

### **DRAFT 2024 Downtown Residential Development Incentive Program Guide**

#### **Introduction**

The Downtown Residential Development Incentive Grant Program is managed by the City of Edmonton. This document describes how to qualify for a grant and provides details about the grant program. There is limited funding and grant awards for qualified proposals are subject to availability of funds. The program's funding tools are intended to offset any increase in municipal residential property taxes and therefore reduce costs to assist a developer to build and obtain financing.

Grant payments will not be paid until the City has reviewed and confirmed that all taxes imposed pursuant to the *Municipal Government Act*, R.S.A. c. M-26, have been paid for any property within the City of Edmonton that is owned by the grant recipient. The grant recipient must also meet a number of other criteria as outlined below.

All material submitted to the City of Edmonton as part of a grant application may be shared internally within the City of Edmonton, and externally with any relevant government agencies. Applicants whose projects have received preliminary approval will be required to enter into a grant funding agreement with the City of Edmonton. Once there is a fully executed grant funding agreement, an Applicant's priority for funding will be secure.

Property owned or held by the City of Edmonton, any other municipality or the provincial or federal government is not eligible for a grant under this program. Property will no longer be eligible for the grant to the extent that the property is exempt from municipal taxes or if it is condominiumized and sold to an end user.

This program will expire at the end of 2025 or once all program funds have been committed.

#### **Application Process**

Applications may be submitted throughout the 2024 and 2025 calendar years. An Applicant must be the owner of any property associated with the development project. Where there are multiple owners, all owners will be required to sign the final grant funding agreement.

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Applicants may apply for the grant by filling in a grant application and submitting this to the City. The grant application must provide the following information:

- The Applicant's name (the owners of the project);
- The project location;
- Contact information;
- Details about development permits;
- Details about building permits or the anticipated timeline for obtaining a building permit;
- Compliance with Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) regulations;
- Details about the Applicant's experience delivering projects of a similar type and scale;
- Details about the project team, including, but not limited to, architect, engineer, contractor;
- Details about the sources of financing and capital for the project;
- The date construction is likely to commence;
- The date construction is anticipated to be completed; and
- An impact statement outlining:
  - the anticipated costs of construction including documentation on the amount of the cost;
  - the projected number of construction jobs that will be created;
  - anticipated energy efficiency and sustainability features;
  - the number of net new residential housing units that will be created, the number of bedrooms in each unit, and total residential square footage;
  - The square footage of any commercial areas;

After reviewing the application, the City may require an Applicant to provide any additional information that may be required to determine whether the grant should be approved.

### **Eligibility Criteria for Grants**

The following criteria must be met to be eligible for a grant:

- The project must be located within the boundaries identified in Schedule "A".

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- The project must relate to the development or redevelopment of a property. This can include both new construction or significant renovation or retrofit. The Applicant must create at least 50 new housing units. A housing unit would be a “Dwelling” or “Sleeping Unit” as currently defined in the Edmonton Zoning Bylaw.

### **Dwelling** means:

Dwelling means a self-contained unit consisting of 1 or more rooms used as a bedroom, bathroom, living room, and kitchen. The Dwelling is not intended to be moveable, does not have a visible towing apparatus or visible undercarriage, must be on a foundation, and connected to utilities.

### **Sleeping Unit** means:

Sleeping Unit means a room in a residential building that is used for people to live, that is available through an accommodation agreement and is not self-contained. Sleeping Units have shared access to facilities such as cooking, dining, laundry, sanitary, or general living facilities in the same residential building. A Sleeping Unit provides accommodation for a maximum of 2 people.

- Prior to being approved a property must demonstrate proof that construction will commence within 24 months. For properties that require the demolition of a previous structure, commencement of demolition shall be deemed to be the commencement of construction. Properties that demolished a structure prior to 2024 will still qualify if there are active steps taken towards the erection of a new improvement within 24 months of the grant funding agreement being signed.
- Properties that commenced construction prior to 2024 will not qualify for the grant.
- Applicants must demonstrate that they have submitted a development permit application and provide information about the proposed construction costs prior to applying for the grant. Grants will not be approved that are conditional upon rezoning.
- Construction on the project must be complete within 4 years of commencement or such other time as is agreed to be the City.

- Property owned by the City of Edmonton, any other municipality or the provincial or federal government is not eligible for a grant under this program. A property that will be fully exempt when complete, will not be eligible to be approved. A property that may be partly exempt when complete may be eligible for the program. Once a portion of that property becomes exempt, no additional grants shall be paid on that portion of the property and any grants shall be reduced in proportion to the amount of the property that is exempt.
- Properties that have taken advantage of other development incentive grant projects like the Development Incentive Program, and the Brownfield Redevelopment Grant Program will not be eligible for this grant. Likewise projects taking advantage of this program would not be eligible to participate in other City development incentive grant programs.

### **Conditional Grant Approval**

Once the application material has been reviewed, the City may grant conditional approval that a Applicant may qualify for a grant. This conditional grant approval will be provided jointly by the City of Edmonton Economic Investment Services Branch and the Assessment and Taxation Branch. Once condition approval has been granted, a Applicant will then be required to enter into a Grant Funding Agreement with the City.

