

Document 3 - Downtown Renewal Incentives Program

Economic Development Services engaged Colliers Project Leaders to assess the feasibility of a municipal incentive program designed to stimulate redevelopment, conversion, and adaptive reuse of underutilized commercial and vacant properties downtown. Colliers was tasked with delivering a market-informed evaluation of redevelopment potential, key demand drivers, and the barriers inhibiting new investment, and identify financial and process-based tools that could encourage private-sector investment and accelerate downtown renewal resulting in a more resilient, mixed-use environment.

The findings of the Colliers study indicated that targeted, predictable, and well-designed incentives, combined with improvements to regulatory processes, public realm conditions, and investor confidence, could play a central role in increasing redevelopment activity and repositioning downtown Ottawa as a vibrant, high-activity urban centre.

The study assessed current conditions downtown, examined office vacancy trends, hybrid work impacts, foot-traffic patterns, and the residential base to determine whether municipal intervention was required. It identified redevelopment opportunities through a review of 64 underutilized properties in the downtown area, highlighting sites with potential for intensification, conversion, or adaptive reuse. Based on an initial market demand review, Colliers projected that downtown Ottawa would require an additional 17.1 million square feet of residential, office, hospitality, and retail space by 2036.

A high-level market sounding involving six targeted interest holders (property owners, managers and developers) was conducted to validate study findings, better understand potential program implementation barriers, and identify strategies that would attract the desired investment. Feedback received indicated that municipal incentives, structured to reduce upfront capital outlays, enhance long-term financial performance, streamline and modernize approval processes, and align with existing public and private financing mechanisms are the most likely to succeed. It was also noted that sustained revitalization will require the deliberate integration of retail, commercial, hospitality, and

restaurant uses to strengthen pedestrian activity, support economic vitality, and reinforce downtown as a complete urban district.

The study ultimately identified two primary enablers of downtown redevelopment:

1. Targeted financial incentives and streamlined approvals: Interest holders noted that reducing development charges and providing up front capital grants would most effectively address feasibility gaps by lowering initial costs and equity requirements. They also noted that directing required fees to project-related services, reducing parkland charges, and applying tax-based incentives such as Tax Increment Equivalent Grants under a CIP Program could further strengthen project viability.
2. Reduction of process and regulatory barriers: Process improvements were deemed equally critical. Fewer redundant reviews, and greater policy stability were cited as key measures to improve certainty and support investment planning combined with faster, predictable approvals to reduce delays and costs. A dedicated downtown redevelopment team with expanded delegated authority for minor variances was suggested.

The study also noted improvements to public realm quality, safety, social support, and transit reliability as essential conditions for attracting and sustaining private sector investment and enabling long-term downtown renewal.

Private sector investment in redevelopment resulting from a Downtown Renewal Incentive Program would strengthen market conditions, reduce vacancy, attract new employers and residents, and return strategically located sites to more productive uses. As commercial space improved and employment activity stabilized, street-level retail, dining, and services would become more viable, contributing to a healthier business environment. Expanded mixed-use development would increase the downtown population, enhance vibrancy throughout the day and evening, and contribute to the emergence of a complete, amenity-rich neighbourhood. These combined effects would broaden the municipal tax base and generate additional revenues from economic activity and tourism, enabling further investment in public spaces, services and programs to enhance the downtown experience.

Proactive, time-bound and well-structured municipal intervention can play a pivotal role in catalyzing private sector reinvestment. Incentive programs that reduce upfront costs, streamline approvals, and improve long-term returns are most likely to succeed and may accelerate project delivery.