached dwellings, making accessory apartments an obvious source of rental units. Up until 1994, however, the conversion of a single-detached dwelling to allow an accessory apartment required a site-specific rezoning, which had to meet certain conversion guidelines. The guidelines discouraged rezoning applications by requiring more parking spaces and limiting conversions to one per block. When conversion did take place, they were usually done illegally, which created secondary problems such as potential safety issues.

A Residential Intensification Study was carried out in 1992 that reviewed past trends and identified opportunities to increase the supply of housing through intensification measures, including basement apartments. Recommendations were made respecting Official Plan policies, regulations and development guidelines that could be used to permit accessory units across the city. The City of Guelph responded in the mid-1990s by permitting such units in all low-density residential areas of the city.

DESCRIPTION AND GOALS

As a result of official plan and zoning by-law changes made in 1994 and 1995, accessory apartments are now permitted "as of right" in all single-detached and semi-detached houses throughout the City of Guelph. No zoning change or special planning approval is required for a property owner to convert an existing house or to build a new house with an accessory apartment.

The accessory apartment provisions of the zoning bylaw stipulate the following measures, which were designed to protect the streetscape and preserve the appearance of a low density residential area:

- a minimum floor area of 380 ft^2 (35.3 m^2) for the unit;
- the external appearance of the front façade of the house will be preserved;
- front yards will not be paved over to accommodate the extra dwelling;
- a maximum of two cars will be parked in a driveway at any one time.

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To be considered legal, accessory apartments must be inspected and the property registered as a two unit house. To become registered, the property must meet the requirements of the City of Guelph Zoning By-law and either the Ontario Building Code or the Ontario Fire Code, depending on the age of the apartment. If the initial inspection reveals that modifications need to be carried out on the property (e.g., to improve sound insulation or fireproofing), the property owner has the choice of making the needed alterations or discontinuing the registration process. If he or she chooses to continue with the registration process, the inspector will return to assess whether the improvements made meet the City's requirements and then issue a registration. Once the registration is complete, the accessory apartment becomes legal and confirmation of the legal two unit house status is sent to the property owner. The Building Department keeps track of the total registrations and their locations but does not do follow up inspections or surveys to see if apartments remain in existence.

In new construction, the builder will normally signal during the planning review process his or her intention to install an accessory unit. Any issues related to building envelope, landscaping and parking are dealt with at that point in consideration of the city's zoning by-law requirements and Urban Design Guidelines. Typically, the accessory unit is roughed in but not installed until after the main dwelling is completed. This allows the builder to claim that the accessory unit results from the conversion of a single-family to a two-family building and to take advantage of an exemption for such conversions under the Ontario Development Charges Act.

COMPLEMENTARY POLICIES AND PROGRAMS

The accessory apartment policy was adopted in the context of a number of official plan and zoning bylaw changes designed to encourage other forms of intensification as well. This included small lot severances and multi-unit infill development. For those forms of intensification, City Council adopted a set of Urban Design Guidelines in order to protect existing neighbourhood character and encourage "compatible" housing forms.

At a more general level, these intensification measures were linked to an overall Official Plan policy to promote compact development and gradually see an increase in overall residential density in the city. The guiding purpose of this more general strategy was to help create more transit-supportive land use patterns and to increase service efficiencies in other City services (e.g., water/sewer lines, roads, garbage pickup, use of existing schools and parks, etc.).

These policies in turn were being encouraged by the Province's 1989 Land Use Planning for Housing policy statement which favoured residential intensification, more compact development, and locating new development within already serviced areas. In 1994, the Province also adopted legislation–entitled the *Residents Rights Act*–requiring that municipalities remove restrictions on secondary suites. These provincial policy initiatives combined with local pressures to find solutions to the city's housing problems encouraged Council to act.

STAKEHOLDER RESPONSE

The five-year planning process that led up to the as-of-right zoning of accessory apartments in 1995 was characterized by extensive public consultations at all stages. Consultations began in 1990 with the launch of the intensification study mentioned above and continued with the proposed official plan and zoning

Figure 1: Example of older home with accessory apartment
Source: City of Guelph

Figure 2: New growth area with a basement apartment
Source: City of Guelph

by-law amendments. Consultations included meetings with individual residents and with stakeholder groups (e.g., neighbourhood associations, development/building industry), public open houses and public meetings.

Community support was initially low. Several residential neighbourhood associations in the older areas of the city and some individuals expressed concerns ranging from the impact accessory apartments could have on landscaping of front yards (e.g., cutting down trees to make way for more parking), to the creation of "slums" with crowded housing and "junky" yards. Some participants felt that being too permissive with accessory apartments and other forms of small-scale intensification could change the physical and social character of existing residential areas. Other concerns related to loss of space, increased traffic, and loss of privacy. However, over the several year consultation period, these concerns appear to have been addressed as very little opposition was apparent by the time Council came to consider the official plan and zoning by-law changes.

Compared to other municipalities in southern Ontario where similar policies were being considered at the time, the Guelph experience was relatively uncontroversial. In other cities, housing intensification policies and accessory apartments initiatives were highly divisive. One explanation is that the planning department concentrated its message on the need to legalize the units to prevent property owners with illegal units from avoiding the additional property taxes they should have been paying. Another theme emphasized by planners at public meetings was the need to rectify safety hazards that may have been created by illegal and uninspected conversions. They pointed to other jurisdictions in Ontario where fires had led to the death of basement apartment dwellers who had no access to an emergency exit.

Finally, intensification was presented to the public as a naturally occurring phenomenon that was part and parcel of the maturation process in any city. Architectural consultants presented slideshows at public meetings presenting images of attractive buildings that had resulted from infill development. Other images showed pleasant neighbourhoods that contained "invisible" accessory apartments.

The development and building industry did not take a position on these small-scale intensification forms and the local newspapers did not show a lot of interest in the accessory apartment issue.

Since the adoption of the new zoning regulations in 1995, the registration of accessory units has proceeded smoothly, with little community opposition except in localized instances related to external housing form/conditions.

IMPACTS

Since 1995, the City has seen approximately 75 new accessory apartments constructed and registered per year, for an eight-year total of 600 units. In addition, approximately 200 other suites constructed prior to 1995 were grandfathered into the new process and have also been registered. The new units have served as a major source of new affordable rental stock in the city and represent about one-third of all units resulting from intensification over the same time period, including infill on severed lots and larger infill/redevelopment projects. Accessory apartments account for an average of about 8 per cent of total annual housing development in the city.

About 80 per cent of the new accessory units are located in recently built areas and 20 per cent are in older areas. Figure 1 shows a detached house in an older part of town that contains an accessory suite. Figure 2 shows a typical new construction, also containing a basement suite. As Figure 3 shows, the units are distributed throughout the residential areas of the city.

FINANCIAL ISSUES

The major cost involved in developing the accessory apartment policy can be attributed to the 1992 housing intensification study mentioned above. This was paid for by the City with a $150,000 grant from the Ontario Government (part of the Province's effort to implement the Land Use Planning for Housing policy statement and encourage municipalities to adopt intensification policies). The staff resources that went into the public consultations and the planning work related to the official plan and zoning by-law changes were part of the City's normal operating budget and are difficult to quantify.

In terms of staff resources needed to administer the policy, the main component is the increased work load due to the inspections and registration of the accessory units. This has resulted in approximately a .5 FTE increase in the work load of the City's building/fire officials.

Some of this administrative cost is indirectly covered by the property owner, who typically pays $200-300 (depending on the size of the apartment) for a building permit to construct an accessory unit, regardless of whether it is in an existing or newly constructed house.

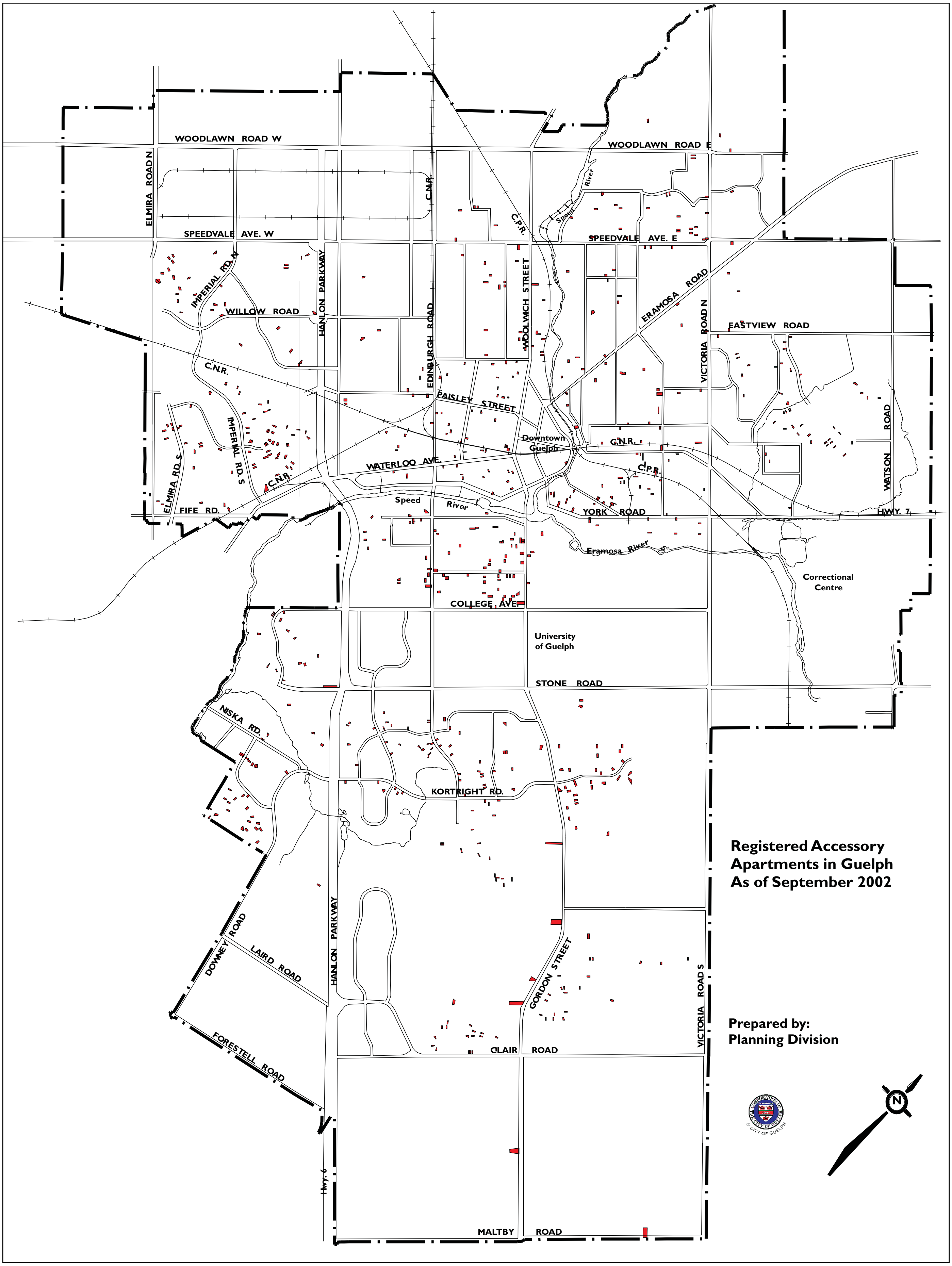

Figure 3: Distribution of accessory apartments in the City of Guelph.
Source: City of Guelph

However, there is no fee attached for the registration process itself, a decision that was taken by the City in order to avoid discouraging owners from registering their units.

Any expenses incurred to upgrade the accessory apartment in order to meet the requirements of the Building or Fire Codes are borne by the property owner. In a typical older home, the major expenses are for the installation of safety measures (i.e., two means of escape via a doorway or a window, smoke detectors, and fire-proofing).

The creation of accessory apartments has not entailed any costs to the City for infrastructure upgrading, but accessory apartments have generated new tax revenues of about $700 per unit per year. The 600 registered units increase City revenues by approximately $420,000 per year.

EVALUATION

The legalization of accessory apartments in Guelph was made possible by the commitment among planning staff to engage in a two-way learning process with the public, and by Council support for intensification policies in general. This policy has resulted in a significant increase in housing supply within lower density residential areas that probably would have resisted other more intrusive forms of intensification. In the absence of any major City expenditure (e.g., on infrastructure) to support the policy, the result has been a net positive cash flow to the finances of the City.

Further steps could be taken to create more opportunities for accessory apartments in the city. A recent review of housing policies in the City recommended that it permit accessory apartments in townhouse dwellings and allow up to two accessory apartments in a single-detached dwelling.

These limitations notwithstanding, the initial residential intensification process appears to have been very successful. In fact, to some degree, the policy is becoming a victim of its own success. In the older areas of the city, some concern is emerging that conversions have allowed a concentration of university student apartments near the university. The City is now completing a community improvement program plan for this area to examine land use, infrastructure needs and other issues to address this concern.

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DOCUMENTS:

City of Guelph (January 1992) Housing Intensification Study. Prepared by Hemson, Baird/Sampson Architects and Proctor and Redfern Engineering Group.

City of Guelph (1995) Urban Design Guidelines.

City of Guelph (1994) Guelph Official Plan. June 2002 Consolidation.

City of Guelph (1995) Zoning By-law.

These documents are available on loan from the intergovernmental Committee on Urban and Regional Research (www.icurr.org).

WEB SITE:

www.city.guelph.on.ca
(City of Guelph)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

WATERFRONT DEVELOPMENT CORPORATION | **Halifax, Nova Scotia**

SUMMARY

This is a provincial crown corporation that owns significant waterfront land on Halifax Harbour and oversees its planning and development. It has helped transform the waterfront from a desolate area into a vibrant mixed-use destination and living area.

Date Implemented: 1976

Key Outcomes: 609 residential units have been built and a further 150 are now under construction with more being planned over the next five years.

BACKGROUND

The Halifax waterfront has undergone many changes since the late 1960s. While the harbour has always played an important role in the economic life of the area, the advent of containerized shipping, bridge construction, and suburban development shifted the economic and demographic focus away from the city's waterfronts. Decline set in, and derelict docks and abandoned warehouses multiplied along the waterfront.

Aware of the critical importance of the waterfront to the recreational and economic life of the city, the federal and provincial government established a program in the early 1970s to purchase waterfront land and make the improvements needed to spur redevelopment. When the joint program was wound down in 1976, the Province chose to continue the work alone by setting up the Waterfront Development Corporation Limited (WDCL) with a mandate to help bring the waterfront back to life.