Grant Funding Agreements will always be conditional upon an approved building permit being issued.

In deciding whether to approve a grant the following factors may be taken into account:

- The eligibility criteria for the grant;
- Whether there are any tax arrears associated with the project;
- Whether there are any development compliance issues or safety code issues associated with the project;
- Whether the Applicant is involved in any litigation with the City;
- Whether the Applicant is involved in any litigation relating to the project including foreclosures or builders liens;
- Whether the Applicant or an entity related to the applicant is in bankruptcy or receivership;

- Whether any properties owned by the applicant or a related entity are the subject of foreclosures;
- Whether the applicant has received some other form of grant or financial assistance from the City or another order of government and there is a dispute about whether the applicant is abiding by the terms of that grant or other financial assistance;
- Whether the applicant has received another form of grant or other financial assistance that has the effect of canceling taxation or providing an incentive to build such as the Brownfield Grant Program, or the Development Incentive Grant Program;
- The experience of the Applicant and their project team in successfully delivering projects of a similar type and scale;
- The applicant's compliance with FINTRAC requirements.

### **Grant is Discretionary**

Whether to provide a grant will be a purely discretionary decision on the part of the City. The City may refuse to issue a grant for any reason. In addition, Grants are always subject to funding approval, and grants may no longer be issued if funding is no longer available or if there is a question of whether there is sufficient funding remaining in the program. There is no appeal from any decision on whether to provide a grant.

### **Grant Funding Agreement**

Prior to receiving a grant, an Applicant shall be required to enter into a grant funding agreement with the City.

The grant funding agreement shall outline how grants shall be calculated and paid, and indicate any conditions on the grant. The grant funding agreement will also provide that grants may be required to be repaid to the City if the agreement is breached, a condition of the grant is not met, or the applicant has provided inaccurate information when applying for the grant.

Grants will not be issued if a grant funding agreement has not been finalized and signed by the end of 2025.

The City Manager or a delegate of the City Manager may enter into the grant funding agreement on behalf of the City as long as there is sufficient funding.

### **Conditions on the Grant**

A specific condition on all grants is that construction must commence within 24 months of the grant funding agreement date, and the project must be complete within 4 years of commencement, or such other time as approved by the City in the grant funding agreement.

The grant funding agreement will indicate that all future grants will cease in the following circumstances:

- The Applicant goes bankrupt or enters into receivership;
- The property on which the project is located is the subject of foreclosure proceedings;
- The Applicant is found to have been dishonest in the application process;
- Construction ends on the project before construction is completed. Temporary pauses in construction will be allowable;
- A failure to cooperate with an audit.

The grant funding agreement shall indicate that grants that have been paid out by the City will have to be repaid to the City in the following circumstances:

- Construction on the project has ceased and the project shall not be completed within the timelines outlined with the grant funding agreement.
- Construction on the project has ceased as a result of bankruptcy, foreclosure, receivership, or some other legal proceeding;
- The Applicant is found to have been dishonest in the application process;
- The project is not complete within the time outlined within the grant funding agreement;
- Construction ends on the project before construction is completed. Temporary pauses in construction will be allowable;
- A failure to cooperate with an audit.

A caveat may be placed on the property to ensure security for the City in the event that repayment may be required.

The criteria outlined in this Program to qualify for a grant shall be considered to be ongoing conditions in the grant funding agreement.

### **Grant Audit**

The City may audit all financial and related records associated with this Agreement including expenditures on construction costs and the use of the grant funding. This audit may include a review of all documentation associated with the project.

The Applicant shall fully cooperate with any audit that is conducted by the City and provide whatever documentation is requested by the City to complete the audit.

A failure to co-operate with an audit will mean that no additional grant payments will be made and prior grant payments may be required to be repaid.

Audits may occur for up to six years after the final grant has been issued and documentation must be preserved for that period of time.

### **Failure to Comply with the Terms of the Grant**

If it is determined that the property owner has failed to comply with the terms of a grant funding agreement, the City may request reimbursement of the full grant amounts that have been paid. This may include the failure to complete the project within a timely manner, the failure to spend as much on construction or build what was initially contemplated, or the failure to follow any other term of the grant.

If a property owner is found to have made any misrepresentations in the application or the grant funding agreement, the full amount of the grants will be immediately repayable to the City.

### **Amount of the Grant**

Grant payments will be calculated annually and paid once there is certainty about the amount of municipal property taxes owing on the property in any given taxation year, and property taxes have been paid in full. This means a grant will not be paid until the tax rate has been set by municipal council for that year and all assessment appeals have been resolved for that year, including any judicial reviews in the courts. A second supplemental grant may be issued if supplemental taxes are charged in a tax year.

Grants shall be paid directly to the owner of the property. Where there are multiple owners, the owners shall designate which of the owners shall receive the grant funding.

### Calculation of Grant Amount

The maximum total grant amount that shall be paid is calculated as \$40 per square foot for each new residential square foot that is constructed. For greater clarity, for building conversion projects that already contain some residential space, only the increase in residential square footage shall be included in the calculation.

