

UPDATE ON 2021 EDMONTON ECONOMIC INCENTIVE CONSTRUCTION GRANT PROGRAM

RECOMMENDATION

That the June 15, 2022, Urban Planning and Economy report UPE00847, be received for information.

Report Purpose

Information only.

Council is being informed of matters related to the approved 2021 Edmonton Economic Incentive Construction Grant Program.

Executive Summary

- Thirteen applications were received for the construction grant, with 10 proceeding.
- Collectively, the 10 successful applications represent \$551 million worth of construction, creating 2,341 new residential units and approximately 4,050 jobs.¹
- The grant leveraged approximately \$24 of private investment per \$1 allocated.
- The successful implementation of the program accelerated economic recovery through shovel-ready projects to construction, as supported by The City Plan and the Downtown Vibrancy Strategy.
- The program contributed to housing investment in the core by supporting the investment of new residential units.

REPORT

On January 25, 2021, City Council approved Policy C625, 2021 Edmonton Economic Recovery Construction Grant Incentive Policy, with funding of up to \$22.9 million (amended November 30, 2021). The intent of the grant program, for qualifying Centre City projects, is to support

¹ Calculation includes direct, indirect and induced jobs impact. Data source: Statistics Canada Table 36-10-0113-01.

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short-term job creation in the current economic conditions and longer-term City Plan goals. The program was a first-come, first-served basis for qualifying projects that will provide at least 50 new residential units, have a construction value over \$10 million and have an approved Development Permit.

Thirteen applications were received of which 10 were approved and construction began by March 31, 2022. One project did not qualify, one project withdrew, and one approved project did not proceed. All applicants indicated that the grant was a key driver to bring forward their construction timelines, which had stalled due to the market uncertainty caused by the pandemic.

Administration estimates that the 10 participating projects will be eligible for grant payments totalling \$19.4 million, out of the \$22.9 million approved budget. The grants are a rebate of incremental increases in municipal taxes above their 2021 assessments. The estimated rebates are based on current market assumptions, and will vary each year once actual yearly assessments are done. As there is uncertainty inherent in estimating future property taxes, approximately \$3.5 million is held unallocated to account for inflation and possible future market influences that may affect any valuation.

The 10 applications represent approximately \$551 million of private investment and 2,342 new residential units (further details are provided in Attachment 1). This represents an approximate leverage rate of \$24 private investment per public dollar spent. This level of residential construction is higher than typically observed in the Centre City area. Based on building permit data, the core neighbourhoods of Downtown, Oliver, Westmount, Queen Mary Park, Central McDougall, McCauley, and Boyle Street had an average of 765 new residential units per year from 2010-2020.

One of four pillars of the Downtown Vibrancy Strategy is “Downtown as a Home,” whose goal is to ensure downtown is a place with a thriving and inclusive population where people continue to want to live and enjoy a high quality of life. This grant program supported that goal by successfully accelerating and supporting the investment of new residential units in the core while also supporting an additional 78,000 square feet of commercial space within some of the complexes. The City Plan, through the Capital City Downtown Plan, recognises the importance of a residential population in the core for its vibrancy and established a growth target of 25,000 Downtown residents by 2030. The latest municipal census in 2019 showed 12,423 people live downtown therefore continued investment in diverse housing options is required to reach this target.

A vibrant and safe downtown is a key component of an economically strong Edmonton. Prior to the COVID-19 pandemic, downtown Edmonton was experiencing an unprecedented transformation. Since 2015, more than \$4.4 billion has been invested in downtown development. More than 6 million square feet of new buildings have been constructed, across residential, office, cultural, educational and entertainment sectors. Roughly 2,400 residential units were built as demand for downtown living grew. In order to help restore the momentum in the growth and vibrancy of downtown, and to contribute to the Downtown Vibrancy Strategy “Downtown as an Economic Hub” pillar, the Edmonton Economic Incentive Construction Grant Program provided

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incentive to kickstart commercial and residential activity downtown during the pandemic, and will provide economic and community benefits well beyond the recovery period.

Administration recommends a continuation of the construction grant program, or a comparable iteration, be considered to be included on an ongoing basis as part of the Growth Management Framework. The program succeeded in its intention to provide financial assistance in the form of grants to eligible high-impact development projects in support of The City Plan and the Downtown Vibrancy Strategy. Market uncertainty and ongoing economic impacts of the COVID-19 pandemic continue to influence construction timelines. A continuation or similar version of the construction grant program could continue to support the local economy including job creation, as well as downtown housing availability, revitalization and vibrancy.

Budget/Financial Implications

A budget of \$22.9 million was allocated to the program. To date, the estimated total number for the final grants approved is \$19.4 million based on current market conditions. However, the actual grant numbers are determined and given annually based on taxes paid, therefore these numbers may vary from year to year depending on inflation and future tax rates. A total of \$3.5 million is being held to account for these potential increases. Should the final numbers be lower after five years, remaining funds will be released to the Financial Stabilization Reserve.

COMMUNITY INSIGHT

Public engagement completed during the development of The City Plan highlighted the importance to Edmontonians of themes aligned with the construction grant program, such as economic resilience, vibrant communities, and affordable housing. Administration worked collaboratively with applicants to support their application intake and program success. Administration will incorporate the learnings from this building cycle into similar incentive programs.

GBA+

The applications received were approved for development prior to the program intake. As outlined in the program eligibility criteria, Administration advanced financial support for the projects that were accessible to all, provide some affordable units and ensure universal access.

The Program supports the City's idea of Urban Places: Edmonton neighbourhoods are vibrant as density increases, where people and businesses thrive and where housing and mobility options are plentiful. Program applicants are required to identify project benefits through a GBA+ lens.

ATTACHMENT

1. 2021 Edmonton Economic Incentive Construction Grant Program Participating Projects
2. 2021 Edmonton Economic Incentive Construction Grant Program Boundary