Figure 1: Aerial view of the Halifax waterfront.
Source: Waterfront Development Corporation

DESCRIPTION AND GOALS

The Waterfront Development Corporation's only shareholder is the Province of Nova Scotia, and it reports to the Minister of the Office of Economic Development. It is governed by a Board of Directors consisting of nine volunteer members appointed by the Minister.

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The main objectives of this provincial crown corporation are to rejuvenate the waterfront of Halifax Harbour, provide public access to the urban waterfront and stimulate private sector investment in the area. To pursue these objectives, the Corporation has several instruments at its disposal: it plans the waterfront areas, acquires, manages and develops property and it conducts marketing and promotion campaigns designed to attract the public to the waterfronts.

Over time the Corporation has expropriated and purchased land from private owners to build up its land bank of waterfront properties. At present, the Corporation owns most of the developable land immediately abutting the waterfronts in downtown Halifax, and several parcels in Dartmouth and Bedford (now all part of the amalgamated Regional Municipality of Halifax), for a total of about 13 acres (5.25 hectares).

As for the rest of the land surrounding the harbour, the Corporation coordinates with other government agencies and stakeholders to develop plans for those areas.

Development of lands owned by the Corporation is usually carried out by private-sector developers to whom the Corporation either sells or leases land. For each parcel, the Corporation calls for development proposals and reviews them for compliance with their goals for the waterfront. The WDCL and the selected developer then negotiate an agreement setting out the architectural (building design, quality of materials to be used, public spaces and access to the waterfront, etc.) and financial details of the project.

Because it is a public agency, the Corporation is not constrained to develop land to the highest and best use from a real estate perspective but chooses the uses that will best achieve its public objectives. For instance, in selling waterfront land for new development, the Corporation will favour proposals that guarantee public access to the waterfront and that show a high quality of urban design and architecture. In some cases, the Corporation acts as the developer itself and then rents out the space (largely commercial and warehouse) as a source of revenue.

According to the Corporation's plan, all the land it currently owns will be redeveloped over the next 25 years. This development, the pace of which will be subject to market conditions, will be a mix of commercial, institutional and high-density residential uses and will include parking and a generous amount of pubic open spaces.

COMPLEMENTARY POLICIES AND PROGRAMS

Because the Corporation owns the waterfront land, it can exercise close control over land use and urban design decisions. However, the development championed by the WDCL generally requires approval from the Halifax Regional Municipality (HRM) and is developed in accordance with the City's municipal plan.

The Corporation, in partnership with HRM, has completed a new plan for the Halifax waterfront defining areas of public space, development sites and urban design criteria. This plan, which will govern the next 10-15 years of significant development on the Halifax waterfront, was completed in 2001. The plan calls for infill development on the downtown Halifax lands adjacent to the waterfront and for several additional residential and mixed residential/commercial projects on the waterfront itself.

HRM Council has not yet approved the Plan as negotiations continue over financial issues, in particular, agreement has not been reached on who is going to pay for the open space that makes up an important element of the plan (about 40 per cent of developable land is designated as open space in the plan, which is much higher than the typical 5 to 10 per cent usually set aside).

STAKEHOLDER RESPONSE

The WDCL uses its own consultation program for planning activities, involving stakeholders and general public meetings. Private developers involved in projects on WDCL-owned land follow the HRM consultation procedures, which include public hearings.

The WDCL has the support of the Downtown Business Commission and tourism organizations. The Urban Development institute also supports the work of the Corporation due to the opportunities it creates for inner city residential development.

From a project developer's perspective, the WDCL serves a valuable role in assembling the lands for redevelopment and in balancing private and public interests in the waterfront. The WDCL provides a clear and consistent framework through its development agreements, maintains and improves the public realm on the waterfront, and insists on a consistently high standard of urban design, material use and architecture across various redevelopment projects.

A segment of the community feels that all waterfront land should be preserved as public space rather than be redeveloped. There has been strong public opposition to some projects, in particular those that block views of existing residents adjacent to the waterfront lands. Among local businesses, opposition to the Corporation's activities is minimal, but occasionally there are complaints when the Corporation engages directly in commercial activities (e.g., leases out too much space, or operates too many fish and chip stands on the waterfront).

The Corporation operates a Web site that offers information on WDCL's history, past projects and commercial opportunities currently available. Development projects are announced through press releases, which are generally covered in the local media.

IMPACT

Until the 1990s the pace of residential development on the Halifax waterfront was slow: one project of 125 units was built in Dartmouth in 1985, a 250-unit project was realized in 1990 on the Bedford waterfront, and finally a small development of 25 units, also in Dartmouth, was completed in 1998. Over this period, most development under the Corporation's aegis was commercial and institutional.

In the last few years, however, the market for office and commercial development has declined and the residential market has strengthened. These trends have led the Corporation to increase its interest in residential and mixed-use development and issue calls for residential development proposals for specific waterfront parcels. So far, two projects have gone forward. The first, called Bishop's Landing, is a mixed-used development on the site of a former fish plant and parking lot. This 206-unit residential, commercial and mixed-use development is located directly on the Halifax waterfront and incorporates open and park space that increases and protects public access to the waterfront. The project, shown in Figure 2, was completed in 2002. (Please refer to the case study on Bishop's Landing in Part 2 of this study "Residential Intensification Case Studies: Built Projects".)

The second project involving a 130-unit condominium in downtown Dartmouth is currently proceeding through the approval process. The Sentinel will consist of a 10-storey building along with three-storey townhouses on land that has been vacant for many years. Construction should start in 2003/04 and the project will be completed in 2005/06.

The trend towards residential development is expected to continue for at least the next five years and several more waterfront projects are anticipated, including a 200-unit development in downtown Halifax and up to 300 units over several projects in Bedford, which will be built on fill now being placed in Bedford Basin.

Figure 2: Bishop's Landing
Source: Southwest Properties

FINANCIAL ISSUES

The WDCL has a staff of five full-time management, planning and communications professionals and two support staff. There are also three full-time and a variety of part-time staff for property management and maintenance. Consultants on project design, environmental assessment and so on are retained on a project-by-project basis.

WDCL is largely reliant on its own resources but receives some support from the Government of Nova Scotia. Most of the Corporation's revenue flows from the leasing and sale of land and commercial space. Proceeds from the sale of land are reinvested into the waterfront to improve public access and facilities or to upgrade infrastructure, which improves the developability of the land and attracts the public, adding to the vibrancy of the waterfront.

To date, about $50 million have been spent by WDCL on both sides of the harbour for planning, land acquisition, underground utilities, streetscaping, parking lots, public parks, and demolition of derelict structures. Most of the land along waterfront is contaminated with heavy metals and petroleum from fuel storage tanks and land decontamination costs are usually borne by the private developer. Where piling is required in order to shore up foundations near the water, costs may be shared between WDCL and the private developer.

For the Bishop's Landing project in particular, the costs to the WDCL were high because the development was opposed by neighbouring residents. Over the five years of negotiations and court appeals, the cost in legal and planning fees to WDCL amounted to about $250,000. Environmental management of contaminated waterfront land and piling cost for the foundation totalled about $3 million, about $500,000 of which was paid by WDCL (the rest was paid by the developer and the municipality). The total public cost of Bishop's Landing, including adjacent wharfs and boardwalk systems, was about $3 million, while the private investment amounted to over $30 million. In this case the land under the buildings was sold to the developer (for about $2 million), but the WDCL retained ownership of the public lands (including the waterfront access) and some parking. Revenue from the parking and a percentage of the revenue from the rental of retail space in the project will pay for the maintenance of the public spaces associated with the development. The project will generate more than $500,000 in tax revenue annually to the HRM.

EVALUATION

As a provincial crown corporation, the WDCL has proven to be a successful vehicle for assembling waterfront lands, setting high standards for redevelopment on both private and public lands, and maintaining public access to the waterfront. The waterfront is now very different than it was when the WDCL was founded 27 years ago. Whereas before the waterfront was a place best avoided, it is now the centre of attraction for commercial vendors, tourists, festivals, and family gatherings–all within the downtown. The area enjoys a unique mix of historic elements coupled with new developments. Adding to this rejuvenation is the gradually increasing residential population of the waterfront area, which is now picking up speed. It is estimated that development over the next five years will bring a further 1,000 residents to the waterfront.

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WEB SITES:

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www.innovativeproperties.com
(Innovative Properties – developer of The Sentinel)

www.southwest.ca
(Southwest Properties – developer of Bishop's Landing)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

URBAN CONTAMINATED SITES REHABILITATION PROGRAM-REVI-SOLS | **Montréal, Quebec**

SUMMARY

Revi-sols was designed to spur revitalization of urban areas through the rehabilitation of contaminated sites with strong potential for re development. The provincially-funded program contributes 50 per cent of the eligible clean-up costs. Program activities in Montréal are administered by the City of Montréal.

Date Implemented: 1998, modified in 2000, renewed in 2002.

Key Outcomes: Since 1998, 132 development projects in Montréal have had their site clean-up costs subsidized through the Revi-sols program. Of this number, 58 projects have included residential uses for a total of 5,624 dwelling units built, under construction or in the planning pipeline.

BACKGROUND

Montréal and Québec City—like other older Canadian cities—have numerous vacant or underutilized industrial sites left over from their long histories of industrial activity. Many of these sites, from decommissioned refineries and abandoned gas stations to old railway yards and factories, are contaminated with toxic substances related to their industrial past. Despite the fact that many of these sites are located in areas with high redevelopment potential, their re-use is being hindered due to the costs and risks involved in cleaning them up.

In the 1990s, it became clear that this lost development potential was clogging the heart of the province's major cities. Land that could serve to alleviate a growing housing shortage and stem the flight of families to suburban locations was lying fallow. In 1998, the Quebec government decided to act in order to help unblock the development potential of these sites and help address urban sprawl. The Urban Contaminated Sites Rehabilitation Program (Revi-sols) was directed at both Montréal and Québec City. This case study focuses on program activities in the city of Montréal.

DESCRIPTION AND GOALS

Revi-sols was designed to spur revitalization of urban areas through the rehabilitation of contaminated sites with strong potential for residential and other types of development. Program activities in Montréal are administered by the City of Montréal according to a memorandum of agreement signed by the two parties in July 1998.

The program assists property owners and developers in paying for the clean up of sites when such clean-up is needed to allow redevelopment to go ahead. For each project, the program contributes 50 per cent of the eligible clean-up costs. The types of work that are eligible for financial assistance includes planning activities (e.g., site analysis, risk assessment, identification of rehabilitation options, preparation of plans), the actual decontamination work, and environmental monitoring for the duration of the program. Rehabilitation includes soil excavation, containment and disposal and other measures designed to decrease exposure to contaminants.

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In 2000, the program rules were modified to allow an additional 20 per cent contribution for remediation work that includes treatment of contaminated soils, materials mixed with soil and groundwater. The purpose of this added subsidy is to promote the use of treatment technologies for decontaminating soils and groundwater rather than relying on disposal methods.

Any contaminated property that is the subject of a redevelopment proposal located within the territory of Montréal is eligible for financial assistance, regardless of the nature or source of the contamination, the type of project envisioned (residential, industrial, commercial, institutional or mixed use) or the type of landowner (private or public sector).

Property owners and developers apply to the City as a candidate for the program. A selection committee composed of representatives from the Ministry of the Environment and the City of Montréal assesses the proposals, draws up a list of eligible projects and, based on pre-defined criteria, selects projects to be subsidized through the program. The selection criteria include:

- the contribution that the project will make to revitalizing the area;
- the development potential of the site;
- the economic spin-offs that can be expected from the project;
- the environmental benefits of the clean-up.

An agreement is signed between the City, the Quebec Ministry of the Environment and the developer specifying the nature of the project and the site clean-up measures that will be needed for the project to proceed. The developer must show that he or she has completed the agreed-upon work and met the conditions laid out in the agreement before the subsidy will be paid.

The money received by the land owner is linked to the success of the redevelopment project. If a property owner completes only 50 per cent of the proposed redevelopment, the City will take steps to recover the other 50 per cent of the grant paid. Hence, this program aims not only to remediate the soil, but also to provide successful redevelopment.

COMPLEMENTARY POLICIES AND PROGRAMS

Projects subsidized through Revi-sols must meet the requirements of the Ministère de l'Environnement's Soil Protection and Contaminated Sites Rehabilitation Policy (Politique de protection des sols et de réhabilitation des terrains contaminés). This policy is a guideline aiming to prevent and rehabilitate contaminated land, establish responsibility for clean up, and provide social equality in the environment. Precise methods and documentation are demanded to identify, characterize, remedy, mitigate and/or compensate and monitor the environmental impacts and risks posed by the project.

Quebec's new legislation to amend the Environmental Quality Act and other legislative provisions with regard to the protection and rehabilitation of land (Loi modifiant la Loi sur la qualité de l'environnement et d'autres dispositions législatives relativement à la protection et à la réhabilitation des terrains) was passed in June 2002. Expected to come into force in March 2003, it amends the rules applying to contaminated soil management and establishes a regulatory system to clarify the roles and responsibilities of the different participants in brownfield redevelopment.

The City of Montréal does not have an industrial lands policy. Decisions related to the conversion of industrial lands to residential or mixed-use purposes are made on a case-by-case basis.

STAKEHOLDER RESPONSE

The program has been strongly supported by property owners and developers in the city as well as by the City administration. Although individual development projects often give rise to local objections (e.g., that industrial land should remain industrial as a source of local employment and not be redeveloped for residential uses), there are no organized interests opposed to the Revi-sols program in Montréal as such. It received very little public attention when it was announced in 1998 or renewed in 2002.

The program is promoted by both the Province of Quebec, on the Ministry of the Environment's web site, and by the City of Montréal on its Environment and Public Works Web site. Application forms and inquiries are handled by the City of Montréal's Control and Research Laboratory (Laboratoire de contrôle et recherche Service) within the Department of Public Works and the Environment.

IMPACT

Since 1998, 132 development projects on the Island of Montréal have had their site clean-up costs subsidized through the Revi-sols program covering a total land area of nearly 509 acres (206 hectares). Of this number, 58 projects have included residential uses for a total of 5,624 dwelling units built, under construction or in the planning pipeline.

