



**City of Kingston
Information Report to Council
Report Number 16-194**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Same
Date of Meeting: June 21, 2016
Subject: Economic Impact of Residential Intensification

Executive Summary:

In 2015, Council set priorities through the development of a Strategic Plan. The Plan includes a priority focused on the creation of a Smart and Liveable City, which seeks to manage growth through a continued focus on promoting greater residential density in the downtown core along Princess Street and in other key built-up areas of the City where infrastructure is already in place.

In its 2015 Strategic Plan, the Downtown Kingston Business Improvement Area (BIA) has also identified residential intensification as a priority. The intent of the residential intensification in the downtown area is to create a vibrant, walkable downtown and to make sure that there is a population base to support businesses and services operating year around. One of the Downtown Kingston BIA's initiatives is to better understand the positive contribution of residential downtown densification and to develop a tool to calculate the economic impacts of this approach to urban growth management.

The Downtown Kingston BIA, in partnership with KEDCO, retained the services of a Consultant, Kathryn Wood with Natural Capital Resources Inc., and worked in collaboration with the City to develop a tool that captures both the capital construction and the occupancy phase economic impact. The residential intensification economic impact tool is similar to the tourism economic impact statement (TREIM, STEAM) that KEDCO has used in the past to obtain a better understanding of the economic impact of major events being hosted in the City of Kingston. This tool however, is specific to residential intensification.

The residential economic impact tool was recently completed and is being presented to Council for information. It is important to note that the tool can be utilized to gain a better understanding

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of the economic impact of residential development applications but cannot form the basis for a land use planning application approval.

Recommendation:

This report is for information purposes only.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

Lanie Hurdle, Commissioner, Community Services

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	Not required

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Options/Discussion:

Kathryn Wood from Natural Capital Resources Inc. was retained by the Downtown Kingston BIA and KEDCO in 2016 to develop a tool that would help gain an understanding of the construction and occupancy phase economic impacts of residential intensification downtown. Kathryn Wood has worked with KEDCO and City of Kingston staff to develop a residential intensification economic impact tool for the downtown as well as other areas of the City considered to have high potential for residential intensification. Information on the Economic Impact of Residential Intensification report is attached as Exhibit A to Report Number 16-194.

The capital construction phase economic impact includes the developer's costs but not the municipal investment required to provide the infrastructure to support the residential intensification. The economic impact includes both the soft and hard costs of a particular project. The value of considering both of these costs is threefold: 1) to ensure comprehensiveness of costs from project start to occupancy; 2) to assist in splitting costs into goods/materials and labour; and 3) to some extent, to understand project beneficiaries, such as public bodies, receiving permitting fees or similar revenues. In addition to the overall contribution to the local economy and to local payrolls/incomes, most economic impact analyses also provide estimates of the job creation impact of a construction project.

The economic impact from the occupancy phase looks at the proportion of new housing occupants that come from beyond the municipality, rather than moving within the municipality, the impact of occupants' spending at nearby local businesses and the increased demand for commercial space for new or relocated businesses due to desirability of "walk to work" behavior. Residential intensification projects that are part of a larger mixed-use development have shown positive economic impacts in both residential and commercial sectors.

The economic impact tool also describes the environmental impact from both the construction and occupancy phases, and takes into consideration best practices research and case studies from both Canada and the United States.

Existing Policy/By-Law:

Not applicable

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

Not applicable

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Contacts:

Lanie Hurdle, Commissioner, Community Services 613-546-4291 extension 1231

Paige Agnew, Director, Planning, Building & Licensing Services 613-546-4291 extension 3252

Other City of Kingston Staff Consulted:

Not applicable

Others Consulted:

Doug Ritchie, Managing Director, Downtown Kingston BIA

Donna Gillespie, CEO, KEDCO

Exhibits Attached:

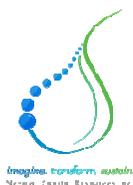
Exhibit A Information on the Economic Impact of Residential Intensification

Exhibit B Letter from Downtown Kingston BIA and KEDCO

Modeling the Economic Impact of Residential Intensification

A Project of
Downtown Kingston BIA and KEDCO

*Undertaken by
Kathryn Wood, Natural Capital Resources Inc.*



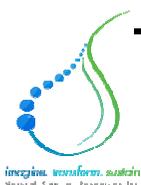
Presentation Overview

- Project Rationale and Work Plan
- Surveying the Landscape on Residential Intensification
- What is an Economic Impact Model?
- Customizing the Model for Residential Intensification
- Assessing Prospects for Success
- Customizing the Model for Kingston



