

2. **HERITAGE COMMUNITY IMPROVEMENT PLAN APPLICATION FOR 278-280 O'CONNOR STREET, A PROPERTY DESIGNATED UNDER PART V OF THE *ONTARIO HERITAGE ACT* AND LOCATED WITHIN THE CENTRETOWN HERITAGE CONSERVATION DISTRICT  
LE PLAN D'AMÉLIORATIONS COMMUNAUTAIRES DES ÉDIFICES À VALEUR PATRIMONIALE DÉPOSÉ POUR LES 278 ET 280, RUE O'CONNOR, PROPRIÉTÉS DÉSIGNÉES EN VERTU DE LA PARTIE V DE LA *LOI SUR LE PATRIMOINE DE L'ONTARIO* ET SITUÉES DANS LE DISTRICT DE CONSERVATION DU PATRIMOINE DU CENTRE-VILLE**

### **COMMITTEE RECOMMENDATIONS**

That Council:

1. **Approve the Heritage Community Improvement Plan Grant Program application submitted by POLO IV PROPERTIES INC., owner of the property at 278-280 O'Connor Street, and 347 Gilmour Street for a Community Improvement Plan Grant not to exceed \$500,000 over a maximum period of 10 years, subject to the establishment of, and in accordance with the terms and conditions of a Community Improvement Grant Agreement; and**
2. **Delegate authority to the General Manager, Planning, Infrastructure and Economic Development, to finalize and execute a Heritage Community Improvement Plan Grant Agreement with POLO IV PROPERTIES INC., establishing the terms and conditions governing the payment of a Community Improvement Grant for the restoration of 278-280 O'Connor Street, to the satisfaction of the City Manager, the City Clerk, City Solicitor and the City Treasurer.**

## **RECOMMANDATIONS DU COMITÉ**

Que le Conseil :

- 1. approuve la demande déposée dans le cadre du programme du Plan d'améliorations communautaires des édifices à valeur patrimoniale par POLO IV PROPERTIES INC., propriétaire des biens-fonds situés au 278 et 280, rue O'Connor et au 347, rue Gilmour pour une subvention n'excédant pas 500 000 \$ sur une période maximale de 10 ans, sous réserve de la conclusion d'une entente de subvention du Plan d'améliorations communautaires, et conformément à ses modalités;**
- 2. délègue au directeur général de la Planification, de l'Infrastructure et du Développement économique le pouvoir de conclure une telle entente avec POLO IV PROPERTIES INC., laquelle établira les modalités de paiement de la subvention pour la restauration du 278 et 280, rue O'Connor, à la satisfaction du directeur municipal, du greffier municipal, de l'avocat général et de la trésorière municipale.**

## **DOCUMENTATION/DOCUMENTATION**

1. Manager's report, Right of Way, Heritage and Urban Design Services, Planning, Infrastructure and Economic Development Department, dated September 16, 2021 (ACS2021-PIE-RHU-0025)

Rapport de la Directrice, Services sociaux et communautaires, daté le 16 septembre 2021, (ACS2021-PIE-RHU-0025)

**Report to  
Rapport au:**

**Built Heritage Sub-Committee / Sous-comité du patrimoine bâti  
October 12, 2021 / 12 octobre 2021**

**and / et**

**Finance and Economic Development Committee / Comité des finances et du  
développement économique  
November 2, 2021 / 2 novembre 2021**

**and Council / et au Conseil  
November 10, 2021 / 10 novembre 2021**

**Submitted on September 16, 2021  
Soumis le 16 septembre 2021**

**Submitted by**

**Soumis par:**

**Court Curry,**

**Manager / Gestionnaire,**

**Right of Way, Heritage and Urban Design Services / Services des emprises, du  
patrimoine et du design urbain**

**Planning, Infrastructure and Economic Development Department / Direction  
générale de la planification, de l'infrastructure et du développement économique**

**and / et**

**Don Herweyer**

**Director / directeur**

**Economic Development and Long Range Planning / Développement économique  
et planification à long terme**

**Planning, Infrastructure and Economic Development Department / Direction  
générale de la planification, de l'infrastructure et du développement économique**

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**Personne ressource:**

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and / et

Chris Cope,  
Economic Development Officer / Agent du développement économique  
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Ward: SOMERSET (14)

File Number: ACS2021-PIE-RHU-0025

**SUBJECT:** Heritage Community Improvement Plan application for 278-280  
O'Connor Street, a property designated under Part V of the *Ontario  
Heritage Act* and located within the Centretown Heritage  
Conservation District