One of the most notable projects has been the redevelopment of the Angus Shops, a CPR railway yard in the Rosemont area of Montréal that was used until 1992 for maintenance and repair of rolling stock and construction of new railway equipment. The site was contaminated with heavy metals, petroleum hydrocarbons and polycyclic aromatic hydrocarbons. Following the decontamination of the site, 500 dwelling units were built, largely in the form of townhouses and low-rise condominium apartments (see Figure 1). A supermarket and industrial mall have also been completed and a biotechnology centre is under construction. A further 700 dwelling units will be built over the next two to three years. (Please see the case study on Angus in Part 2 of this study "Residential Intensification Case Studies: Built Projects".)

FINANCIAL ISSUES

Two people work full time on the administration of the program by the City of Montréal. Part of the staff costs are covered by an application fee of $1,000 charged to project proponents. Site analysis and soil testing are performed by a private consultant retained by the proponent, as are the contractors who undertake the site decontamination work.

The major cost of the program is of course in the subsidies themselves. The provincially-funded program provided a total of $30 million in financial assistance to developers in Montréal over its first five years. Following amalgamation of the city of Montréal in 2002, the two parties signed a new agreement which renewed the program under the original conditions, but expanded the amount available for projects in the new city to $60 million for the period 2003-05.

For each year of the program, the selection committee (mentioned above) makes its decisions such that the amounts committed to new projects do not exceed the annual budget the City has at its disposal for this program.

Figure 1: New townhouses on the former site of the Angus Shops.
Source: C.P. Real Estate

The 58 residential projects that have been subsidized through the program in Montréal have received a total of $19.7 million in financial contributions from Revi-sols, representing about 50 per cent of the global clean-up costs for all 49 sites. The ensuing development has amounted to a private sector investment in the order of $1 billion and an increase in property taxes flowing to the city of about $17 million annually (or an increase of $35 million if non-residential projects are included).

Project developers have invested the remaining $16 million in clean-up costs on the residential projects benefiting from the Revi-sols program. They are also expected to pay for the on-site improvements such as internal roads, sidewalks, and lighting.

The City of Montréal has contributed to the upgrading of underground infrastructure for many of these projects, although no estimate is available of the global investment made. The City does not contribute financially to the clean-up costs of sites accepted in the program unless it is acting as the project developer (i.e., on city-owned land), in which case it is expected to pick up the same portion of the costs as a private developer (50 per cent).

EVALUATION

The Revi-sols program has shown that contaminated sites rehabilitation can be greatly encouraged when economic incentives are made available to landowners and developers. The program has helped greatly in stimulating private sector investment and re-using a vast area of non-productive former industrial sites, in many cases transforming them into new mixed-use neighbourhoods.

The program has also shown that provincial and municipal governments can partner with private development interests in seeing these projects through with the province acting as the funding source and setting the rules regarding clean-up standards and environmental approvals, the City acting as local administrator and providing infrastructure and planning (zoning) support, and the private sector bringing forward the needed investment in site clean up and suitable development projects.

The first phase of Revi-sols generated so much interest and uptake from municipalities and the private sector in Montréal and Québec City, that the Quebec government launched a second phase in 2000, aimed at other urban municipalities in the province.

The Revi-sols program demonstrates that public subsidies can be an effective tool for promoting brownfield redevelopment, particularly where brownfield sites have generated little interest or support from the private sector. Currently, Quebec is the only province in Canada that has a funding incentive program for brownfield redevelopment.

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(Provincial Ministry of the Environment site with details about the Revi-sols program)

www2.ville.montreal.qc.ca/tp/laborat/p_solcon.htm
(City of Montréal site explaining the Revi-sols program and application procedure)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

MARKETING CITY-OWNED PROPERTIES | **North Vancouver, British Columbia**

SUMMARY

City-owned lands in a former industrial area of the city are being marketed and redeveloped. A new neighbourhood is emerging.

Date Implemented: 1998

Key Outcomes: Two projects completed with a total of 114 housing units and another project of 266 units currently underway. Potential for 1,200 units in total.

Figure 1: A view of Lower Lonsdale from the air, 2002.
Source: City of North Vancouver

BACKGROUND

The Lower Lonsdale area is one of the designated nodes for higher-density, mixed-use development in the City of North Vancouver. In 1998, the six-block area had a resident population of about 600.

The area, especially near the waterfront, is characterized by vacant or under-used lands, creating a discontinuous space that is poorly protected at night and lacks vitality during the day. Historically, the waterfront area was largely industrial (mills, ship building, etc.) and the resulting nuisances (noise, smells, etc.) discouraged residential and commercial development in the vicinity. An added concern was the steepness of the slope leading down to the water, which made the site unsuitable for most uses.

The City came into possession of many small properties in the area due to tax defaults in the 1930s and many of these parcels have remained vacant since then. The lack of development potential and correspondingly low land prices discouraged any thought of selling the properties. Some of the parcels, especially the ones on flatter ground, were put to use as parking lots during Expo 86 or as community gardens. In recent years, however, the general area has become more attractive to home seekers due to the proximity of the City of Vancouver (across Burrard Inlet on the SeaBus), where housing costs skyrocketed in the 1990s. As property values began to rise in Lower Lonsdale, so did the City's interest in selling its vacant lands for redevelopment.

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DESCRIPTION AND GOALS

The marketing of City-owned vacant sites in the Lower Lonsdale area was begun in 1998 and will continue until the process is completed around 2007. The goal of the initiative is to help revitalize Lower Lonsdale by selling vacant City-owned sites for redevelopment. The City has not set specific targets for the number of residential units to be built on the sites, but would like to see a large share of the redevelopment in the form of residential and mixed-use development. It hopes to create a high quality urban environment where once was urban blight.

There are approximately 75 City-owned properties in the area, which are being gradually assembled into 11 sites for sale and redevelopment (see Figure 2). The process of assembling, planning, and marketing sites for redevelopment is initiated by a team of City staff members, including the Deputy Director of Finance, the Deputy Director of Engineering, the Manager of City Lands, a City planner, and a part-time Project Manager. The team meets regularly and comes forward with recommendations to Council as to which site should be planned and marketed next. If Council approves the recommendation, the team works out a marketing strategy, the development guidelines, and the required zoning changes and then returns to Council for approval.

In some cases, marketable sites need to be assembled from both City-owned and privately-owned properties in order to make the site feasible for redevelopment. In such cases, the team works cooperatively with relevant property owners, inviting them to join the process.

Once a site has been successfully rezoned, the team announces the availability of the site for sale through daily newspapers and the Internet, and notifies a list of 50 known developers via regular mail. Interested parties are informed of the development guidelines that will govern the building envelopes, densities and other development parameters. For instance, bidders may be told that the site is to be developed as a mixed-use project composed of retail, residential and community uses, to be no more than 12 storeys, have 12,000 ft^2 (1,115 m^2) of floor space, with setbacks that relate to view corridors, services to the street at certain points, access at certain points, and so on. These parameters are based on the guidelines contained in the City's Official Community Plan for this area (see below).

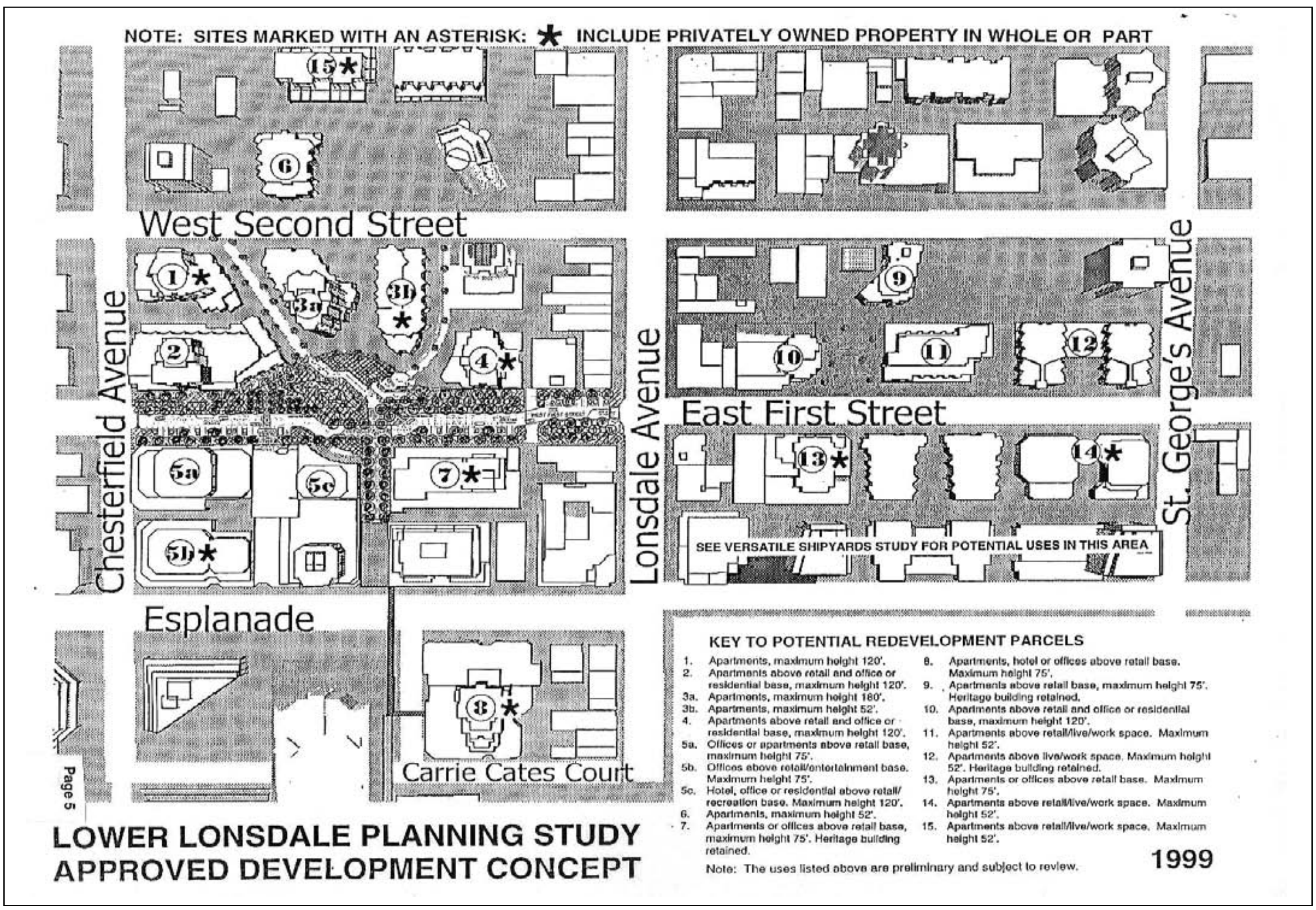

Figure 2: Vacant City-owned sites in the Lower Lonsdale Area.
Source: City of North Vancouver

Up to six bids may be received for a site and the team selects the highest bidder as the winner. A sales agreement is drawn up between the City and the developer, who makes a non-refundable deposit and is given four months to submit architectural drawings for the site. Final approval is given by senior staff after a technical review confirms that the developers' plans correspond to the development guidelines approved by Council. Any variances from the guidelines have to be approved by Council.

The team paces the marketing of the sites so as to have one project on the go all the time, resulting in a steady stream of new units coming onto the market.

COMPLEMENTARY POLICIES AND PROGRAMS

To ensure that the redevelopment of City-owned and other properties contributes to the attractiveness of Lower Lonsdale, the City has created a set of overall design guidelines governing the physical aspects of new development in the area. The guidelines are in turn based upon an amendment to the City's Official Community Plan that took place in 1998.

The 1992 Official Community Plan encouraged the redevelopment of the area into a medium-density, mixed-use area using a low-rise apartment block pattern. Concerned that this building form would result in a monotonous and nondescript streetscape and skyline, staff persuaded Council to consider an OCP amendment that would allow a variety of building heights, including high-rise type developments. To maintain the views of existing residents living north of the area, the OCP amendment limited the heights of buildings according to the slope (i.e., the lower on the slope, the greater height permitted). Maximum heights now vary from 60 to 180 feet (18 to 55 metres), with a maximum density of 2.6 times the site area, the highest density allowed in the city.

Besides the marketing of City-owned land, the Lower Lonsdale redevelopment strategy involves a number of other initiatives designed to increase the capacity of the area to accept new development while improving its attractiveness to new residents. This includes:

- a review of underground infrastructure needs in the redevelopment area in order to determine a program of upgrading and rehabilitation;
- the improvement of cultural and human service facilities in the area, including a museum, an arts gallery, live theatre and a community centre;
- improvements to transit facilities such as bus bays and stops;
- pedestrian improvements such as sidewalks and upgraded lighting;
- creating well-designed urban open spaces.

This policy is not linked to any provincial or federal enabling law or program.

STAKEHOLDER RESPONSE

The OCP amendment mentioned above was the subject of extensive pubic consultations, including resident surveys, public meetings and public hearings. Because each site-marketing process requires a rezoning, public hearings are also held on a site-by-site basis.

During the OCP amendment process, there was broad public and stakeholder support for redevelopment in the Lower Lonsdale area as this was widely seen as a desirable way to revitalize a dilapidated area of the city. However, disagreements occurred over the scale and type of redevelopment. The public's concern was focused on issues related to views from residences located further up the slope. Other planning issues that typically vex redevelopment processes, such as concern over parking and the increased use of city amenities (like parks), were not major public concerns in this case. This reflects the fact that the Lower Lonsdale redevelopment area is not itself heavily populated. The OCP amendment has apparently resolved the design issues from the point of view of adjacent neighbourhoods and individual site rezonings tend to go ahead with a minimum of public concern over site envelopes. However, there is a segment of the public that objects to the sale of public property for private development. They feel that the land should be turned over to public use, such as public parks.

The development community strongly supported the OCP and Zoning By-law amendments and is very receptive to the marketing of City-owned sites.

IMPACT

The first City-owned site (site 4 on the map in Figure 2) was rezoned and sold in 1998. This project resulted in a 12-storey apartment building with ground floor retail uses and 72 residential units (see Figure 3).

Figure 3: The "Q", the first completed project on formerly vacant City-owned lands.
Source: City of North Vancouver

Subsequently, another site (number 6) was rezoned and a four-storey apartment building with 42 units, known as The Quay View, was completed in 2001. The building targets seniors, families and people with disabilities. Currently, construction has started on a third site (combining numbers 5a, 5b and 5c). The project will include a mix of uses, such as a municipally-funded community centre, more than 266 condominiums, and a major grocery store.

Eight other sites remain to be assembled and sold for redevelopment, a process that is anticipated to take until about 2007, depending on market conditions.

