Exploring the Potential for Municipal Incentives to Stimulate Green Development, Redevelopment and Retrofit in the City of London

Potential Collaboration with OPA Sustainable Communities Program

The following proposes a collaboration between the Ontario Power Authority and the City of London for a project that will explore the potential for municipal incentives to stimulate green development, redevelopment and retrofit projects in the City of London. The project will add value to both the OPA and the City of London by:

- Building the research and resources relating municipal green incentives.
- Exploring local partnerships that can be utilized to deliver green incentives.
- Identifying the needs of green project initiators and evaluating green incentives for their effectiveness in meeting these needs.
- Proposing what are evaluated to be the most positive municipal green incentives to encourage retrofit, redevelopment and new green development.
- Providing the information necessary for City of London Council Municipal Council to consider initiating three pilot projects in London which will test the proposed incentive tools for their effectiveness, based on a number of established metrics.

The City of London will be providing significant in-kind staff resource contributions to this project and is seeking funding in the amount of $40,000 from the Ontario Power Authority to hire consulting services to undertake the majority of the research, consultation, and reporting.

Project Description

The City of London is currently undertaking a Green Development Strategy. Through this process, consultation with the development industry and home building community has revealed that a regulatory approach to making green development and redevelopment happen is not desirable. While some form of policy and regulation may be accepted, our partners have strongly indicated that education, leadership by example, pilot projects and financial incentives are preferable. In short, “carrots, not sticks” are seen as the best way to effectively move forward.

The proposed study will explore the opportunities for green development, redevelopment and retrofit incentives in London, Ontario. A first step in the project will be to explore best practices and lessons learned from the use and administration of incentives in other municipalities throughout Ontario, Canada, North America and other jurisdictions in
Europe and Australia. The study will then identify the most important elements of incentive programs, such as: costs, logistics, administrative support requirements, legislative barriers, potential impact, etc.

Consultation sessions will be held with the development community and property owners to understand the current “gaps” in making green development, redevelopment and retrofit viable from their perspective and what incentives could make the greatest impact on their decisions.

Extensive consultation will occur with London’s local energy utilities, financial institutions and other potential partners to understand what role they may play in the financing and administration of these incentives.

With consideration of these elements, and the results of consultation, the project will propose one or more incentives that could be utilized within London to meaningfully “move the yardsticks ahead” on green development, redevelopment and retrofit. A full analysis of these incentives will be provided, to explain their pros and cons, their costs and benefits, and the “hurdles” that must be overcome to put them in place.

Based on the above, three green incentive pilot projects will be proposed for consideration:

1. a subdivision development project within a Greenfield context;
2. a new multi-unit residential development within an urban context;
3. a retrofit project within an urban context

The pilot projects will be designed to test the implementation of the proposed incentive tools. Consultation with the development industry will be required to determine “live” candidates for #1 and #2, above. Drawing from the case scenarios, the potential costs and benefits of these pilot projects will be projected. Furthermore, the model for administering the proposed incentives will be identified, including potential partnerships with financial institutions or other organizations that can assist in such administration.

For each of the identified pilot projects, the study will analyze and project, at a minimum:
- Legal and logistical requirements
- Human resource requirements to administer the incentives
- Costs to municipality and potential partners
- Benefits to municipality
- Demand from private sector
- Impact on energy consumption and associated environmental benefits
- Partnership opportunity/requirements

The study results will be presented to Council along with recommendations from Staff for implementing these pilot projects based on study outcomes. As a result of the study, Municipal Council will have the information before them that is necessary to consider implementing one or more pilot projects to stimulate green development, redevelopment and retrofit in London. Furthermore, an extensive amount of consultation will have taken place to “seed” partnerships with local utilities.
Green Development Initiatives Underway in London

London is currently engaged in a number of green development initiatives – all with the intent of reducing energy consumption, reducing greenhouse gases, and developing and operating in a more sustainable fashion. Some of the most pertinent initiatives currently underway, include:

The Mayor’s Sustainable Energy Council has been working with local energy experts to promote, encourage and support local research, new technology, and green energy investments. This will help us develop a new “green economy” for London and surrounding region. To assist in these activities, MSEC launched its EnergySaver website to connect residents and businesses with information and incentives for green energy projects.

Rethink Energy London is a project just recently launched by the municipality to engage in widespread consultation leading to a sustainable energy plan for London. Primarily the consultation session will consider three broad areas, including:

- **Encourage** action, through education and awareness programs
- **Provide Incentives**, in the form of cash rebates or grants, low-interest loans, or “front of the line” privileges
- **Mandate changes**, in the form of by-laws or standards that need to be followed and/or control activities

There is no “one size fits all” approach we can use. Fortunately, most of these actions will save energy, which means that we will see a payback in the form of lower energy bills. There are also jobs created when we do things like retrofit old buildings, install green roofs, and replace old appliances.

