

# Land Use, Incentives, Revitalization

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# On Commercial Land Use

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# Vision

- ▶ Imagine a thriving and vibrant central district. Row after row of storefronts are occupied by cafes, restaurants, independent retailers, craftspeople, hair salons, art galleries, and daycares. It all spills out on to a beautifully designed and maintained street, full of individuals, families, and visitors walking, biking, and shopping. It's a dynamic scene indicative of a healthy community with a thriving economy.

# Vision



# Vision

- ▶ To help realize this vision of a bustling metropolis, Council passed bylaws and plans that call for ground floor commercial uses throughout the core.
- ▶ While an admirable goal, this requirement of development has had negative and unintended consequences.

# Reality

- ▶ Edmonton has an over abundance of retail square footage.
- ▶ There is an ongoing global disruption in commercial real estate that has dramatically accelerated in the last 3 years.
- ▶ Real estate is “sticky” and responds slowly due to the costs and time involved with (re)development - the market cannot *immediately* respond to imbalance and will resist devaluing assets in the short term.
- ▶ The market imbalance persists and is made worse because specific bylaws and plans demand ever more ground floor commercial square footage.

# Fox Tower 1 (104 St - 102 Ave) Completed in 2015



# The Hat (102 Ave - 95 St) Completed in 2020





# Capital (108 St - 100 Ave)

## Completed in 2020



# Impacts

- ▶ Edmonton continues to require ground floor commercial in the core despite persistent vacancies and the resulting impacts to vibrancy.
- ▶ This favors large-scale developments and **discourages mid-density and small-scale projects** from proceeding because they cannot afford to cashflow a loss on high-vacancy retail space.
- ▶ Stifles creative and adaptive re-use of buildings.
- ▶ Serves as a disincentive for development of new housing.

# Links

- ▶ Edmonton has a **vacancy problem** because of a market imbalance in terms of a relative overabundance of commercial real estate.
- ▶ Edmonton has a **vibrancy problem** due to the vacancy problem.
- ▶ Plans and bylaws contributes to the **market imbalance** and vacancy problem by ignoring market realities.

# Recommendation

- ▶ Amend the downtown and core plans and bylaws (12800 and DCs) that will;
- ▶ Remove any requirements for developing ground floor commercial *uses* in downtown and greater core in residential buildings.
- ▶ Variations to Consider:
  - ▶ Continue to require the *form* of a commercial space (in terms of base building and systems), retaining the potential for ground-floor commercial over the long term.
  - ▶ Amend 12.2 No Development Permit Required of 12800 to exempt conversion of existing ground-floor commercial into ground-floor multi-unit (and for ground-floor multi-unit to ground-floor commercial)

# Summary

- ▶ Too much commercial = high vacancy
- ▶ High vacancy = ☹️ + no vibrancy
- ▶ *Eliminate requirement for ground floor commercial*
- ▶ Right amount of commercial = lower vacancy
- ▶ Lower vacancy = 😊 + vibrancy

# On Development Incentives

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# Attraction vs Reallocation

- ▶ When a city provides incentives for residential development they are not attracting / catalyzing new growth, they are only **intervening to cause a shift in where supply meets demand** within the market.
- ▶ For the city to incentivize development in one area it means creating a relative disincentive elsewhere by enhancing the value proposition of one area over the rest. In other words...
- ▶ When a new tower is built in the Quarters **as a result of incentives**, there has been **no net increase in number of units** in the city, only an intervention to reallocate where units may have been provided.

# Limits of Demand

- ▶ Imagine that there are 1,000 potential buyers / tenants in the Edmonton real estate market every month.
- ▶ You **cannot further attract these 1,000 buyers** because they are already determined to live here.
- ▶ The market competes for a share of those 1,000 buyers by making value propositions for the various residences on offer.
- ▶ A value proposition includes a price point, amenities, and location.
- ▶ Price point can be made more attractive through discounts (like incentives).



# Consideration

- ▶ **Development incentives do not attract new investment, they only shift where investment occurs.**
- ▶ You can intervene more or less in the market, but the more you incentivize, the less efficient the market becomes at meeting demand.

# Recommendations

- ▶ There should be a limited number of incentives at a time to minimize self-competition and confounding monitoring efforts.
- ▶ Incentives should demonstrate a **cause-effect** relationship for the cash on offer as it relates to achieving particular outcomes directed by Council.
- ▶ Sensitivity analyses and open-books should be used to screen projects and monitor impacts to the bottom line of benefiting investments
- ▶ Incentives should be audited for their effectiveness in realizing their stated purpose on an annual basis.

# Summary

- ▶ Residential incentives = no net new growth
- ▶ Incentives shift growth from one location to another
- ▶ Incentives are competitive, even within the same city

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Thank You