**OBJET:** Le Plan d'améliorations communautaires des édifices à valeur  
patrimoniale déposé pour les 278 et 280, rue O'Connor, propriétés  
désignées en vertu de la Partie V de la *Loi sur le patrimoine de  
l'Ontario* et situées dans le district de conservation du patrimoine du  
centre-ville

## **REPORT RECOMMENDATIONS**

**That the Built Heritage Sub-Committee receive the report.**

**That the Finance and Economic Development Committee recommend that  
Council:**

- 3. Approve the Heritage Community Improvement Plan Grant Program application submitted by POLO IV PROPERTIES INC., owner of the property at 278-280 O'Connor Street, and 347 Gilmour Street for a Community Improvement Plan Grant not to exceed \$500,000 over a maximum period of 10 years, subject to the establishment of, and in accordance with the terms and conditions of a Community Improvement Grant Agreement; and**
- 4. Delegate authority to the General Manager, Planning, Infrastructure and Economic Development, to finalize and execute a Heritage Community Improvement Plan Grant Agreement with POLO IV PROPERTIES INC., establishing the terms and conditions governing the payment of a Community Improvement Grant for the restoration of 278-280 O'Connor Street, to the satisfaction of the City Manager, the City Clerk, City Solicitor and the City Treasurer.**

## RECOMMANDATIONS DU RAPPORT

Que le Sous-comité du patrimoine bâti prenne connaissance du rapport suivant.

Que le Comité des finances et du développement économique recommande au Conseil ce qui suit :

3. approuver la demande déposée dans le cadre du programme du Plan d'améliorations communautaires des édifices à valeur patrimoniale par POLO IV PROPERTIES INC., propriétaire des biens-fonds situés au 278 et 280, rue O'Connor et au 347, rue Gilmour pour une subvention n'excédant pas 500 000 \$ sur une période maximale de 10 ans, sous réserve de la conclusion d'une entente de subvention du Plan d'améliorations communautaires, et conformément à ses modalités;
4. déléguer au directeur général de la Planification, de l'Infrastructure et du Développement économique le pouvoir de conclure une telle entente avec POLO IV PROPERTIES INC., laquelle établira les modalités de paiement de la subvention pour la restauration du 278 et 280, rue O'Connor, à la satisfaction du directeur municipal, du greffier municipal, de l'avocat général et de la trésorière municipale.

## BACKGROUND

The principal goal of the Heritage Community Improvement Plan (CIP), adopted by Council on January 29, 2020, is to encourage the restoration and adaptive re-use of buildings designated under the *Ontario Heritage Act*. [By-law No. 2020-40](#) outlines areas of eligibility for the Heritage CIP while [By-law No. 2020-41](#) establishes the rationale for the Heritage CIP and comprehensive program details. The CIP permits the City to provide financial incentives to property owners undertaking restoration of heritage attributes for a redevelopment proposal, and assists in achieving improved building architecture, site design and site landscaping.

CIPs are a strategy to improve the economic viability of areas and can improve quality of place through urban renewal. CIPs provide a framework through which a municipality may choose to offer financial incentives directly to businesses and individuals within a specified CIP Project area under Section 28(7) of the *Planning Act*.

## DISCUSSION

This report recommends approval of an application submitted by POLO IV PROPERTIES INC, the owner of the property, for a Heritage CIP grant for the restoration and alterations to be made to 278 O'Connor Street, 280 O'Connor Street, and 347 Gilmour Street.

The grant is not to exceed \$500,000 over a maximum period of 10 years, subject to the establishment of, and in accordance with the terms and conditions of a Community Improvement Grant Agreement.

The Heritage CIP Program is a tax increment-based grant program; this grant will be funded through the anticipated \$2,184,503 cumulative increase in the Municipal portion of the Property Taxes that will result from the restoration and rehabilitation of the property. The tax increment grant will not be paid in advance but will be directly tied to the amount of restoration actually completed on the property and the corresponding increase in property tax contribution to the City. If the restoration and rehabilitation does not proceed, no grant would be paid.

The planned development proposes the partial demolition of 278 and 280 O'Connor Street, retaining the front of the buildings to integrate them into a new multi-unit residential building, which extends along Gilmour Street. In addition, it involves the full demolition of 347 Gilmour Street and its associated garage, as well as the demolition of the parking shed at the back of 278 O'Connor Street.