A total of approximately 1,200 dwelling units will have been created on the 11 redevelopment sites once they are fully built out. About two-thirds of these units will be located on land that was City-owned and the remainder will be on adjoining private parcels that were assembled into the marketed properties. The population of the area has already doubled (to about 1,200) since the initiative was inaugurated in 1998 and is expected to climb to 3-4,000 once all the available lands are built upon.

FINANCIAL ISSUES

The staff resources for the administration of this initiative are largely confined to the planning and marketing team mentioned above, comprised of four City staff persons and one outside consultant. Taken together the four City staff people commit about 80 per cent of a full time position preparing and participating in team meetings where the key decisions are made. The consultant is employed for about 16 hours a week. Other City staff are involved in the typical planning application and inspection procedures that characterize any major development project.

Revenue from the sale of property is used to update the infrastructure and install new services, such as a community energy system, or to improve cultural and recreational facilities in the area. This investment not only improves the attractiveness of the area to prospective new developers and residents, it increases land values (which benefits the City in terms of future sales of City-owned land) and sends the signal that the City is not just a land developer but a partner in building a new community.

To date, City revenues from the sale of properties in the area have amounted to $11.3 million. Approximately $50 million is expected to have accrued to the City once all the sites have been sold.

EVALUATION

To date, the marketing and redevelopment of City-owned lands in Lower Lonsdale has been extremely successful. Several sites have been sold and redeveloped and developer interest in the remaining sites is high. The City's primary goal of revitalizing the area is being realized as a diverse urban neighbourhood takes shape in an area that was traditionally a "no man's land."

From an administrative point of view, the current team approach seems to work well. Prior to the hiring of the outside consultant as Project Manager, there was some concern that the program was "no one's job" because each member of the team spent less than 20 per cent of their working time on this portfolio.

The current system of pre-zoning the site before seeking a purchaser also seems to be working well. Prior to this arrangement, sites were zoned following lengthy negotiations with developers, which introduced an element of uncertainty for everyone involved in the process. Furthermore, because the City owned these sites, there was a public perception that Council was agreeing to developer demands in order to clinch the sale of the sites. The new system injects more predictability into the process for the developer and adjacent communities, raises the value of the land and minimizes the political aspects involved in the transaction.

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RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

EXEMPTION FROM PLANNING AND DEVELOPMENT FEES | **Ottawa, Ontario**

SUMMARY

Residential development in the downtown area is exempt from development charges, building permit fees, planning application fees and the requirement to pay for parkland.

Date Implemented: Original program established 1994, expanded in 2000 and again in 2002.

Key Outcomes: 64 housing projects and about 4,300 units either built, under construction, or in the approvals process in the downtown area.

BACKGROUND

In the three decades prior to the 1990s, the migration of households to Ottawa's suburbs resulted in an erosion of the city's downtown residential communities. Many older residential properties were converted into office space or allowed to deteriorate and were replaced by surface parking lots. High land values effectively eliminated housing investment except for upscale condominium development, which largely attracted singles. In the early 1990s a school closed and city leaders began to fear that other downtown schools and facilities that cater to families would follow suit.

In response, the City launched the Residential Downtown Intensification (Re-Do-It) initiative in 1994, designed to help reverse the erosion of the residential community and revitalize the city's downtown. The program included a waiver on development charges and a reduction in building permit fees for residential development in targetted areas.

In 1999, the mayor and a councillor launched a new downtown revitalization initiative. A Downtown Revitalization Summit was held with developers and other stakeholders, which led to the conclusion that a wider range of financial incentives, among other initiatives, was needed in order to achieve the City's housing objectives for the downtown. Key ideas from the summit were formulated into the Downtown Revitalization Action Plan, which was approved by the former Ottawa City Council in May 2000.

DESCRIPTION AND GOALS

The Downtown Revitalization Action Plan was composed of several elements, some of which could be implemented in the short-term by the former City of Ottawa and others that were put forward for consideration by the new City after amalgamation (which took place in January 2001).

The short-term provisions of the plan included several planning and development fee exemptions designed to stimulate downtown development:

- all downtown commercial and residential development was exempted from payment of building permit and planning application fees;
- residential developments of 50 units or less were exempted from the 5 per cent parkland levy in the downtown (with the exception of the Lebreton Flats area);
- the development charge exemption that had been the main plank in the former Re-Do-It program was continued as part of the new program.

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The exemptions from building permit, planning application and payment-in-lieu of parkland fees was implemented through changes to the Buildings Bylaw. A reduction in residential parking requirements in selected areas was implemented through an amendment to the Zoning By-law. The exemption from development charges had been implemented through an amendment to the Development Charges Bylaw in 1994 and was renewed when the bylaw was revised in 1999.

After amalgamation of the 11 municipalities making up the former region of Ottawa-Carleton, a new Downtown Action Plan was approved by Council. The new plan approved the existing range of incentives, but extended the waiving of the residential cash-in-lieu of parkland levy to developments of more than 50 units. This was done on the grounds that incentives were also needed to stimulate development of larger scale projects.

The revised program also expanded the geographical area where the incentives would be offered. Initially, the program only applied to the downtown area west of the Rideau Canal (Somerset Ward), but in January 2002 it was extended to the downtown area east of the canal as far as the Rideau River. The development charges exemption applied to an area that was slightly smaller, with the eastern boundary approximately half-way between the canal and the river. Figure 1 shows the area where the various incentives currently apply.

COMPLEMENTARY POLICIES AND PROGRAMS

The Downtown Action Plan, of which the fee exemptions were part, included a wide array of other immediate and longer-term actions. Short-term initiatives included:

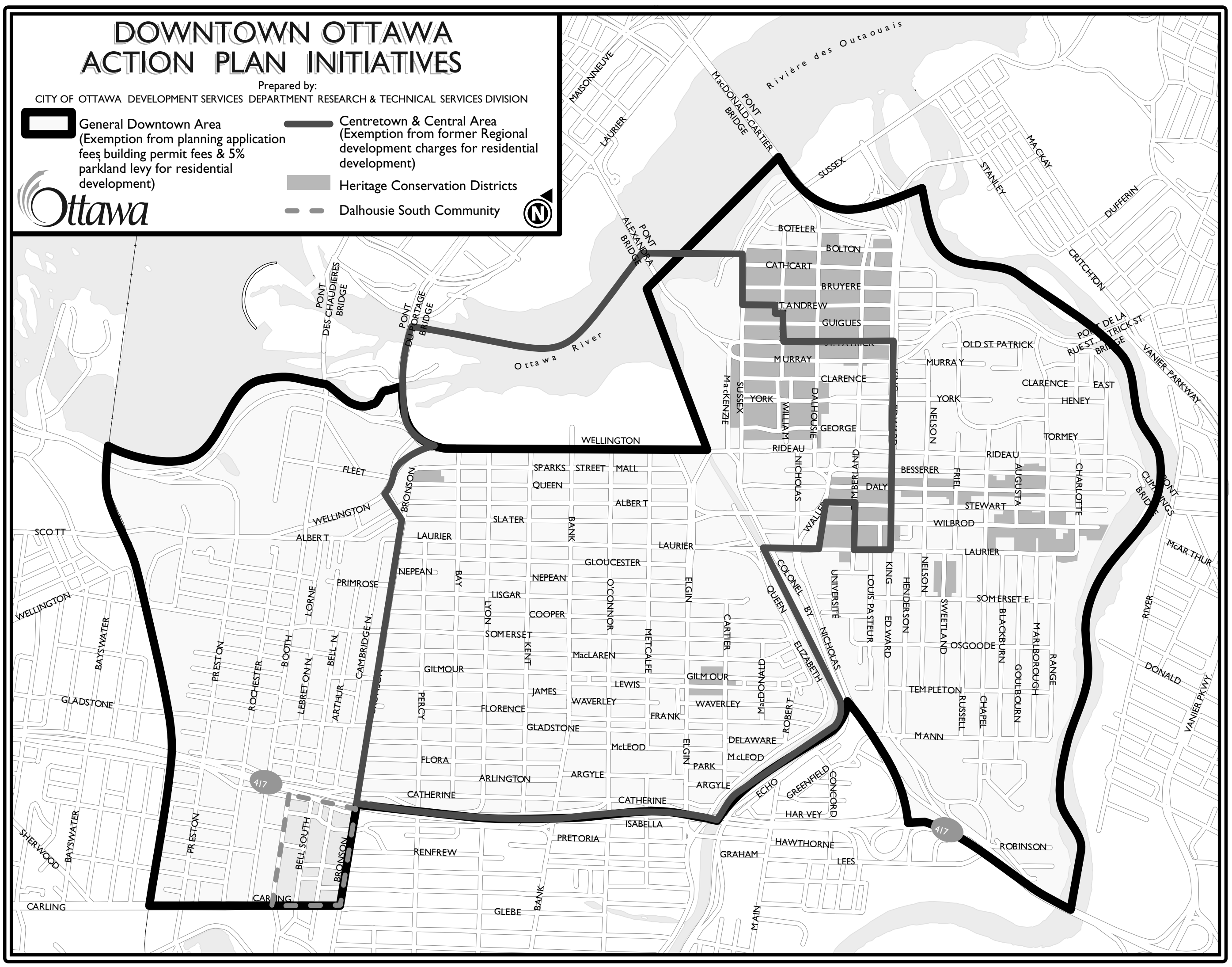

Figure 1: Program target areas
Source: City of Ottawa

- *Formalize an existing practice that expedites development approvals.* Applications for projects in the downtown are dealt with on a priority basis. The planning department ensures that site plan approval can be obtained within 60 days after receiving a complete application and a rezoning within 90 days.
- *Reduce parking requirements.* Parking standards for residential development above commercial uses in the core area and along Elgin, Bank, Somerset and Bronson Streets have been eliminated, while standards have been reduced in the ByWard Market area and along Rideau Street.
- *Compile a list of vacant sites and surface parking lots.* An inventory of vacant sites and surface parking lots with the potential to accommodate new development was compiled by City staff and distributed to the public and private stakeholders in early 2003. The inventory provides maps and information on the size of the lots, ownership, current zoning and so on.

The longer-term actions contemplated by the plan include:

- *Commission a downtown urban design plan.* A Downtown Ottawa Urban Design Strategy Study was initiated in August 2002 that will develop a framework for improving the appearance and attractiveness of the downtown. It will provide guidelines for the future physical form of the downtown on both public and private lands and is expected to be completed by the end of 2003.
- *Mainstreets demonstration projects.* The City is considering a demonstration project for the conversion of above ground-floor commercial space to residential use in cooperation with the Business Improvement Association.
- *Downtown transportation strategy.* A long-term project, to be undertaken before the five year review of the Official Plan (approximately 2008), intended to promote transit and improve the pedestrian and cycling environments.

The structure of property taxes in the city has been changed in order to eliminate a former bias against apartment buildings. In the past, property taxes on apartment buildings were set at commercial rates, which were 2.5 times the rate applied on condominium buildings. In 2001, the City set up a tax class for multi-unit residential buildings that essentially lowered the tax rate on apartment buildings city-wide. Rental and condominium rates are now equalized.

The exemptions are complemented by zoning and planning policies. Special zoning regulations in the downtown provide maximum flexibility in design and development. Other than height limitations, there are very few zoning restrictions on what can be built. A wide range of residential uses, mixed-use buildings, and commercial development is permitted.

On a broader scale, the Downtown Action Plan has been integrated into the draft Official Plan for the new City of Ottawa as part of a major policy initiative to promote the downtown.

STAKEHOLDER RESPONSE

A key component in the development of the Downtown Action Plan was the Downtown Revitalization Summit, held on January 29, 2000. Over 80 participants representing a diverse range of interests including developers, residents, architects and politicians identified a wide range of innovative ideas for revitalizing Ottawa's downtown. The Action Plan put forward to Council in the aftermath of the summit was based on the ideas that came forward during the summit, as prioritized by City staff.

The business and development communities, especially those with stakes in the downtown area, strongly supported the Downtown Action Plan and the fee exemptions in particular. They believed the exemptions would provide them with the incentives needed to undertake development that would otherwise be too risky due to high land prices and the myriad practical problems associated with inner-city projects. Most local resident associations also supported the exemptions as a way of encouraging the redevelopment of vacant lots that marred the area and to bring more vitality to the downtown.

There was very little opposition to the plan. Some Councillors felt that the fee exemptions would put more burden on rural and suburban areas and that they would eventually have to come to an end, but they did not oppose the plan. As for the other provisions of the action plan, some residents' associations were concerned that completely eliminating parking requirements on certain arteries could negatively impact parking on adjacent streets. Council responded by amending the Action Plan so as to reduce but not eliminate parking requirements in the areas of concern.

A Mayor's Downtown Task Force was established, consisting of a range of development and resident interests, including community association presidents, business people, developers and school board officials. Its mandate is to help guide the implementation of the Action Plan when advice is needed on specific issues, roughly every 2-3 months.

In 2002, a series of ads were placed in daily and community newspapers to promote the downtown policy initiative. A brochure outlining the highlights of the initiative and some of the main development projects in the affected area was widely disseminated to the public and development community.

IMPACTS

The repeal of development charges in 1994 coupled with improved market conditions brought about a revival in the downtown housing market in the mid-1990s. Over 30 housing projects were initiated between 1994 and 1997, for a total of 1,773 units. About half the developments were townhouses located on infill sites or produced through the conversion of non-residential buildings.

Since the exemptions program was renewed and expanded in 2000, 34 residential projects in the downtown area have been built, are under construction or are in the approvals process, for a total of some 2,500 new residential units. All of these projects benefit from the fee and parkland exemptions and 24 of them have had or will have their development charges waived (fewer because of the smaller applicable area).

According to developers, the fee exemptions have had a real impact on their decision-making. For instance, the fee waivers played a significant role in the decision of a private developer to proceed with a condominium apartment project on a former parking lot in the downtown. The Metropolitan has 39 units in a 7-storey building and 29 units in an 11-storey building, as shown in Figure 2.

As important as it is, however, the City recognizes that the incentives program is not the sole contributor to the recent growth in the central area. City planners estimate that about one-third of the recent growth in the downtown would not have occurred without the program.

Figure 2: The Metropolitan condominiums

FINANCIAL ISSUES

Administration of the Downtown Action Plan is carried out by two staff planners (1/3 FTE each). Their work includes the creation of brochures describing downtown developments and other activities relating to the fee exemptions and the Downtown Action Plan, such as the launch of the Urban Design Strategy process.