Residential square footage is calculated to include space physically located within Dwellings or Sleeping Units. Calculation of residential square footage will be consistent with the Residential Measurement Standard.

The calculation will exclude:

- Circulation areas (hallways, lobbies, stairwells, etc.)
- Parking
- Balconies
- Amenity Areas
- Storage Areas
- Garbage rooms, utility rooms, and;
- any other space that is not a dwelling unit.

Each Grant Funding Agreement will identify the Baseline Property Tax, and the maximum cumulative grant amount (\$40 per residential square foot) and the maximum timeline of the grant which will be 25 years.

### Grant Calculation

The amount of the grant will be determined in each year based on the taxes that are payable on the property. At the time of the application, the amount of municipal property taxes that are paid in the year that the agreement is signed (2024 or 2025) will be considered to be the baseline tax. In subsequent years, the grant amount will be determined by subtracting the baseline tax from the actual municipal property taxes paid each year. Only municipal property taxes levied against residential portions of the building will be included in the calculation. Portions of a project which are subject to commercial property tax rates are excluded from the calculation.

The intent of the grant is to effectively freeze municipal taxes at the baseline tax. For the purposes of the calculation community revitalization levies shall be considered to be a municipal property tax. In CRL areas, the annual grant calculation will be based on the municipal equivalent of property taxes.

The grant shall not pay for any provincial taxes and requisitions, local improvement taxes, special taxes, or any other form of tax or levy other than municipal property tax.



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In the event that there are supplementary taxes as a result of the property being completed during a taxation year, an additional grant may be paid to offset the supplementary taxes for that year.

Notwithstanding that the grant is intended to offset any increases from the baseline tax, property owners will continue to be responsible for the payment of all taxes by the due date for the tax to avoid penalties. Grants shall never be paid to offset penalties.

Grants will be paid annually (plus one supplementary tax offset, if applicable), until the cumulative amount of grants paid is equal to the maximum grant amount established in the Grant Funding Agreement. In the year that the cumulative payments reach the maximum grant amount, the grant payment will be reduced so that cumulative payments do not exceed the maximum grant amount.

Grant funding agreements will expire 25 years following signing, regardless of whether or not the total grant payment has reached \$40 per square foot. Grant Agreements signed in 2024 will expire in 2049, grant agreements signed in 2025 will expire in 2050.

If, during the course of construction, the municipal property taxes owing in a given year are less than the baseline tax, then no grant will be paid.

No grants shall be paid until construction has commenced, even if municipal property taxes have increased above the baseline value.

### Example

The following is a simplified example of the amount of the grant that would be paid if a \$90,000,000 residential building with 210,000 square feet of residential space is built on the site of a \$5,000,000 commercial parking lot.

- The maximum cumulative grant amount is 210,000 square feet x \$40/square foot = \$8,400,000.
- The baseline is calculated as \$5,000,000 x COM tax rate (2023 rate of 20.8591 per 1000 is used here) = \$104,295.50
- Assuming municipal taxes increase 3% per year after the building is complete, this project would receive payments for 13 years.

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Grant Year	Baseline	1	2	3	4-12	13
Activity	Grant Application Accepted, Construction begins	Construction underway	Construction is completed (September)	Complete	Complete	Final Year of payment
Non-residential assessment	\$5,000,000	\$0	\$0	\$0	\$0	\$0
Residential assessment	\$0	\$10,000,000	\$40,000,000	\$90,000,000	3% increase/yr	\$120,952,474
Municipal Taxes	\$104,295.50	\$80,593	\$322,372	\$725,337.00	\$7,589,838.83	\$974,792.27
Baseline Tax	\$104,295.50	\$104,295.50	\$104,295.50	\$104,295.50	\$104,295.50	\$104,295.50
Municipal Tax Uplift		(\$23,702)	\$218,076.50	\$621,041.50	\$6,651,179.33	\$870,496.77
Supplementary Assessment			\$50,000,000 x 3 months = \$12,500,000			
Supplementary Municipal Tax and Grant Amount			\$100,741.25			
<b>Grant Amount</b>	<b>\$0</b>	<b>\$0</b>	<b>\$318,817.75</b>	<b>\$621,041.50</b>	<b>\$6,651,179.33</b>	<b>\$808,961.42</b>
Cumulative Grant Amount	\$0	\$0	\$318,817.75	\$939,859.25	\$7,591,038.58	\$8,400,000

#### **Assignment of a Grant Funding Agreement**

In the event that a property sells, or is otherwise transferred to a new owner who is planning on proceeding with the construction, a request to assign the grant funding agreement may be made to the City. The City may approve or refuse the transfer of the grant funding agreement. In the event that a transfer is refused, no additional grants shall be paid on the property if the property has transferred.

#### **Grants no longer payable**

Where a property is condominiumized and condominium units are being sold to the end user of the property, grants shall no longer be payable on the portion of the property that sold and future grant payments may be adjusted to reflect a reduction for the portion of the property that has been sold.

Grants shall not be paid for any portion of a property that has become exempt from municipal property taxation.

**Schedule A: 2024 Downtown Residential Development Incentive Grant Program Boundary**