The approach used for 278-280 O'Connor Street will be one of rehabilitation, in compliance with the *Standards and Guidelines for the Conservation of Historic Places in Canada*. While the project involves the removal of the rear portions of each house, the main portions of the buildings will be rehabilitated and restored. Only elements beyond repair will be replaced in kind. The porches will be preserved and repaired, and any missing components will be reinstated. All woodwork and masonry work will be conserved and restored as required (Documents 1 and 2). A heritage permit for these alterations was approved by Council on September 9, 2020 ([ACS2020-PIE-RHU-0017](#)).

This development supports the proposed use at the site zoned R4 – Residential Fourth Density Zone. The R4 zone category permits a wide range of residential building forms and densities (from single detached to low-rise apartment dwellings) as well as

development which is compatible with existing land use patterns to maintain or enhance the character of a neighbourhood.

By redeveloping an existing site, the proposal makes efficient use of infrastructure, built environment, as well as existing access. The proposed alteration includes additional residential space that will increase housing opportunities in a desirable area.

Furthermore, the site is located within the General Urban Area designation of the City of Ottawa Official Plan. The policies of the Official Plan support infill, redevelopment, and other forms of intensification within the General Urban Area at a scale dependent on proximity to major roads and transit, and the area's planned function.

The property qualifies as an eligible Heritage CIP project, as it is located within the area identified as the Centretown Heritage Conservation District and satisfies all requirements of By-law No. 2020-41 that sets out the Heritage CIP program requirements. Although the heritage permit was issued in September 2020, the applicant has been in talks with staff about the CIP program since that time, with the understanding that an application was forthcoming (see Document 3 for a timeline of the discussions with staff). The COVID-19 pandemic has led to delays with the application; however staff are satisfied that it meets all program guidelines. In order to strengthen their application, the applicant has agreed to work with heritage staff (see Document 4) to improve the heritage elements of their project. This may include superior materials or designs to achieve the highest standards of conservation.

### **Economic Benefits**

The economic impact of the proposed restoration and rehabilitation of 278 and 280 O'Connor Street related to direct construction value is estimated at approximately \$20 million, providing direct and indirect economic benefits to the city. Locally supplied materials will include concrete, lumber, mechanical equipment, sprinkler systems, electrical panels and materials, etc. Most trades used on the project are based in Ottawa Region. The project will generate design, consulting, construction, and trade jobs for the period of time it takes to complete the building and since most construction materials are sourced locally, most of the value of \$20 million construction cost will be a direct benefit Ottawa's economy.

As a result of the proposed redevelopment project, the combined assessed value of the three properties is expected to increase from \$3,082,000 to \$22,860,000, an increase of \$19,718,000. This would result in an increase in the Municipal portion of Property Taxes



in 2023, the first-year post-development, from \$43,045 to \$233,600 – an increase of \$190,555, or more than 400 percent increase if these buildings are not improved.

The table in Document 5 shows an estimated accumulated increase in Municipal Property Taxes of \$2,184,503 by year ten of the 10-year grant period referenced in the CIP by-law based on the increased assessment an estimated average increase in the taxation rate of 3 percent. The 10-year net increase in Municipal Taxes after payment of the CIP grant is estimated at \$1,684,503. However, CIP grants will only be paid based on actual MPAC before and after assessments.

The Heritage CIP grant will be based on seventy-five per cent (75%) of the increase in the municipal portion of the property taxes and is estimated to reach the \$500,000 cap in the fifth year of the grant (within a 10-year grant period), see Document 4 for full summary. Note, this amount represents an approximate order of magnitude and is based on estimated future assessed values and taxation rates. The final amount of the CIP grant will be based on actual revised assessment and then-current taxation rates following completion of the project; post-development reassessment will be provided by the Municipal Property Assessment Corporation (MPAC).

Grants received through the Heritage CIP cannot exceed the lesser of the amount paid in restoration costs, or \$500,000. The estimated restoration cost for the project is \$1,357,317 (Document 5).

The grant will not be paid in advance but will be directly tied to the amount of restoration actually completed on the property and the corresponding increase in property tax contribution to the City.

### **Provincial Policy Statement**

Staff have reviewed this proposal and have determined that it is consistent with the Provincial Policy Statement, 2020.

### **RURAL IMPLICATIONS**

There are no rural implications associated with this report.

### **CONSULTATION**

There was no public consultation for this report.

## **COMMENTS BY THE WARD COUNCILLOR**

The Ward Councillor, Catherine McKenney, is aware of the application related to this report.