The fee exemptions result in a significant revenue loss for the City. In the 15 months between May 2000 and August 2001, the City forewent revenue of over $480,000 in building permit fees and over $30,000 in planning application fees. Foregone revenue for cash-in-lieu of parkland amounted to about $400,000 and development charge exemptions amounted to about $2.7 million. Total exemptions added up to about $3.6 million.

The lost revenue comes out of the City's general budget, i.e., there is no reserve fund set aside for this purpose. However, the increase in property taxes that results from downtown development compensates quickly for the revenue loss. Typically, the fee exemptions are recouped in less than four years.

The value of the exemptions to the commercial and residential developers affected by the policy depends to some extent on the value of the specific construction. Using the Metropolitan example (shown above), the exemptions saved $956,000, or about 5.8% of the total project value. However, the tax stream from this development will amount to $285,600 annually. In other words, the lost revenue will be made up in less than three and half years.

EVALUATION

Considerable success has been achieved in attracting new residential development downtown through the exemption program and other actions taken by the City. The program has helped restore confidence in downtown investment and has demonstrated to the development community and Ottawa residents that the City is committed to the downtown through actual initiatives rather than just general policy statements in the Official Plan.

Development activity in the downtown is at an all time high: street life and economic activity in the downtown is increasing as a result of the burgeoning resident population. The area is gaining a reputation as an attractive and safe place to live, work, shop and play.

One disappointment from the City's point of view is that little of the recent residential development in the downtown has included commercial or other uses. Also disappointing is the fact that the policy to waive or reduce parking requirements on certain downtown streets has not resulted in any significant residential development over retail uses at street level.

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WEB SITE:

www.ottawa.ca
(City of Ottawa)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

DEVELOPMENT AND REVITALIZATION FUND | **Québec City, Quebec**

SUMMARY

The City of Québec, first operating through a non-profit municipal corporation and then directly through its own housing department, has provided financial assistance in the form of loans, loan guarantees and subsidies to property owners in the central area to stimulate development, including the improvement and expansion of the housing stock.

Date Implemented: 1991

Key Outcomes: Since 1991, 555 residential units have been created through new construction, conversion of non-residential or extensive renovation of existing residential buildings.

BACKGROUND

The population of Québec City began to decline in the 1960s as families moved to suburban areas outside the central city. Particularly hard hit were the older central neighbourhoods, where redevelopment projects related to the city's role as a provincial capital and major transportation works contributed to the displacement of the population. In the five years from 1981 to 1986, the central area of the city lost 4 per cent of its population. Many of those who left were younger middle-income families, leaving behind older people with smaller households and fewer resources. Schools in the older areas began to close and many properties began to decline or were demolished in order to lower real estate taxes.

To address this issue, the three levels of government along with community organizations and economic stakeholders came together in 1991 to create the Committee for Economic Revitalization and Job Creation in the Centre of Québec (CRÉECQ in French). The committee set about to diagnose the problems plaguing the central areas of the city and to propose ways of reversing destructive trends. One of the committee's main recommendations was for steps to be taken that would stabilize the population and encourage the return of middle-income families to the central area of the city. The committee defined an area within which programs should be targetted and laid out some program options. In 1991 the City put in place a number of programs aimed at implementing the committee's recommendations.

DESCRIPTION AND GOALS

One of the initiatives launched in 1991 was a program designed to assist property owners in revitalizing target areas in the older part of the city. The purpose of the program is to encourage property owners to invest in new construction and the renovation or conversion of existing buildings to restore the urban fabric and strengthen the targetted areas. All types of projects (residential, commercial, institutional) are eligible for funding under the program, which covers costs related to new construction, the conversion of existing buildings or the rehabilitation of vacant buildings.

Originally, the program was administered by the Municipal Housing and Development Agency (SOMHADEC in French) by agreement with the City. Created in 1970, SOMHADEC is a non-profit municipal development

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corporation with the power to acquire, construct, restore, rent out and sell buildings anywhere in the city of Québec. It can also offer financial assistance to developers or building owners undertaking development projects. The corporation is managed by a board appointed by the Québec City Council.

Before changes were made in 2000, property owners undertaking eligible work and who wanted to receive financial assistance under the program applied to SOMHADEC. The corporation determined whether the project was eligible for assistance under the terms of the program and undertook a financial and technical analysis of the project to establish the amount and nature of the assistance (if any). The board of SOMHADEC made the final decision regarding the offer of assistance.

Criteria for determining the level of assistance offered included:

- economic viability of the project;
- fiscal benefits to the city (increased property assessments);
- marketability of the project;
- architectural quality;
- consistency with planning objectives of the city;
- impact on the immediate vicinity in terms of the potential for stimulating further revitalization efforts;
- management ability of the applicant.

Financial assistance was available in the form of loans, loan guarantees or direct grants to the level necessary to make selected projects economically feasible. Assistance from this and other public programs could cover up to two-thirds of project costs, with a minimum of one-third coming from private sources arranged by the applicant and a minimum of 10 per cent down payment by the applicant. Disbursements were made as the work proceeded, site inspections were made and the applicant presented bills for the eligible work completed.

In June of 2000, the City undertook an administrative re-organization to reduce the number of municipal agencies operating in the real estate and housing field. It assumed direct responsibility for the program, which continued under the name Financial Assistance for Development in Central Districts, with identical provisions and geographical applicability. Program administration was provided by the Development Assistance Division of the Centre for Economic and Urban Development. The division undertook the evaluation of program applications and sent its recommendations concerning projects selected for financing to City Council for final approval.

Although it was no longer managing the program, SOMHADEC continued to act as an advisory body to City Council on this and other municipal housing programs.

When the former City of Québec was amalgamated with 12 surrounding municipalities in January 2002, the program was transferred to the new city of Québec under the rubric of Development and Revitalization Fund, which fulfils the same role as the former program except the applicable area has been expanded to include older areas of formerly adjacent municipalities (see Figure 1). The program is now administered by the Development and Real Estate Division of the Economic Development Service, and recommendations on financial assistance are made by a committee made up of seven municipal appointees, including representatives of the development and real estate industries, financial institutions, academics and public officials, including two city councillors.

COMPLEMENTARY POLICIES AND PROGRAMS

As a result of the recommendations put forward by CRÉECQ, the City adopted a number of housing programs involving subsidies, loans and tax breaks that focus on the central area of the city. Many of these programs are cost shared with the provincial government (e.g., through the Quebec Housing Agency under its Older Districts Revitalization Program). The key municipal programs targeting the central area of the city are:

- home ownership assistance, offers subsidies of up to $5,000 (geared to the number of children in the family), to families that become homeowners in older districts of the city;
- tax credits to further help beneficiaries of the home ownership program;
- subsidies for rental unit renovation with controls placed on subsequent rent increases;
- subsidies to help artists transform their work environment into a live-work unit;
- subsidies (of up to 30 per cent of the admissible construction costs for a maximum of $20,000 per unit or $500,000 per building) for new residential construction and conversion of non-residential buildings into housing.

These programs differ from the Development and Revitalization Fund in that they are standardized programs with set criteria that determine the eligibility and funding levels merited by applicants. In contrast, the Fund works on an application-by-application basis and officials use their discretion in choosing projects

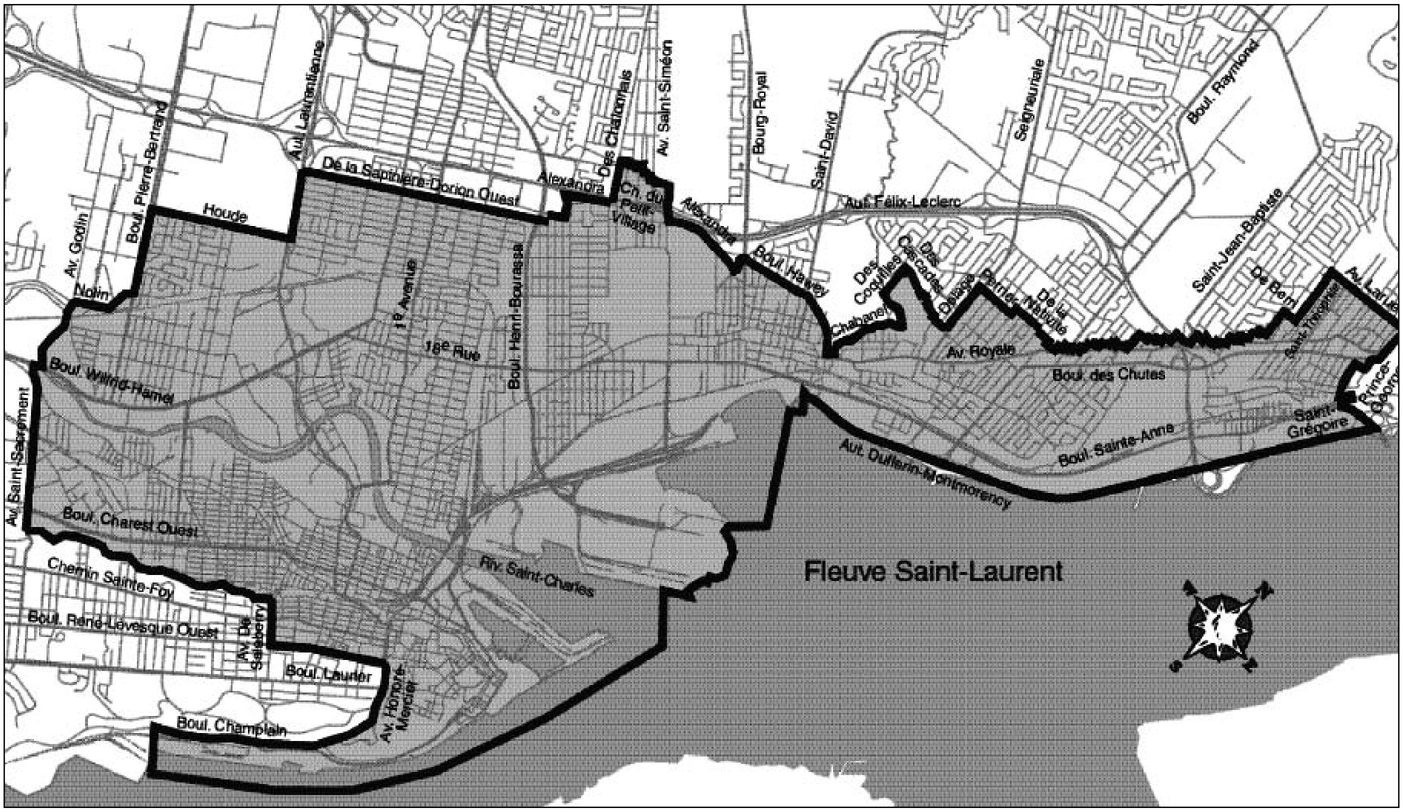

Figure 1: Program target area.
Source: City of Québec

and levels of funding. Typically, the projects that receive support from the Fund are those that require assistance above and beyond the levels available through the non-discretionary programs. These tend to be the larger projects in areas with specific constraints on the types of projects that will succeed.

All the municipal housing programs were examined during a comprehensive review of the City's housing policy, undertaken in 2000. The policy review recommended that the suite of programs be continued and in some cases expanded in order to reach more property owners and households in need of assistance.

The City has also created a guidebook for property owners and architects involved in development projects in the central area of the city. The guidebook sets out design principles and regulations governing each element of building construction or rehabilitation with the aim of ensuring that architectural results are in keeping with the heritage character of the district.

STAKEHOLDER RESPONSE

Property owners in the targetted area who benefit from the program have been strongly supportive of it. Without the program, they say, much of the development that has proceeded in the central area since the early 1990s would not have materialized.

However, the program—at least when it was administered by SOMHADEC—has been criticized in the media by those who disagree with public subsidies being given to private for-profit businesses. SOMHADEC was also criticized for not being subject to access to information laws and for having too much discretion in its decision-making. Some of these issues were resolved by the transfer of the program to the City proper in 2000.

Defenders of the program have pointed to the large amounts of private investment that have been leveraged through relatively small public expenditures, rising property values in the area and the increase in municipal revenues from property taxes as a result of the many successful projects supported by the program.

Promotion of the program has been undertaken in the form of pamphlets that are distributed through financial institutions such as the Caisses Populaires in the city.

IMPACT

From 1991 to 2000, 48 projects received financial aid from SOMHADEC. Of these, 18 were residential, which added a total of 555 dwelling units to the targetted area, including 316 rental and 239 condominium units. Ten of the projects were conversions of non-residential buildings to residential use, accounting for 396 of the units. A further 153 units were created through new construction and six through extensive renovation of existing residential buildings. Almost all the residential projects were in the quartier Saint-Roch, an area in decline, where developers were reluctant to venture without public support and where larger buildings were available for conversion to residential uses.

Figure 2: Les Lofts Laliberté
Source: Laliberté

A typical project is Les Lofts Laliberté, which involved the renovation and conversion of 75 per cent of a department store to create 51 rental units with commercial activities on the lower floors, including the existing department store. The building, parts of which were constructed in the 1870s, was partially vacant and deteriorating prior to its renovation. The project received a loan guarantee of $500,000 on a mortgage with a private lender, plus a subsidy of $2 million. The project, valued at $4.2 million, was completed in 1999. Refer to the case study on Les Lofts Laliberté in Part 2 of this study "Residential Intensification Case Studies: Built Projects."

Since the program was transferred to the City proper in 2000, there has been a hiatus in new projects due to the many institutional changes taking place, including the transfer of the program itself, the amalgamation of the City of Québec and substantial changes in provincial housing programs. However, the City expects to begin undertaking new projects in the near future.

FINANCIAL ISSUES

The Development and Revitalization Fund is carried out by five city staff members in the Development and Real Estate Division of the Economic Development Service. This includes the program co-ordinator (.2 FTE), two financial analysts (.3 FTE each) and a technician who performs the construction cost estimates (.2 FTE), for a total of single full-time position equivalent. Beneficiaries of the program are required to pay a $1,000 application fee, which helps defray some of the staff costs.

Since the beginning of the program in 1991, a total of $9.611 million has been invested by the City in residential projects, with 89 per cent of that being in the form of direct grants, about 9 per cent in the form of loan guarantees and the remaining 2 per cent as loans. The average public contribution has been $17,300 per unit. This has resulted in development with a total value of almost $54 million: in other words each public dollar invested has leveraged $5.60 in private investment. It is estimated that the City investment in the program will be returned over a 10- to 15-year period through property tax increases.

