

2021 Edmonton Economic Recovery Construction Grant Incentive Policy Exemption - ICE District

Recommendation

That Executive Committee recommend to City Council:

That a change to the terms of the program, as outlined in City Policy C625, for the property at 10324 103 Street/10305 104 Avenue, as outlined in the March 22, 2021, Urban Form and Corporate Strategic Development report UFCSD00484, subject to the property meeting all the other terms of the program requirements and the availability of existing program funding, be approved.

Executive Summary

The 2021 Edmonton Economic Recovery Construction Grant Incentive Program was approved by City Council on January 25, 2021. The program has \$22.9 million to provide financial assistance in the form of grants to eligible high impact developments that commence construction in 2021. The scenarios addressed by the program did not contemplate a two stage construction project so properties that commenced construction prior to 2021 are not eligible for the program. This report recommends an exemption that would allow a grant to be paid for the residential tower portion of a mixed-use project where the commercial podium is currently under construction.

Report

The 2021 Edmonton Economic Recovery Construction Grant Incentive Program was approved by City Council on January 25, 2021, to support high impact development in the Centre City area, as outlined in the City Plan, that support short-term job creation in the current economic conditions and longer term City Plan goals. The program has a total of \$22.9 million to provide financial support in the form of grants to assist developers that are eligible to commence construction during 2021.

Prior to being approved a property must demonstrate proof that construction will commence in 2021. The current program, as approved, contemplates two scenarios where:

- a property that was previously demolished before 2021, and new construction commences in 2021.
- a new project starts in 2021 - this could include demolition or retrofit that commences in 2021, or a project where construction starts on bare land.

Neither of the two scenarios contemplated a two stage construction project where a podium is currently being built, but a grant may change the decision of the developer to build an attached tower starting construction in 2021.

The current program clearly states properties that commenced construction prior to 2021 will not qualify for the grant.

A development permit was issued in 2018 for the site at 10324 103 St/10305 104 Avenue. The site forms part of the ICE District development and is located in the Downtown neighbourhood. The development permit (as amended) currently allows a two-storey podium with a mix of commercial uses below a 42-storey residential tower with 582 units.

The developer is currently constructing the podium portion of the development, and had previously indicated construction of the residential tower would be delayed until market conditions improve. The podium is expected to be complete in 2022. A building permit application for the tower portion was cancelled in 2019, and no further building permit applications related to the tower have been submitted.

The tower portion of the project appears to meet many of the eligibility criteria for the 2021 Edmonton Economic Recovery Construction Grant Program. It is located in the Centre City area, provides at least 50 residential units, involves at least \$10 million in construction costs, and has an approved development permit.

However, since construction was underway on the site before 2021, this project is ineligible for the Grant Program as approved in Policy C625, which can be found on edmonton.ca, unless City Council approves the exemption recommended in this report.

Approval of this exemption will not automatically qualify this developer for a Grant. The developer must submit a complete and satisfactory application which would undergo the same review procedure as any other application. A Grant Funding Agreement will only be signed if there is sufficient funding available and agreements are executed on a first come-first served basis. The Owner must also demonstrate proof that the Commencement of Construction will occur in 2021. The Grant Agreement would incorporate the following additional terms:

Construction on the Tower must start in 2021. Instead of using the 2021 property taxes as a tax baseline, the amount of the grant will be calculated solely from the assessed value of the tower improvement each year separated out from the value of the remainder of the site. The value of the grant would be the assessed value of the Tower multiplied by the tax rate. This will ensure that no grant would be paid on the value of the podium or the underlying land.

Budget/Financial Implications

The recommendation does not change the total amount of funding available for this grant program of \$22.9 million, or that applications are approved on a first-come first-serve basis.

Public Engagement

While engagement with industry was conducted during the development of the grant program, no public engagement was conducted for this report.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton's resilient financial position enables both current and long-term service delivery and growth.			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Ensuring Transparent and Reasonable Tax Policy	Growth revenue above 5-year average of \$32,000,000	TBD	Growth revenue is above 5-year average of \$32,000,000

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Commercial	If approved, will reduce the funding available in the program and other developers that are re-zoning may not get into the program in time	3 - possible	1 - minor	3 - low	Review and process applications expediently to reduce uncertainty for applicants	

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Commercial	If not approved, the tower development will not proceed in 2021	5 - almost certain	1 - minor	5 - low		Continue to provide ongoing support and enhanced customer service for major development projects through the Client Liaison Unit
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Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- K. Fallis-Howell, Acting City Solicitor