Project Rationale and Work Plan

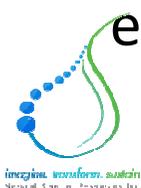
- Gather and share information on economic impact assessment for residential intensification
- Develop a versatile digital EI model for use in projects in Kingston
- Incorporate information about factors that determine:
 - Scale and type of economic impact in community
 - ‘Off-site’ actions that influence economic and environmental impact
- Work Plan:
 - ‘State of the Art’ Literature Review
 - Model Development
 - Test the Model
 - Transfer Model to Downtown Kingston BIA and KEDCO for future use here in Kingston



Surveying the Landscape on Residential Intensification

(Literature Review)

- Origins in planning functions of local government; now routinely considered part of Smart Growth
- Economic impact analyses use Input-Output models to generate multipliers, quantify expenditure impacts (economic activity, labour income, employment)
- Construction phases of projects typically receive the most attention; less emphasis on operating or occupancy phase impacts
- Relatively few 'post' implementation assessments
- Relatively little attention to 'off-site' attributes and actions that have significant impact on project success (economic and environmental)



What is an Economic Impact Model?

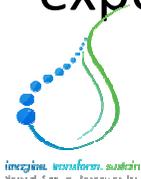
- A way of describing and calculating what the financial impact of a project, program or initiative:
 - *Is likely to be*, based on a set of assumptions (pre-implementation)
 - *Has been*, based on actual experience (post-implementation)
 - *Could be*, if specific conditions or assumptions changed (scenario approach)



What is an Economic Impact Model?

- Main building blocks of model are:
 - Expenditure data, by type (goods, labour/wages)
 - Leakage data (what share of expenditures stay in the area where a project is undertaken?)
 - Multipliers that translate expenditure data into ‘spin-off’ effects as spending moves through the economy
- Often, there are other expectations of these models
 - Impact on social fabric (e.g. a community or neighbourhood)
 - Impact on distribution of income or behavior
 - Impact on local prices for specific goods or services
 - Environmental effects

Typically, an Economic Impact Model does not address these expectations.



Summary of Project-Specific Economic Impact – Construction Phase

(assumes multi-year, multiplier-based approach)

Downtown Kingston-KEDCO Economic Impact of Residential Intensification						
Economic Impact from Capital Construction Phase						
Project:	Year(s)	2015 Or Earlier	2016	2017	2018	Total
Capital Expenditures						
<i>Direct Expenditures - Soft Costs</i>						
Labour Expenditures - Local Exp. Only		\$ -	\$ -	\$ -	\$ -	\$ -
Non-Labour (Goods) - Local Exp. Only		\$ -	\$ -	\$ -	\$ -	\$ -
<i>Direct Expenditures - Hard Costs</i>						
Labour Expenditures - Local Exp. Only		\$ -	\$ -	\$ -	\$ -	\$ -
Non-Labour (Goods) - Local Exp. Only		\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenditures - Labour (Local Only)		\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenditures - Non-Labour/Goods (Local Only)		\$ -	\$ -	\$ -	\$ -	\$ -
Direct Expenditures - Labour and Non-Labour/Goods (Local Only)		\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Economic Impact of Direct Expenditures - All Local Expenditures						
Indirect Expenditure Multiplier						
Indirect Economic Impact of All Direct Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -
Induced (Household) Economic Impact of Direct and Indirect Labour Expenditures						
Induced Expenditure Multiplier - Labour Expenditures						
Induced Economic Impact of Direct and Indirect Labour Expenditures		\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct, Indirect and Induced Economic Impact from Capital Construction		\$ -	\$ -	\$ -	\$ -	\$ -
Job Creation:						
Total Direct Job Creation - Residential Construction		0.0	0.0	0.0	0.0	0.0
Total Direct Job Creation - Commercial Construction		0.0	0.0	0.0	0.0	0.0
Total Direct Job Creation - Residential and Commercial Construction		0.0	0.0	0.0	0.0	0.0
Job Creation Multiplier						
Total Direct and Indirect Job Creation		\$ -	\$ -	\$ -	\$ -	\$ -

Project-Specific Economic Impact – Construction Phase

The following worksheet addresses two critical issues for local economic impact analyses: the split between labour and non-labour costs, and the percentage of expenditures that are local.