EVALUATION

The program demonstrates the viability of a municipal program based on financial assistance to property owners and developers to increase the housing stock in a targetted area. The program has resulted in the addition of a substantial number of housing units, leveraged large amounts of private investment and contributed to increased municipal tax revenues. Many of the projects supported by the program involved the conversion or renovation of existing buildings and therefore contributed to the preservation and restoration of the built heritage of the area.

Much of the program activity has taken place in a particular district of the central area called the quartier Saint-Roch. Aided by changes in the housing market and the type of resurgence in central cities that is being seen across the country, the program has contributed to the transformation of this district from a declining and impoverished zone into a lively area that now attracts new residents, businesses, institutions and shops.

The program approach can be used wherever there is a market demand for housing in a specific area but where investor interest has waned because of declining neighbourhood conditions or other obstacles. The program provides an opportunity for the municipality to exercise control over changes to the built environment and to achieve planning and design objectives such as the revitalization of targetted areas and the preservation and restoration of heritage values.

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RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

SINGLE-FAMILY LOT SIZE POLICY PROCESS | **Richmond, British Columbia**

SUMMARY

The process allows suburban lots to be split into two lots by setting an area-wide policy with considerable input from affected property owners.

Date Implemented: 1989

Key Outcomes: 522 new suburban lots have been created over the lifetime of the policy.

BACKGROUND

The City of Richmond is a rapidly growing municipality south of Vancouver within the GVRD. The city, which was characterized by low density suburban development, is gradually moving towards a more urban landscape with mainstreets and a higher-density, mixed-use core linked to rapid transit.

Many single-family suburban areas in Richmond were originally developed in the 1950s or 60s on large lots (60 to 70 foot frontages). In the 1980s, those houses were beginning to show their age and some owners were considering demolition. This, combined with demographic pressures and rising land values, triggered interest in subdividing existing suburban lots such that two new houses could replace the original structure. The City regularly received applications from property owners and small builders to subdivide single family properties into two or more smaller lots, but had no set procedure for dealing with them. Thus, the applications were dealt with on their own individual merits, which created the impression that change in the affected areas was haphazard. A more formal process was needed to determine the appropriate lot size for each neighbourhood and to provide the neighbourhood with a degree of input and predictability as to how their built environment was going to change.

DESCRIPTION AND GOALS

The Single-Family Lot Size Process was introduced as section 702 of the City's Zoning and Development Bylaw, adopted in April 1989. The "702 Process" was meant to ensure that a fair and consistent approach is taken with applications seeking to introduce smaller lots through subdivision of existing lots in low-density residential neighbourhoods.

The policy applies to the low-density (single-family housing) areas outside of the City Centre and within the perimeters of major roads (but not to properties on the major roads themselves). When a rezoning application is made (typically by the current property owner or a small-scale speculative builder) to subdivide a single-family lot, Council may instruct planning staff to conduct a Lot Size Study for the surrounding area. The study area can be as small as a few lots or as large as 500 lots. Most study areas include less than 100 lots.

As part of the study process, the residents in the area are sent a letter inviting them to a public information meeting with planning department staff to discuss single-family lot sizes. A lot size preference survey is also distributed to households in the study area. A detailed technical analysis is also conducted to determine whether the existing physical and community services in the area can accommodate additional population.

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Based on the community's preferences and the technical analysis, the planning department recommends a lot size policy for the study area. A public meeting and then a formal public hearing are held to debate and refine the recommendation and to attach any conditions to subdivision approval. The recommendations are submitted to Council, which votes to either adopt or reject the policy.

Figure 1 provides an example of a 702 policy area, showing the original zoning designations and the area where subdivsion to 9 metre (29.5 foot) lots (R1/A) will be allowed. (Some lots on the map are already zoned R1A because of previous rezonings under older 702 policies and these cannot be further subdivided).

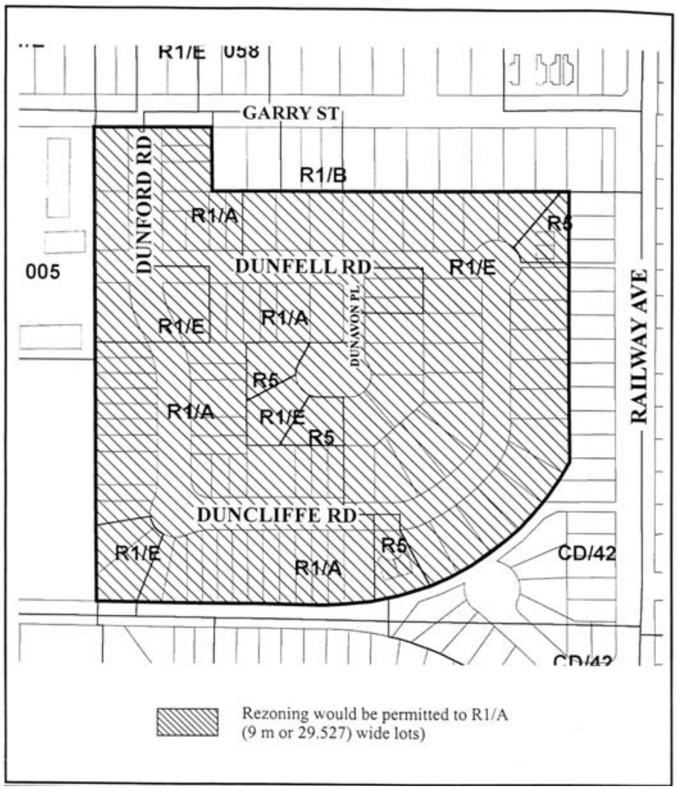

Figure 1: A 702 Policy area showing the lots where subdivision will be permitted.
Source: City of Richmond

Once adopted for an area, the Lot Size Policy guides Council in making decisions on future single-family rezoning applications in the area for a five-year period. Thus, in the areas with adopted policies, Council no longer needs to consider each rezoning application individually. If an application is made in an area where a policy is already in place, the rezoning is approved as long as the application is consistent with the policy.

If the application is contrary to the policy and the policy has been in effect for over five years, the policy can be reconsidered through a new study.

The first round of 702 policies was adopted in 1989 and the early 1990s. 702 policies have now been accepted in the majority of the areas zoned for single-family housing and in many neighbourhoods, the policies have been revised once or twice for subsequent five-year periods. In some cases, the originally defined policy areas are being broken down in order to apply more specific policies in smaller areas.

COMPLEMENTARY POLICIES AND PROGRAMS

About half of Richmond is within the provincially-regulated Agricultural Land Reserve, which prohibits non-farm development and limits the amount of land available to accommodate a growing population. In the late 1980s, a strategic planning exercise pointed to the need to allow moderate intensification of existing neighbourhoods but at a pace that would be controlled by the neighbourhoods themselves.

Originally the 702 Process applied both to residential areas inside blocks and to the arterial roads bounding the blocks. Over time, the City has been removing the arterial sections from the Lot Size Policies in order to provide a more consistent policy framework for those areas.

The City's Arterial Road Redevelopment Policy supports intensification of these arterial roads to varying degrees. Near neighbourhood centres, Council's policy is to encourage townhouses and low-rise apartments rather than single-family houses or duplexes. In locations further from neighbourhood centres, single-family lots are permitted but duplexing and higher density forms such as townhouses are encouraged.

This policy works in conjunction with a new initiative to retrofit arterial blocks to accommodate lanes, which will reduce the need for driveways and the problems associated with vehicles emerging from driveways onto busy arterial streets. The lane policy takes advantage of redevelopment proposals along arterial stretches to incorporate lane segments in the rear. When a block has been entirely redeveloped, the lane will run parallel to the arterial but exit onto perpendicular side streets with controlled access to the arterial.

Figure 2: An example of smaller lots within neighbourhoods resulting from Lot Size Policies.
Source: City of Richmond

STAKEHOLDER RESPONSE

The 702 Process was introduced in 1989 as part of a global revision and consolidation of the City's Zoning and Development Bylaw and attracted little attention from the general public at that time. However, the lot studies and rezonings that have taken place under the bylaw do tend to attract considerable public attention.

There is an extensive public consultation process with each 702 Process study and rezoning: property owners in the study area are given the opportunity to vote on their preferred lot size through a mail-in survey and are invited to attend a public information meeting led by City staff. Even in areas where a lot size policy has already been approved by Council, the Municipal Act requires that every rezoning application be subject to a public hearing and nearby property owners are invited to attend.

In most cases, Council follows the wishes of property owners as expressed through the above consultation mechanisms. In some cases, property owners have voted to maintain larger lots, generally within the more affluent established neighbourhoods. Opposition to allowing lot splitting usually comes from the surrounding property owners, and generally relates to the perception that smaller lots will reduce property values. Concerns about traffic, density and parking are often raised as well. When resident opinion favours lot splitting, it is generally in neighbourhoods with a higher percentage of rental accommodation or where an applicant has done a successful job of persuading his or her neighbours to support lot splitting.

IMPACT

To date, 55 Lot Size Policies have been approved by Council, covering about 65 per cent of the single-family residential areas of the city. Other areas have not been covered for a variety of reasons, e.g., the original lot sizes were too small to consider subdivision.

These policies have designated over 1000 suburban lots where a rezoning application for subdivision would be automatically approved. Of these, 522 new lots have actually been created to date and about 95 per cent of those new lots have had housing constructed on them. The only building form permitted under this process is single-detached housing. Figure 2 provides a typical example of the built form resulting from the lot splitting process.

FINANCIAL ISSUES

When a Lot Size Policy is adopted that permits lot splitting, the result will be a gradual increase in densities in the affected area. The technical review of proposed Lot Size Policies is meant in part to determine if lot splitting will require upgrades to City infrastructure (e.g., sewer, water). To date, no such infrastructure improvements have been triggered.

The major cost to the municipality is for staff time to prepare the household surveys, tally the results, conduct information meetings, coordinate technical reviews and write the recommendations to be sent to Council. Now that most areas in the city are already covered by a 702 policy, little staff time is required. However, during the first years of the policy process, a half-time staff position was needed to manage it. A City engineer also attends public meetings to answer questions about physical upgrades that can be expected in 702 neighbourhoods (curbs, gutters, lighting). At the height of the program, the engineer spent about .25 FTE on these meetings.

Some of the staff costs associated with the process are recovered through the rezoning application fee, which is $3,000 for each pair of lots created through the 702 process.

Property owners making rezoning applications are also required to upgrade City amenities. For example, if the lot in question is on a road with a ditch, the property owner is required to pay for covering and culverting the ditch, adding a curb, street trees and street lighting. Owners may undertake the work themselves or pay into a City-managed Neighbourhood Improvement Fund (NIF). Such in-lieu charges usually amount to about $11,000 per new lot. When 50 per cent or so of lots on a street have paid into the fund, the City will use the NIF money to undertake the needed work.

Other costs to property owners include a $750 subdivision application fee, development cost charges of about $13,000 for each new lot and a school site charge of $369 per unit. Water connection charges for each unit are about $2,850. The total fees and charges paid to City by a property owner who undertakes to split her or his lot can amount to almost $60,000. This may seem like a hefty burden, but it should be kept in mind that the new lot may fetch up to $300,000 when sold.

EVALUATION

The Lot Size Policy process seems to be successful. It creates a framework for subdividing lots in an orderly way. It ensures that the City will take a consistent approach when a lot-splitting (rezoning) application is made and provides affected neighbours with a mechanism for expressing their views and influencing outcomes. The lot size policies remain in effect for five years, a period that is long enough to help foster stability in a neighbourhood but short enough to give consideration to changes in property owners' lot size preferences over time.

From an intensification point of view, however, the process has been a double edge sword: local residents may be willing to accept changes to their neighbourhoods, or they may not. Thus, in some study areas, the process has resulted in a freezing of the process of neighbourhood change. It also limits housing forms to detached dwellings.

The Lot Size Policy process is easily transferable to other contexts where large lots are available for subdivision and where housing is ripe for replacement. The process can be implemented where, for whatever reason, an area plan has not been adopted. If an area plan is adopted after the Lot Size Policy has already resulted in the adoption of area-specific policies, these can be grandfathered into the area plan.

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WEB SITES:

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(City of Richmond)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

DOWNTOWN HOUSING INCENTIVES PROGRAM | **Saskatoon, Saskatchewan**

SUMMARY

The original program provided two incentives:

1) a tax abatement that is phased in over five years (100 per cent exemption the first year, 80 per cent in year 2 and so on) for new rental housing in the downtown, and
2) a 50 per cent rebate of the building permit fees on the residential portion of any new development in the downtown.

This was changed later to a 100 per cent tax exemption for five years for all housing not targeted to specific types of residents (such as seniors).

Date Implemented: First implemented in 1999 and modified in 2002.

Key Outcomes: Two projects with a total of 104 rental units.

BACKGROUND

In 1998, the City of Saskatoon's Planning and Building Department undertook a comprehensive study of housing in the city's Central Business District (CBD) and immediate vicinity. The Downtown Housing Study examined present and future market demand, site and infrastructure issues and opportunities and constraints to developing housing in the CBD. It developed a downtown housing development strategy, including the role of and need for incentives.

City Council approved the study in December 1998, and implemented a five-year "Downtown Housing Development Action Program", which introduced a set of tax-based incentives to stimulate residential development in the downtown. In August 2002, City Council approved enhancements to the incentives program and added limited support for renovation of existing housing.

The goal was to actively increase the population of the downtown area. High land values in the downtown discouraged development compared to cheaper sites just outside the downtown and in the suburban areas. The result was that underused or vacant lots with development potential were being ignored by developers. More generally, City Council was also concerned by the dearth of new rental units being produced in the city for some years.

DESCRIPTION AND GOALS

The program was introduced in 1999 and provided two incentives:

1) a tax abatement phased in over five years (100 per cent exemption the first year, 80 per cent in year 2 and so on) for new rental housing in the downtown, and
2) a 50 per cent rebate of the building permit fees on the residential portion of any new development in the downtown with four or more dwelling units.

The abatement was applied on the condition that supported units were not to be converted to condominiums for a further five years. This was meant to ensure that new units remain as rental for at least that long. The program was targeted to new construction, which includes development of vacant land; redevelopment of existing residential property that has been vacant for more than one year; or conversion of use from non-residential uses to residential.

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At the end of 2001, a report was made to City Council recommending that the program be enhanced to increase the level of incentive, be expanded to encourage all forms of residential development rather than just rental housing and that support for the renovation of existing housing also be considered.