## **LEGAL IMPLICATIONS**

There are no legal implications associated with implementing the report recommendation.

## **RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications to implementing the recommendations of the report.

## **ASSET MANAGEMENT IMPLICATIONS**

There are no direct asset management implications associated with the recommendations of this report.

## **FINANCIAL IMPLICATIONS**

The maximum grant under the Heritage Community Improvement Grant Program is \$500,000 over a maximum period of ten years. The grant will not be paid in advance and will be directly tied to the value of restoration completed on the property and the corresponding increase in municipal property tax contribution to the City.

Budget authority requirements will be brought forward through the annual budget process, to establish a maximum budget of \$500,000 in accordance with the Heritage CIP approved by Council, ACS2019-PIE-RHU-0020 Creation of a New Heritage Rebate Program for Building Restoration and 2020 User Fee Schedule for Heritage application Fees.

## **ACCESSIBILITY IMPACTS**

There are no direct asset management implications associated with the recommendations of this report.

## **TERM OF COUNCIL PRIORITIES**

This project addresses the following Term of Council Priorities:

- **Economic Growth and Diversification:** Encourage economic growth and diversification by supporting business investment and expansion, talent attraction and retention, and branding Ottawa as a place to be.
- **Thriving Communities:** Promote safety, culture, social and physical well-being for our residents

## **SUPPORTING DOCUMENTATION**

Document 1 Project Drawings

Document 2 Conservation Plan

Document 3 Memorandum

Document 4 Rationale for Heritage CIP Application

Document 5 Heritage CIP Grant Calculations

Document 6 Eligible Restoration Costs

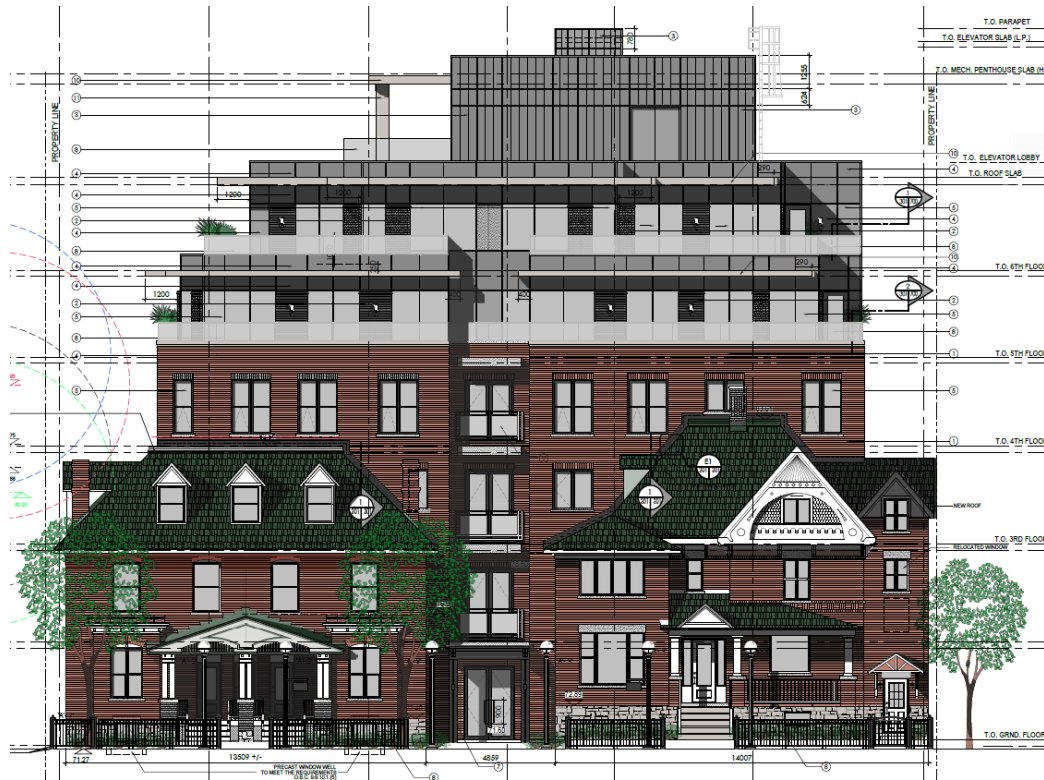
## **DISPOSITION**

Innovative Client Services Department, Legal Services will prepare the Heritage CIP Grant Agreement between POLO IV PROPERTIES INC. and the City.