For the community component of the sustainable energy consultation process, potential actions have been broken down into fourteen topics grouped into four themes:

<table>
<thead>
<tr>
<th>Our Homes</th>
<th>Our Transportation</th>
<th>Our Economy</th>
<th>Our Community</th>
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</thead>
<tbody>
<tr>
<td>Existing Homes</td>
<td>Personal Transportation Choices</td>
<td>Existing Commercial Buildings</td>
<td>Community Energy Projects</td>
</tr>
<tr>
<td>New Home Construction</td>
<td>Employee Mobility Choices</td>
<td>Stores &amp; Restaurants</td>
<td>Community Transportation Projects</td>
</tr>
<tr>
<td>Existing Apartments/Condos</td>
<td>Vehicle Fleets</td>
<td>Business &amp; Industry</td>
<td>Local Food</td>
</tr>
<tr>
<td>New Apartments/Condos</td>
<td></td>
<td>New Commercial Building</td>
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London’s sustainable energy plan will contain a mix of education programs, financial incentives, and mandatory actions.

**London Green Development Strategy** is a project focusing on new development and redevelopment. Working together with the London Home Builders Association, the London Development Institute and the London Area Planning Consultants, the City is creating a comprehensive strategy to stimulate green development projects at every scale. As noted above, the preliminary results of consultation sessions with the industry suggest that there is great potential for instituting financial incentives to encourage green development and redevelopment. The subject study is intended to fully explore this potential.

**History of Using Financial Incentives in London, Ontario**

The City of London has a long history of developing and implementing innovative financial incentive programs to further community improvement within areas identified for community improvement under Section 28 of the Planning Act.

Currently, the entire City is identified as a Community Improvement Project Area for both Brownfields incentives and Designated Heritage Property incentives. There are three specific Community Improvement Project Areas: Downtown, Old East Village, and London Airport.

The City was the first in Ontario to implement a Tax Increment Financing program. This program provides grants to property owners for projects that result in an increase in the assessment and resultant increases in municipal taxes for redevelopment and rehabilitation projects within its Downtown and Old East Village Community Improvement Areas. Similarly, there are a city-wide Brownfields incentives and designated heritage property incentives.

The following table summarizes the incentive programs available within the City’s Community Improvement Project Areas.

<table>
<thead>
<tr>
<th>Community Improvement Program/Project Area</th>
<th>Incentives Available</th>
</tr>
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</table>
| Downtown/Old East Village                  | • Façade Improvement Loan  
• Façade Improvement Grant  
• Building Code Upgrade Loan  
• Building Code Upgrade Grant  
• Lighting, Signing and Awning Grant  
• Heritage Building Assessment Grant  
• Residential Development Charges Exemption  
• Tax Increment Grant  
• Tax Holiday Grant |
| Airport                                    | • Tax Increment Grant                                                               |
Brownfields

- Contamination Assessment Grant (Phase II)
- Property Tax Assistance Grant
- Residential Development Charges Exemption
- Tax Increment Grant

Designated Heritage Structures

- Residential Development Charges Exemption
- Tax Increment Grant

**Partnerships**

It is recognized that the development of partnerships will be key in moving forward on this project. Such partnerships have already been seeded through the London Energy Efficiency Partnership project, the Mayor’s Sustainable Energy Council and the London Green Development Strategy.

Partnerships will be explored with local utility operators such as London Hydro and Union Gas. Preliminary discussions with London Hydro, which is a wholly owned subsidiary of the City of London, have been met with great interest. Similarly, the administration of financial incentives may require partnerships with lending institutions who are “set up” to deal with the logistical requirements of lending processes. The potential for such partnerships will be fully explored through this study.

The potential for green development, redevelopment and retrofit incentives will rely heavily upon partnership development and this study will serve the dual purpose of exploring the potential for such partnerships while simultaneously preparing the ground for partnerships in the future.

**Project Logistics**

This project will be led by a project team consisting of staff from:

- Planning – Manager, Community Planning and Urban Design
- Environmental and Engineering Services – Air Quality Manager
- London Economic Development Corporation – Executive Director

In addition, participation on the project team will be invited from:

- The Mayor’s Sustainable Energy Council
- London Hydro
- Union Gas
In order for this project to be completed, the majority of the consultation, background research, analysis and report-writing will be undertaken by a private-sector consultant. The final report will be attached to a covering report to Municipal Council prepared by City Staff, including recommendations for moving forward.