Leakage Calculations - Residential Component	2015 Or Earlier	2016	2017	2018	Total
Soft Costs					
Percentage of Soft Costs That is Labour (e.g. 50)					
Dollar Value of Soft Cost Labour	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Soft Cost Labour That is Local (e.g. 50)					
Dollar Value of Soft Cost Labour That is Local	\$ -	\$ -	\$ -	\$ -	\$ -
Dollar Value of Non-Labour Soft Costs (Total)	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Non-Labour Soft Costs That is Local (e.g. 50)					
Dollar Value of Non-Labour Soft Costs That is Local	\$ -	\$ -	\$ -	\$ -	\$ -
Hard Costs					
Percentage of Hard Costs That is Labour (e.g. 50)					
Dollar Value of Hard Cost Labour	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Hard Costs Labour That is Local (e.g. 50)					
Dollar Value of Hard Cost Labour That is Local	\$ -	\$ -	\$ -	\$ -	\$ -
Dollar Value of Non-Labour Hard Costs (Total)	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage of Non-Labour Hards Costs That is Local (e.g. 50)					
Dollar Value of Non-Labour Hard Costs That is Local	\$ -	\$ -	\$ -	\$ -	\$ -
Total Local Expenditures - Labour	\$ -	\$ -	\$ -	\$ -	\$ -
Total Local Expenditures - Non-Labour	\$ -	\$ -	\$ -	\$ -	\$ -

Model supports inclusion of both soft and hard costs, and consideration of the share of costs that are made locally. This is an important step in customizing a project for local (rather than provincial or national) economic impact.

Customizing The Model for Residential Intensification

- Residential intensification is typically multi-unit construction; can be new construction or renovation
- Can be solely residential or mixed use
- Residential intensification *concept* includes expectations for:
 - Economic impact of *occupancy* phase
 - Environmental benefits due to reduced vehicular traffic
 - Positive financial impacts for municipal infrastructure
 - Leveraging investments already made
 - Making future capital investments as cost-effective as possible
 - Making future operating costs more cost-effective

Note: This model does not include components for estimating expenditures or savings for municipal infrastructure but has generated information now provided to the City to build appreciation for the financial benefits of residential intensification for public infrastructure.



Customizing the Model for Residential Intensification

Downtown Kingston-KEDCO Economic Impact of Residential Intensification			
When populated, green cells flow to other worksheets to generate EI estimates			
	Residential	Commercial	
Project Name:			
Residential (Square Feet)			
Commercial (Square Feet)			
TOTAL Floor Space by Type - Residential and Commercial:			
Storesys (above ground only)			
Units (number of living units)			
Units (number of commercial spaces)			
Bedrooms (number)			
Occupancy Numbers (residential: persons/unit; commercial: staff/office space)			
Total Residents Occupants, Total Commercial Occupants		0	0
Total Occupants (Residential plus Commercial)		0	
Anticipated Annual Occupancy Levels (%)			
Total Capital Expenditures \$		-	\$ -
Total Capital Expenditures (Residential Plus Commercial) \$			-
Note: In the spreadsheet below, it is possible there will be different answers to the questions for either residential or commercial components of the project.			
Project Site Description:			
Proposed Address in Kingston			
Brownfield site? (yes or no)			
Restoration and/or reuse of existing/vacant buildings? (yes or no)			
Infill project? (yes or no)			
Can be serviced with additional infrastructure investment? (yes or no)			
Current zoning permits residential use including multi-unit			
Neighbourhood is a target zone for redevelopment			
Neighbourhood has low vacancy rates and/or available housing stock			
Additional residents would benefit neighbourhood businesses			
Additional residents would stimulate additional commercial development			
Neighbourhood has continuous access routes for transit and/or active transport.			
Note: these Characteristics should make a proposed intensification project more attractive from an economic development perspective and will improve the prospects for spinoff economic impact ESPECIALLY FROM THE OCCUPANCY PHASE.			

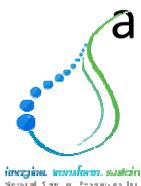
Assessing Prospects for Success

(Model allows capture of important features that go beyond expenditures)

Downtown Kingston-KEDCO Economic Impact of Residential Intensification		Residential	Commercial
When populated, green cells flow to other worksheets to generate EI estimates			
Project Name:			
Residential (Square Feet)			
Commercial (Square Feet)			
TOTAL Floor Space by Type - Residential and Commercial:			
Storesys (above ground only)			
Units (number of living units)			
Units (number of commercial spaces)			
Bedrooms (number)			
Occupancy Numbers (residential: persons/unit; commercial: staff/office space)			
Total Residents Occupants, Total Commercial Occupants	0	0	
Total Occupants (Residential plus Commercial)	0		
Anticipated Annual Occupancy Levels (%)			
Total Capital Expenditures	\$ -	\$ -	
Total Capital Expenditures (Residential Plus Commercial)	\$ -		
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Customizing The Model for Kingston

- Can happen two ways:
 - Using data specific to Kingston projects (expenditures, by type; residential/commercial mix; numbers of units, intended occupants)
 - Industry benchmarks if project-specific information is unavailable, modified to suit Kingston's circumstances
- Model includes 'selectable' data to support analysis based on Kingston's characteristics
 - Multipliers – construction and occupancy phase (used directly)
 - Includes benchmarks for new construction or renovation
 - Household spending patterns (used directly)
 - Vacancy rates, average rents and change in rents (2014 to 2015)
 - Construction cost per square foot by building type (2015)
 - Construction price indices and building permit activity
- Can be used for projects with residential intensification potential anywhere in the City not just downtown