In August 2002, City Council approved these enhancements to the existing program and renamed it "The Downtown Housing Incentives Program". The modified program provides for a 100 per cent tax exemption for five years on all types of housing, including ownership and rental. The four-unit minimum eligibility requirement for the building permit fee rebate was dropped in the new program.

One condition of the new program is that the development not be restricted to occupancy by specific populations. For targeted developments, such as "seniors only" housing, an abatement program provides for a five-year phase in of taxes, with a 100 per cent exemption on the first year and then a gradual reduction in the abatement (80 per cent in the second year, 60 per cent in the third year and so on) for the next four years.

The development of this program was spearheaded by officials in the City Planning Branch, who worked in concert with the Downtown Business Improvement District (The Partnership) to coordinate the implementation of the program.

COMPLEMENTARY POLICIES AND PROGRAMS

The tax abatement program is complemented by the elimination or relaxation of parking requirements for multiple unit dwellings in downtown residential areas. Also, a Downtown Housing Renovation Tax Abatement Program provides partial tax abatements for five years for the renovation of existing housing in the downtown.

The incentives program is also complemented by the City's Downtown Housing Plan, which lays out the Housing First Strategy whereby the City supports the development of downtown housing through a variety of means. These include the use of flexible development standards, consideration of rezoning applications for the conversion of non-residential buildings to residential uses, the provision of residential amenities, assisting with the assembly of land for public and private housing projects in the Downtown and the ongoing upgrading of municipal infrastructure.

STAKEHOLDER RESPONSE

The Downtown Housing Study involved extensive consultation with the development community, downtown residents and businesses. The Partnership was represented on the Housing Study steering committee and there was frequent consultation with the Saskatoon Real Estate board, the Home Builders Association and the Regional Economic Development Authority. A number of public events were held over the course of the study, including a public display, information table and "walk-by" surveys in the main downtown shopping centre. To publicize the "enhanced" package of incentives now available, the City Planning Branch is working with the Partnership to design a brochure and marketing plan.

The development industry in general supported the policy initiative, as did the Saskatoon Regional Economic Development Authority and the local Chamber of Commerce. Existing rental property owners in the downtown expressed some concern that the abatement program would allow new development to charge lower rates and thus have a competitive advantage over existing buildings. In addition, there was some discussion over the definition of the geographical area to which the policy applies: some stakeholders wanted the incentives to also apply to projects just outside of the downtown.

In general, however, there seems to have been little dissension over the introduction of the incentives program. The absence of serious controversy reflects the success of the Downtown Housing Study in facilitating a broad consensus on the need for action to stimulate rental housing in the downtown.

IMPACT

Since the introduction of the original program in 1999, two housing developments have taken advantage of the incentives, adding a total of 104 units to the downtown area. These are the only housing developments that have occurred in the downtown since 1999.

The first of these to be completed was the Hampton House Apartments on 2nd Avenue (Figure 1), a classic mainstreet development that is a good example of the adaptive re-use of underutilized upper floor space in downtown buildings. The developer renovated a 77-year old, 2-storey building that once had retail uses on the first floor and bachelor apartments on the second floor. The first floor had been vacant since 1995 and the second floor was unused since 1979. The façade of the building was rehabilitated and designated as Municipal Heritage Property. The main floor was developed into two commercial spaces and the upper floor was completely redeveloped into eight up-scale rental apartments.

Figure 1: The Hampton House – 144 2nd Avenue South
Source: City of Saskatoon

The second development to take advantage of the housing incentives was The Franklin (Figure 2), a 14-storey seniors high-rise. This was an infill development on an underutilized surface parking lot. With 96 rental units, the Franklin is a full-service retirement community.

Figure 2: The Franklin – 23rd Street & 3rd Avenue
Source: City of Saskatoon

FINANCIAL ISSUES

The Downtown Housing Study, which created the framework for the tax abatement and other downtown housing incentives, cost the City approximately $70,000.

The incentives were designed to require minimal involvement from staff in their day-to-day administration: for example, the building inspection process is used to confirm completion and compliance with the conditions of the program. The City Housing Facilitator administers the program, requiring approximately six hours per month.

Both projects that have received tax incentives qualified under the original program and thus have phased-in taxes rather than 100 per cent exemptions. The total amount of tax abatements provided to these two projects over 2001 to 2005 is projected to be $546,032. The amount (residential portion) of taxes that would have been paid over this time without the redevelopment of these sites would have been approximately $61,524. The total amount of residential taxes actually paid (after the abatement) is projected to be $364,022 over this time, a net gain of $302,498.

The building permit program resulted in two building permits waived, at a value of $12,163. The funds to cover the waived fees are drawn from the Downtown Housing Reserve, into which the City puts $30,000 per year, funded from parking meter revenues. There were no large-scale indirect costs associated with implementing this policy as the infrastructure to support the resulting development was already in place.

EVALUATION

When passed in 1999, the goal of the Action Plan was to encourage the addition of 1,400 to 2,100 dwelling units (about 3,000 people) by 2025. As mentioned, the completed projects added 104 housing units to the downtown under the original terms of this initiative. Although this response is good, it does not represent as much development as the City would like. This is what motivated the recent "enhancements" to the program.

The modified program shifted the focus from abatements to exemptions. An exemption is considered a more powerful incentive than an abatement because it eliminates the need to pay the taxes entirely while an abatement requires that the property owner pay the taxes before receiving the rebate the following year.

A further three projects are now being discussed with developers and there appears to be a much higher level of interest generally in taking advantage of the benefits it has to offer.

The expansion of eligible developments from rental-only to any development means that the benefiting parties may also change. Developers often remain as long-time owners of rental buildings and therefore are the primary beneficiaries of a tax exemption. For ownership housing such as condominium developments, the benefits will now accrue to the eventual property owner (often the occupant) rather than the developer. However, the program still works as an incentive to the developer to alter his or her location decisions in favour of the downtown because the tax exemption can be used as a marketing tool in the sale of units to be built.

The potential of the incentives program to add housing to the downtown is limited by market constraints. Saskatoon is a relatively compact city with little traffic congestion, meaning that travel times from suburban locations to downtown are not long enough to encourage people to give up a suburban lifestyle for downtown living. Also, neighbourhoods adjacent to the downtown remain among the most desirable in the city and are relatively affordable. There is a persistent perception of downtown as a suitable location for singles and empty nesters but not for families.

The incentives program has helped contribute to the general awareness of the economic importance of the downtown and the role a strong downtown plays in building a healthy region. The program has had some success in influencing development decisions and promises to expand its impact under the recently added provisions of the program.

City officials point out that incentives do not by themselves cause new development to occur, but they can help overcome some of the inherent barriers to development in areas where the market is not currently active. It would be a mistake to adopt incentives to encourage development where there is in fact no market.

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(City of Saskatoon City Planning Branch)

RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

THE "KINGS REGENERATION" INITIATIVE
(The King-Parliament and King-Spadina Secondary Plans)

Toronto, Ontario

SUMMARY

The plans relax planning and zoning requirements in two former industrial areas near downtown Toronto.

Date Implemented: 1996

Key Outcomes: Eighty-six development projects are either built, under construction or are being planned in the two areas. Once built out, these projects will add 7,040 housing units.

BACKGROUND

King-Spadina and King-Parliament, commonly referred to as the "Kings" because of the prominent role served by King St. in both areas, are adjacent to Toronto's financial core (see Figure 1). Historically these areas served as manufacturing districts, but entered a period of decline in the 1970s that accelerated in the later 1980s and early 1990s as manufacturing activity migrated to suburban locations.

The prevailing zoning regulations cast the Kings as traditional, heavy-industrial areas, prohibiting most other types of modern development activity. As the area declined, the City attempted to stimulate reinvestment for employment uses. Nonetheless, vacancy rates increased and property owners began to demolish buildings with heritage value in order to reduce realty taxes. By the mid-1990s, it was recognized that these districts could not compete as locations for manufacturing and interest was growing in loosening land use restrictions.

In 1995, then Mayor Barbara Hall initiated a consultation process that resulted in the elimination of traditional land use restrictions and redesignation of these districts as "regeneration areas" to encourage reinvestment, create housing opportunities and offer creative spaces for new businesses. In April 1996, the Council of the former City of Toronto approved planning and zoning amendments to implement the new vision.

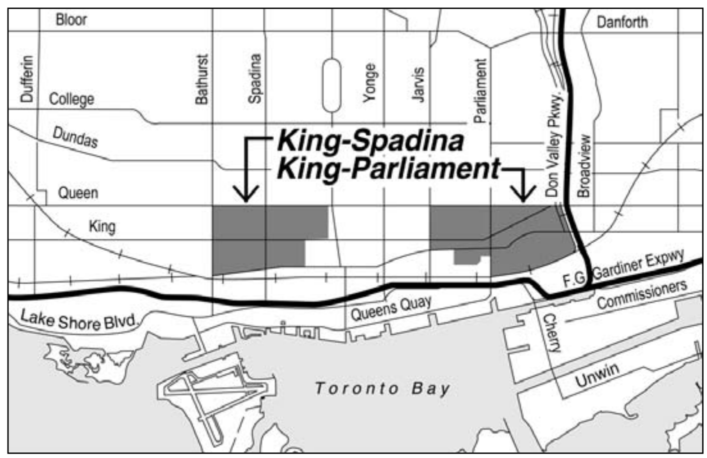

Figure 1: Location of the Kings Regeneration Areas
Source: City of Toronto

DESCRIPTION AND GOALS

The aim of the King-Parliament and King-Spadina Secondary (or neighbourhood) Plans was to "deregulate" land use in the affected areas, abandon the industrial policy strategy and base a new regulatory system on built form so as to encourage reinvestment for a broad range

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of compatible mixed land use. By shifting away from its historical vocation as a single-use industrial area and simplifying the planning regulatory framework, the City hoped to attract a mix of uses that would retain the physical and heritage character of the areas, reuse existing buildings, enhance public space, create jobs and encourage a synergy between employment and residential uses.

The new planning approach included:

- as-of-right development permission within general height limits;
- maximum flexibility in land use policies to permit new buildings and conversions of existing buildings to almost any use;
- the removal of density restrictions;
- new built form regulations focusing on building height, massing and light, view and privacy standards;
- the relaxation of a number of general bylaw standards regarding parking and loading for new buildings, with exemptions being given to existing and heritage buildings.

Zoning amendments were approved by Council along with the new secondary plans. The Reinvestment Area zoning permitted a wide variety of land uses, including light industrial, commercial, entertainment, retail, residential and live/work. Industrial uses that can create noxious impacts would have to meet quantitative performance standards related to matters such as noise, odour and air quality emissions as a condition of receiving a building permit. The zoning amendments also included the new building form regulations, including heights and setback requirements.

The new planning policies and zoning represented a dramatic departure from the way planning had traditionally occurred in the former City of Toronto. The traditional approach relied on restrictions such as specific limits on the type of use to which the land could be put, density and even on the proportion of different uses mixed together on one site. This approach could not keep pace with changing market conditions in areas that are undergoing important transitions from one use to another.

The focus of the new approach is on built form, not density or land use. The purpose is to create a high quality, predictable built environment while leaving the issue of land use flexible. The new policy emphasizes how a new building fits into the established pattern and scale of existing buildings in the area. Much greater emphasis is placed on height, mass, privacy, access to sunlight and wind conditions at grade. Together, these considerations establish the building envelope in which new development can occur.

COMPLEMENTARY POLICIES AND PROGRAMS

As former industrial areas, little attention was paid in the Kings to public spaces or pedestrian amenities in the past. Recognizing that improvements to the public realm would be required to make these industrial districts more attractive to new business and residents, Community Improvement Plans (CIPs) were adopted by Council in 1997 for both the King-Spadina and King-Parliament areas. These plans focus on enhancing heritage character, improving the quality of public spaces and public safety.

The notion of reinvestment areas derived from a planning report entitled New Directions for Physical Planning: The Three Lenses, adopted by City Council in 1995. The three lenses approach proposed a new way of thinking about planning in the city. It recognized three different types of areas: stable areas such as residential neighbourhoods where change was expected to occur only gradually; green/brownfield areas where large-scale development or redevelopment would occur; and reinvestment areas, where the focus would be on maximum flexibility and diversity of uses. The same approach has been used to structure the Official Plan for the amalgamated city. Reinvestment areas became "regeneration areas" in Toronto's new Official Plan and several such areas (with flexible planning policies) have been designated in several other locations in the city.

The City does not offer any financial incentives to attract development to the Kings.

STAKEHOLDER RESPONSE

The new planning approach in the Kings was championed by senior staff in the Planning Department, and was supported by other departments and the mayor at the time. Outside supporters included Jane Jacobs, prominent architects and planners.

The consultation process leading up to the adoption of the secondary plans and zoning amendments included a one-day public forum and a series of consultations with the outside experts. This consultation provided direction on the conceptual approach, which staff teams then translated into the necessary regulatory changes.

The planning and zoning amendments to implement the new approach were put in place barely eight months after the first public discussion. This is a sign of the broad-based support for the initiative in the community and within the City administration.

There was no resident opposition to the policy when it was introduced as there were very few people living in those areas at the time. Land owners in the area generally supported the policy as they perceived it as a more flexible approach to planning that would remove impediments to development. Once the policy was in place, however, some land owners did complain that the building envelope restrictions (especially heights) were too rigid.

The introduction of the new approach was accompanied by a good deal of promotional activity by the City, including brochures and pamphlets explaining the new approach. They were distributed by planning staff, the City's economic development office and politicians. Once the new approach was introduced, active promotion was discontinued.

IMPACT

The new planning approach in the Kings has been credited for an influx of development applications in both areas since 1996. Eighty-six development projects are either built, under construction or are being planned in the two areas. Once built out, these projects will add 7,040 housing units. New residents in the area tend to be younger adults, without children, who for the most part work downtown.

Many projects involve the renovation and conversion of vacant multi-storey warehouses into live/work units. For example, a project on Adelaide Street East in the King-Parliament area saw the conversion of an existing three-storey warehouse into 50 live/work units with a minimum of parking spaces (Figure 2).

Figure 2: 379 Adelaide St. East in the King-Parliament Area.

Other projects have seen the introduction of residential high-rise buildings of up to 15-20 floors on underused or vacant lots. A good example is The Morgan (Figure 3), a 16-storey condominium at Richmond and Spadina. The building, which replaced a one-storey industrial building that housed four small retail operations, has 217 residential units.