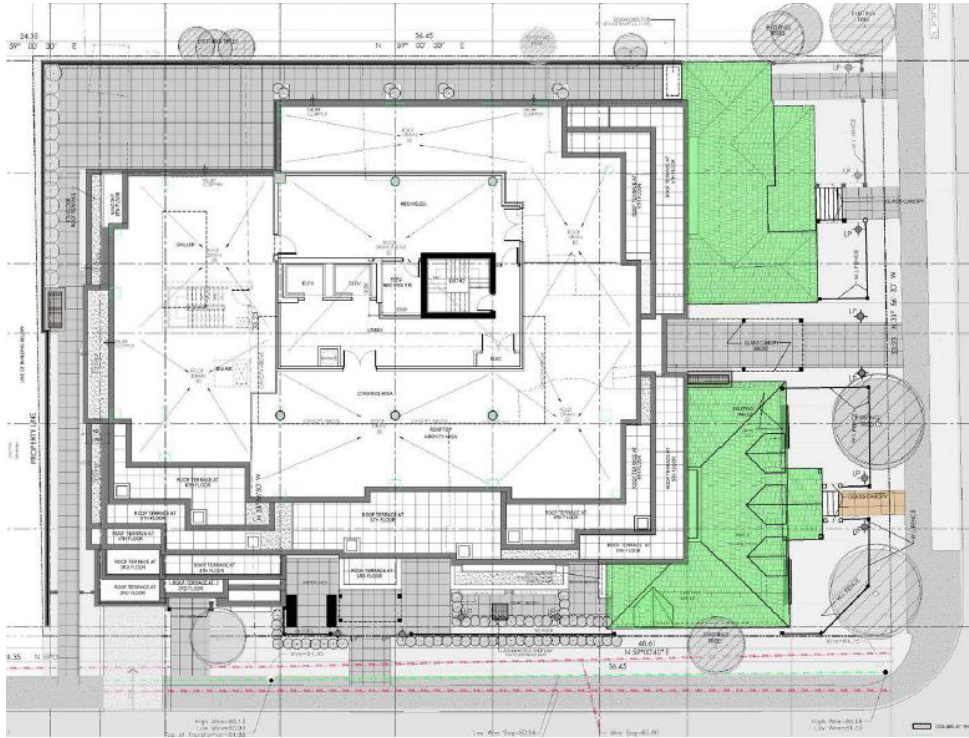
The Planning, Infrastructure and Economic Development Department and the Finance Department, Revenue Branch will develop a general administrative approach to implement the Heritage CIP Financial Incentive Program for this application.

The Planning, Infrastructure and Economic Development will notify the applicant of Council's decision.

Document 1 – Project Drawings



O'Connor Street Elevation



Site Plan showing new construction, and retained heritage buildings in green

#### **Document 4 – Rationale for Heritage CIP Application**

The text below was submitted with the Heritage Community Improvement Plan application to demonstrate that the project would not otherwise proceed in the absence of the incentive.

Pre-application consultations were held and draft materials in support of the application for the Heritage Community Improvement Plan (CIP) Grant were submitted to the City prior to the submission of a Building Permit application. The discussions and exchanges with City staff that ensued resulted in some modifications to the application but, more importantly, these discussions and exchanges confirmed eligibility of this project for the grant. This was very welcome news given the significant design concessions adopted, and financial burden brought about by the integration of critical and highly desirable heritage elements. Without this grant, the financial viability of the project would be compromised to the point of making the project commercially unattractive.

Awarding the up to \$500K grant in gradual tax-increments to this project would offset the hard and soft costs attributed to the development and integration of the much sought-after heritage elements. Those costs are estimated to be \$1.67M exclusive of HST. As such, each dollar in public funds offered under the grant program is matched by \$2.3 dollars in private funds. This provides the City with an exceptional leverage on the tax incentive being offered.

It is important to note that the COVID pandemic has added financial adversity to the project further reducing its viability, which had already been teetering on the brink of not being viable. To appreciate the gravity of the situation, it is important to recognize the myriad ways in which COVID has affected, and continues to affect, this project. COVID has resulted in higher materials cost as a result of supply chain interruptions, low inventory levels, and doubling of shipping costs. COVID has also resulted in higher labour costs due to the construction restrictions imposed, reduced supply of labour, and construction schedule delays. The escalation in costs affected both the heritage and non-heritage elements of the project alike. This ballooning in costs not only increased construction costs, but also construction risks and uncertainty. The impact of COVID does not end with the end of construction, as the COVID pandemic has resulted in a sustained drop in interest for leasing apartments – and particularly so in downtown areas. New multi-residential developments are experiencing a much longer lease-up period and having to offer tenant incentives, such as free rent periods, to keep the vacancy rate at a manageable level. As such, the grant would go a long way in making

it possible to survive the first two to three years post construction until the market settles.