**Work Plan**

**Phase 1 – Background Research**
This phase will focus on collecting background materials on best practices, options, barriers, costs, benefits, etc. The David Suzuki Foundation has prepared a significant amount of information on this subject and this resource will be drawn upon. In addition, other sources of information in the United States, Europe, and Australia will be examined. Emphasis will be placed on identifying incentive programs that may be possible within the legal context of Ontario’s existing legislation. The use of a Community Improvement Plan to allow for the granting and bonusing of private sector entities will be a focus.

Following this background research phase, a Phase 1 Report will be prepared which outlines:
- Best practices
- Lessons learned
- Important elements to be considered for each potential incentive
- A preliminary “short-list” of incentives that may be applied in London
- A preliminary evaluation of these incentives

**Phase 2 – Consultation**
This phase will allow for consultation with the broader community, the development and home building industry, and potential financing partners. The preliminary short-list of potential incentives from Phase 1 will be utilized through this consultation process:

Consultation Activity #1 – utilize an on-line survey and a focus group session to determine the likely take-up of various potential incentives for retrofit activities.

Consultation Activity #2 – hold a charette with the development and home building industry to evaluate potential incentives identified in the Phase 1 report. Identify pros, cons and likely take-up from their perspective (dealing with retrofit, redevelopment and new development).

Consultation Activity #3 – hold a series of meetings with local utility operators to evaluate their interest in participating in various incentive program options

Consultation Activity #4 – consult with various financial institutions to assess the potential for partnerships in administering a municipal green incentive program
**Phase 3 – Analysis of Options**

Based on the consultation sessions of Phase 2, the options identified in Phase 1 will be further evaluated and analyzed. Building on the Phase 1 document, this analysis will culminate in the recommendation of one or more incentives that could be utilized within London to meaningfully “move the yardsticks ahead” on green development, redevelopment and retrofit. Documenting the results of Phase 1 and 2, a full analysis of these incentives will be provided in a Phase 3 report, to explain their pro’s and con’s, their costs and benefits, and the “hurdles” that must be overcome to put them in place.

**Phase 4 – Selection of Pilot Project Areas and Analysis**

The City of London Staff will work with the Consultant to select three green incentive pilot project areas for consideration:

1. a subdivision development project within a Greenfield context;
2. a new multi-unit residential development within an urban context;
3. a retrofit project within an urban context

The pilot projects will be designed to test the implementation of the proposed incentive tools. Consultation with the development industry will be required to determine “live” candidates for #1 and #2, above. Drawing from the Phase 1 and Phase 3 reports, the potential costs and benefits of these pilot projects will be projected. Furthermore, the model for administering the proposed incentives will be identified, including potential partnerships with financial institutions or other organizations that can assist in such administration.

For each of the identified pilot projects, the study will analyze and project, at a minimum:

- Legal and logistical requirements
- Human resource requirements to administer the incentives
- Costs to municipality
- Benefits to municipality
- Demand from private sector
- Impact on energy consumption and associated environmental benefits
- Partnership opportunity/requirements
- Measures of success

A Phase 4 report will be prepared accordingly.

**Phase 5 – Final Report and Presentation to Municipal Council**

The Phase 1, 3 and 4 report will be brought together in a final report which will be presented to Municipal Council. Municipal Staff will prepare a cover report with their own recommendations for moving forward, based on the study outcomes.
Milestones

The following outlines the key milestones and target dates for completion.

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Target Date</th>
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<tbody>
<tr>
<td>Project Initiation</td>
<td>February 1, 2010</td>
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<tr>
<td>Phase 1 Report</td>
<td>April 1, 2010</td>
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<tr>
<td>Phase 2 Consultation Sessions Completed</td>
<td>June 1, 2010</td>
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<tr>
<td>Phase 3 Report Completed</td>
<td>August 1, 2010</td>
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<tr>
<td>Phase 4 Report Completed</td>
<td>November 1, 2010</td>
</tr>
<tr>
<td>Final Report &amp; Presentation to Council</td>
<td>December 1, 2010</td>
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Budget

This project will require significant time resources to coordinate and facilitate the various processes and consultation sessions that will be undertaken. These human resource requirements will be borne as in-kind contributions to the project by the City of London. Furthermore, it is expected that in-kind contributions, in the form of time expenditure and the provision of expertise, will be received from the development community and local utility partners.

Consulting services will be required to undertake the majority of the project work. A budget of $40,000 has been set for this project. Upon receiving confirmation of funding from the Ontario Power Authority, the City of London’s procurement policies will be followed to select a consultant to undertake the work. Regular updates and all reports will be provided to the OPA as agreed through any contribution agreement which is struck.