Figure 3: 150 Spadina Avenue in the King-Spadina Area.

In addition, over 321,000 m^2 (3.45 million ft^2) of commercial space has been created or is being planned, often within former industrial buildings. As a result, employment activity in both regeneration areas has increased by 18 per cent since 1996, outpacing the city-wide growth rate of 11 per cent. Many of the jobs generated are in media, business services and computer services.

FINANCIAL ISSUES

There were no extraordinary costs involved in the development of the new planning strategy in the Kings. Staff costs were absorbed into departmental budgets and there were no consulting costs as the external experts provided pro bono advice.

Because the two planning areas are part of larger geographical assignments, it is difficult to estimate the staff costs that are directly attributable to the ongoing planning and administration in the Kings themselves. A rough estimate is that about .4 FTE for two staff members goes into the administration of planning applications in the two areas, plus about .1 FTE for managerial responsibilities. Other City staff in urban design, public works and transportation must also participate in the assessment of development applications.

Any large-scale costs associated with development in the area, such as the need for land decontamination, are borne by developers on a site-by-site basis. The Community Improvement Plans (mentioned above) provide a basis for staff to negotiate with property owners to achieve needed improvements to the public realm (e.g., street lighting, pedestrian crossings, sidewalks, boulevards, parks and open spaces). Essentially, developers are asked to pay into a reserve fund in exchange for permission to go above the height limits found in the zoning bylaw. So far, the City has collected approximately $500,000 from developer contributions. These funds will be spent in a fashion consistent with the CIPs and council guidelines and will over time begin to address public realm improvements as the areas are transformed from industrial to mixed-use neighbourhoods.

There have been no major upgrades to the underground infrastructure in the areas. However, both secondary plans required that a strategy be developed for the provision of "soft" infrastructure (i.e., community services) in the area once more than 800 residential units had been occupied. This community needs assessment is now being undertaken.

The re-use of existing buildings and new development increased total taxable assessment by over 28 per cent (approximately $400 million) in the two areas between 1998 and 2002.

EVALUATION

The planning policies developed for King-Parliament and King-Spadina in 1996 have, along with favourable economic conditions, stimulated substantial reinvestment in both of these districts. What had been declining areas that were not experiencing any reinvestment are being transformed into vibrant mixtures of residential lofts, commercial and entertainment uses, with some residual manufacturing. Not surprisingly, these areas are generally considered to be shining examples of successful urban revitalization.

Some challenges include the fact that the mix of uses that is developing in the areas is giving rise to conflicts between residents and the operators of entertainment and late-night facilities, such as clubs. Also, the City is waiting to invest in public realm improvements in the areas, such as parks and open spaces, until a needs assessment is done. Finally, architectural success has been uneven, due in part to the fact that the City has limited ability to control architectural and material details.

The planning approach used in the Kings required a dramatic shift in planning culture that was only possible with strong political and staff leadership and the injection of innovative approaches from external sources. However, if the market conditions are favourable, a relaxation of planning controls could have positive results in other locations as well. Because of the emphasis on built form, this approach is especially well suited to areas of special character that are in transition and require the sensitive integration of different types of uses.

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RESIDENTIAL INTENSIFICATION

CASE STUDIES

Municipal Initiatives

CENTREVENTURE DEVELOPMENT CORPORATION | **Winnipeg, Manitoba**

SUMMARY

CentreVenture provides public assets to a privately managed, arms-length body with authority to transact deals, provide incentives, do land assembly and lobby for changes in municipal policies. It focuses on revitalizing the downtown area of Winnipeg, including the stimulation of housing construction, through loans, loan guarantees and tax credits as well as non-financial means.

Date Implemented: 1999

Key Outcomes: To date, CentreVenture has provided financial support to four separate residential or mixed-use projects for a total of 77 units.

BACKGROUND

Winnipeg's downtown has been marked by physical decay, declining property values, and declining residential population for many years. There have been few additions to the downtown housing stock since the late 1980s. However, the downtown area also boasts many opportunities as a living environment and housing in the downtown is reasonably priced compared to other central areas in Canada. Opportunities for the renovation of heritage buildings give the downtown a unique appeal.

In 1999, the City's economic agency–Economic Development Winnipeg–struck a task force of private business people to assess the issues facing downtown. The task force recommended that the City create an arms-length agency with resources and authority to revitalize the downtown.

DESCRIPTION AND GOALS

In May 1999, the City responded to the task force recommendations by creating a new private-public planning and development corporation called the CentreVenture Development Corporation. The corporation is run by a volunteer board of directors, with a chair (originally the Mayor, but now a leading business person) in addition to eight other members from the business community. It reports annually to the Executive Policy Committee of City Council.

With $3 million in startup capital funding provided by the City of Winnipeg, $500,000 (received over two years) from the Province of Manitoba and net proceeds from selling surplus City-owned land, the corporation has stimulated $25 million in private investment in the downtown area. Most of the projects in which the corporation has been involved have been of a commercial or institutional nature, but housing has emerged as a more important priority in the last year or so as a result of market interest. The instruments the organization has available to catalyze housing projects include the Urban Development Bank and the Heritage Tax Credit.

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The purpose of the Urban Development Bank is to provide "creative financing" that will allow promising projects to go ahead that would not normally qualify for financing from conventional sources. The corporation's financial assistance can take the form of gap financing, loan guarantees, or forgivable loans. The corporation also helps facilitate projects through non-financial means, e.g., by identifying priority projects, bringing the players together and by sharing information on the range of other public initiatives that may support projects.

Gap financing means providing funds to cover the shortfall after conventional financing, the developer's equity, and funds from any other public initiative are tallied up. For instance, gap financing may be used to bridge the difference between a construction loan from a bank plus the owner's equity on the one hand and the cost of construction on the other hand. In such a case, the CentreVenture loan is made in increments as construction phases are completed and equity is built up in the project. Title is used as security and the mortgage is gradually released as units are sold and the loan is repaid, typically within two years.

With a loan guarantee, the corporation does not offer a loan directly to the project developer but deposits money or co-signs a loan with the private lender that has agreed to finance the project as collateral on behalf of the project developer. For both types of loans, the corporation usually charges an interest rate similar to a conventional lending institution.

Forgivable loans are loans that do not have to be repaid and are therefore essentially grants made to the developer under certain conditions. CentreVenture offers forgivable loans in the context of its recently introduced Downtown Housing Demonstration Project. The Project is designed to stimulate housing development in the Exchange District and the North Portage neighbourhood bordering the Exchange. The program, supported by a $500,000 grant from the City of Winnipeg, is intended to help downtown developers and building owners convert existing buildings or portions of buildings into private-market housing units. The program was introduced following research that showed subsidies of up to $20,000 per unit were needed to close the gap between market rates for housing and economic occupancy costs for developing residential housing units downtown.

The Downtown Heritage Tax Credit, which is administered by CentreVenture in cooperation with the City of Winnipeg, is meant to stimulate capital investment in the conservation and adaptive reuse of historical buildings in the heart of the city. The tax credit is provided to property owners who invest in the restoration, repair and reuse of designated heritage buildings and is calculated on the basis of 50 per cent of the net private investment made in eligible work. The maximum assistance available is $250,000 per building. The credit is disbursed in instalments to the recipient over a ten-year period and may be used to pay municipal property or business taxes. These tax credits can be used in conjunction with the financing mechanisms described above as a form of secure repayment: for example a loan may be repaid over the ten-year period by assigning the tax credit, which would have otherwise been paid to the property owner, to CentreVenture.

Typically, property owners initiate CentreVenture's involvement in their projects by applying to one of the assistance programs. CentreVenture has a number of criteria:

- a preference for small and medium sized projects;
- no more than 15 per cent of its initial funding to any single project;
- likelihood of project success;
- the economic and social benefits that will be realized by the downtown area (and the larger city).

COMPLEMENTARY POLICIES AND PROGRAMS

CentreVenture is broadly supported by the City's downtown plan (1999) and community plan (2002). The downtown plan, called CentrePlan, provided a set of recommendations focused on the need to attract and preserve residents to the area, including attention to pedestrian comfort, safety, parking, transit access, small scale businesses used by residents and the needs of work-at-home residents. Plan Winnipeg (2002) incorporated most of this vision and strongly supports residential development in the downtown, e.g., by promoting the adaptive reuse of heritage buildings and by ensuring its zoning and building bylaws support the concepts of mixed land use and compact urban form in the downtown.

Figure 1: CentreVenture Mandated Area
Source: City of Winnipeg

One reflection of the City's commitment to ensuring that its regulations support downtown development was Council's decision–after being lobbied by CentreVenture–to amend the zoning bylaw allowing residential as a permitted use throughout the downtown. Many buildings in the area were zoned industrial although no current or future demand was foreseen for that purpose. The amendment has generated investment interest in the downtown and permitted residential projects to go ahead (including some of those supported by CentreVenture) that would have otherwise been prohibited by zoning regulations.

STAKEHOLDER RESPONSE

CentrePlan was the outcome of a consultation process, involving a series of task forces and workshops over a five-year period (1994-99), exploring the problems and opportunities presented by the downtown area. The process was led by the City of Winnipeg, with participation by a wide range of community organizations, professionals and hundreds of individual citizens. Although CentrePlan recommended strong action by the City to implement the resulting recommendations, it did not support the creation of a new public-private agency. Rather, it called for the establishment "of a representative coalition of downtown stakeholders that is policy-oriented and vision-guiding and that can provide clear direction, strong leadership and a unified voice for the downtown."

However, the idea of an arm's length public-private agency was strongly supported by the private sector Task Force mentioned above, which included participation from private developers, downtown business people and community leaders. The city's economic interests, including the Chamber of Commerce and the Business Council of Manitoba, considered an arm's length public-private agency to be the best means of providing the leadership and securing the cooperation of a wide range of partners that would be required to affect long term change in the downtown.

At the time CentreVenture was set up, the mass media adopted somewhat of a "prove it" attitude, which reflected the general skepticism that anything could be done to reverse the decline of the downtown, but press coverage is now broadly supportive of the initiative. Whatever opposition there was to the initiative seems to have dissipated and has been replaced with optimism and support.

Because the corporation has no budget for advertising, it depends on presentations to community and business organizations throughout the community for promotion. Since its startup, the executive director has made hundreds of presentations reaching thousands of stakeholders, constituents and potential investors.

IMPACT

To date, CentreVenture has provided financial support to four separate residential and mixed-use projects. One of the first residential projects to be undertaken in the Exchange District in many years is situated at 123 Princess St. (Figure 2) where an abandoned warehouse was converted into seven condominium units on the upper four storeys with commercial space on the ground floor. CentreVenture provided the necessary gap financing ($200,000) to pay for the construction costs and a $175,000 heritage tax credit. For more information, refer to the case study on Western Elevator Lofts in Part 2 of this study "Residential Intensification Case Studies: Built Projects".

Figure 2: 123 Princess St.

A second project at 181 Bannantyne St. (Figure 3) features 16 condo units, also in an old warehouse, and was able to proceed due to a tax credit from CentreVenture and some earlier assistance from the City of Winnipeg. Together, this financing assistance leveraged $5.4 million in private sector funding.

Figure 3: 181 Bannantyne St.

The other two residential projects are being undertaken within the framework of the Housing Demonstration Project (mentioned above), which is directed at adaptive reuse of buildings within the Exchange and North Portage area. An eight-storey converted office building (228 Notre Dame St.) will have 45 rental units with commercial space on the main floor. It was supported by a $300,000 forgivable loan and some tax credits. Another project (87/89 Princess St.) in an abandoned warehouse has 14 units (8 rental and 6 condo) with commercial uses on the main floor. It was facilitated by a $200,000 grant from CentreVenture. Together, this assistance leveraged $6.2 million in private sector funding.

Units in all four buildings are being sold or rented at market rates but are considered affordable by Winnipeg standards. Several other residential projects are in the planning and early construction stages and they promise to bring approximately 100 more units to the market.

FINANCIAL ISSUES

CentreVenture's annual operating budget of $250,000 comes from the City of Winnipeg. The money is used to run an office with a full-time Executive Director and two full-time staff persons. It should be kept in mind that the four residential projects discussed above are only a small part of the office's activities. There are over 50 projects underway, in the planning stages, or recently completed in the downtown, and CentreVenture has had financial or facilitation involvement in a majority of them.

For the four residential projects described above CentreVenture has provided gap financing in the amount of $200,000, $175,000 in tax credits and $500,000 in grants. The loans will be repaid within two years of the lending dates and the money will be recycled back into the Urban Development Bank. When all projects are completed, they will result in a tax stream to the City of Winnipeg of approximately $250,000 per year.

Residential projects to date have not entailed any other major expenditures (e.g., on infrastructure, demolition, decontamination) on the part of CentreVenture or the City of Winnipeg.

EVALUATION

CentreVenture has been very successful at using limited public funds to leverage private investment in the downtown area. On average, eight dollars of private money is invested for every dollar of public money put up by the corporation. The four residential developments described above are virtually the only private housing developments that have occurred in the downtown area for the last 15 years and there is little doubt that these projects would not have gone forward without CentreVenture's intervention (i.e., no commercial lending institution would have considered financing the projects without CentreVenture's participation).

The initiative has also been successful on the political level. Pleased with the successes of the Corporation and the visible development momentum, Council renewed CentreVenture's mandate in June 2002 for an additional four years. The renewal, which was approved unanimously by City Council, added seven million dollars to the Urban Development Bank and expanded Centre-Venture's mandated area to affect broader results.

However, some controversy arose over whether an arm's length public-private agency was the appropriate solution to address downtown problems. The original mandate of the agency gave it responsibility for a wide range of matters normally within the purview of committees of Council (e.g. design review), which created the impression that authority for downtown issues was being shifted from elected officials to a semi-private organization with less political accountability. In the end, however, limited resources forced the agency to reduce its scope of action and focus on stimulating capital investment in the downtown, a role that caused less friction with City agencies. Within its narrower focus, the agency has been quite successful: to date, the momentum achieved towards the goal of revitalizing downtown is visible and has created excitement and a renewed attention to the city's centre.

CentreVenture represents a new model that has not been tried before in Canadian cities: providing public assets to a privately managed, arms-length body with authority to transact deals, do land assembly and challenge public policies.

The key condition for letting CentreVenture take shape in Winnipeg was the political leadership provided by the Mayor and some council members. Another important condition for the success of the initiative has been the enthusiastic engagement of the private sector in the agency's work.

FOR MORE INFORMATION

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WEB SITES:

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