Notwithstanding the significant design concessions made to date to capitalize on the heritage preservation opportunities, the applicant pledges, to the extent possible, to continue to work with its design team and City's Heritage Department to identify and pursue opportunities that would further improve the heritage conservation aspects related to the two houses on O'Connor Street.

Another way of looking at the City's return on the tax grant under consideration is to view it in relation to the incremental increase in property taxes upon completion of construction. Under this lens, it can be stated that over the ten-year period following construction completion, the City is projected to collect an additional \$1.7 million in additional incremental property taxes, which corresponds to more than three and a half times the value of the grant being applied for.

**Document 5 – Heritage CIP Grant Calculations**

It is important to note that the tax increment is only an estimate and provides guidance on the order of magnitude of the possible payment under the assumption that the project would be completed, reassessed and taxes levied and paid in this period. The tax rates and all the assessment valuation parameters are held constant for illustration purposes. In practice the assessed value would likely increase reflecting increasing property values. As well, there would likely be some increase in the annual municipal levy during the projection period.

The administration of the Heritage Community Improvement Plan would require that any grants to be paid be based on actual Municipal Property Assessment Corporation (MPAC) property assessment (including any resolution of appeals) of improved properties. The prevailing tax rate would be applied and only after taxes are paid in full for one year and only when the City is satisfied that all terms and conditions have been met as specified in the legal agreement between the City and the applicant would a tax rebate be issued. This rebate would be capped at 75 per cent of the municipal share of the increase in property taxes over the pre-project municipal property taxes paid.

In the administration of this grant, each row would be calculated every year based on the new assessment, tax rate, taxes paid and actual municipal tax increment to establish the actual grant payment.

			Pre-Development Estimated Municipal Taxes	Post-Development Estimated Municipal Taxes	Estimated Change	Grant Amount at 75%
Current	2021	278 O'Connor St	\$40,574			
		280 O'Connor St				
		347 Gilmour St				
	2022	278 O'Connor St	\$41,791			
		280 O'Connor St				



		347 Gilmour St				
Year 1	2023	278 O'Connor St	\$43,045	\$233,600	\$190,555	\$142,916
		280 O'Connor St				
		347 Gilmour St				
Year 2	2024	278 O'Connor St	\$44,336	\$240,608	\$196,272	\$147,204
		280 O'Connor St				
		347 Gilmour St				
Year 3	2025	278 O'Connor St	\$45,666	\$247,826	\$202,160	\$151,620
		280 O'Connor St				
		347 Gilmour St				
Year 4	2026	278 O'Connor St	\$47,036	\$255,261	\$208,225	\$58,260
		280 O'Connor St				
		347 Gilmour St				
Year 5	2027	278 O'Connor St	\$48,447	\$262,919	\$214,472	
		280 O'Connor St				
		347 Gilmour St				
Year 6	2028	278 O'Connor St	\$49,901	\$270,807	\$220,906	\$0
		280 O'Connor St				
		347 Gilmour St				
Year 7	2029	278 O'Connor St	\$51,398	\$278,931	\$227,533	\$0
		280 O'Connor St				

		347 Gilmour St				
Year 8	2030	278 O'Connor St	\$52,940	\$287,299	\$234,359	\$0
		280 O'Connor St				
		347 Gilmour St				
Year 9	2031	278 O'Connor St	\$54,528	\$295,918	\$241,390	\$0
		280 O'Connor St				
		347 Gilmour St				
Year 10	2032	278 O'Connor St	\$56,164	\$304,795	\$248,631	\$0
		280 O'Connor St				
		347 Gilmour St				
			<b>\$575,826</b>	<b>\$2,677,964</b>	<b>\$2,184,503</b>	<b>\$500,000</b>

**Document 6 – Eligible Restoration Costs**

<b>Eligible Items</b>	<b>Estimated Costs</b>
Heritage Consultants and Reports	\$227,317
Structural Rehabilitation	\$949,200
Restoration of heritage attributes (masonry, doors, porches, etc.)	\$180,800
<b>TOTAL</b>	<b>\$1,357,317</b>