Customizing The Model for Kingston

(Model includes Occupancy Phase component allowing customizing calculations for type of occupants, origins, incomes and associated expenditure patterns))

Downtown Kingston-KEDCO Economic Impact of Residential Intensification					
Economic Impact from Occupancy Phase - RESIDENTIAL COMPONENT					
Project:	0				
Year Occupancy is Projected to Take Place:	NOTE: THIS CALCULATES LIVING EXPENSES ONLY NOT WORK-RELATED EXPENDITURES				
	Category 1	Category 2	Category 3	Category 4	Total - All Categories
Occupant Description	Working Adults	Students	Retirees	Other	
Number of Units					0
Occupants Per Unit (Average #)					0
Number of Working Adults					0
Number of Students					0
Number of Retirees					0
Number of 'Other' Occupants					0
Total Occupants	0	0	0		0
Occupant Origins	Working Adults	Students	Retirees	Other	Total All Categories
Estimated Percentage From Within Municipality					
Estimated Percentage From Outside Municipality	100	100	100	100	
Total (Must Total 100%)	100	100	100	100	
Occupancy Phase Spending Patterns	Working Adults	Students	Retirees	Other	Total - All Categories
Annual Average Household Income Before Tax (\$)					
Average Annual Household Income Tax Rate (%)					
Average Annual Household Savings Rate (%)					
Annual Average Household Spending (AT&S) (\$)	0	0	0	0	
Percentage Allocations to Major Categories of Spending	Working Adults	Students	Retirees	Other	Total - All Categories
Housing/Accommodation (Mortgage or Rent) (%)					
Food (%)					
Clothing and Accessories (%)					
Transportation (%)					
Travel and Entertainment (%)					
Educational Costs (Tuition, Books Etc) (%)					
Other (%)					
Total (Must Total 100%) (%)	0	0	0	0	

Assessing Prospects for Success

(Model allows capture of important 'off-site' features that drive occupancy phase success, particularly for desired environmental benefits; this scorecard is NOT a substitute for City planning processes.)

Residential Intensification Project Name:		
Residential Intensification Success Scale	Score	Scoring System
Amenities:		<i>Distances shown below are drawn from literature but can be modified to suit local circumstances</i>
Restaurants and similar establishments (cafes, bistros, pubs) within 500 metres		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Retail stores/shopping outlets within 500 metres		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Grocery store within 500 metre walk of home		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Pharmacy/drug store within 500 metre walk of home		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Medical clinic, after hours clinic or ER within 800 metres		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Sub-Total:	0	Maximum score of 10
Mobility:		
Walkable area - good sidewalks, continuous walkways		If none, score 0; score 1 if good sidewalks; score 2 if good sidewalks and other walkways cre
Bike lanes within 200 metres and supportive public policy		If none, score 0; score 1 = limited designated bike lanes within 200 metres; 2 = extensive de
Bus/transit stop within 200 metres of home		Use Kingston Transit routes; if yes, score 1; if extensive, efficient routes (e.g. express optio
Car sharing program available within 200 metres		If none, score zero; if yes, but beyond 200 metres, score =1; if within 200 metres, score 2
Sub-Total:	0	Maximum score of 8
Aesthetics and Lifestyle:		
Architectural variety/visual interest within a five block radius		If no variety, score = 0; If at least two different architectural types, score = 1; if three or more
Public buildings (library, museums, community gathering places) within 500 metres		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Schools (primary, secondary, college, university) within 500 metres		If none within 500 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Parks, public gardens or similar outdoor spaces within 500 metres		If none within 500 metres, score = 0; if one or more, score = 1
Cultural attractions (theatre,movies, art gallery) within 800 metres		If none within 800 metres, score = 0; if one or two, score = 1, if three or more, score = 2
Employment zones are within 500 metres		If none within 500 metres, score = 0 ; if one zone, score = 1; if two zones, score = 2
Vital pedestrian-scale street life (foot traffic, street side stopping points, lighting)		Zero = no pedestrian activity; 1 = Yes; street life present
Sub-Total:		Maximum score of 12
TOTAL:		Maximum score of 30
Ranking:		
Total 0 to 5		Very low likelihood of success and impact without supportive changes around the project
Total 6 to 10		Limited likelihood of success and impact without supportive changes around the project
Total 11 to 19		Moderate likelihood of success and impact; additional supportive changes would help
Total 20 to 25		Moderate to high likelihood of success and impact with/without additional supportive changes
Total 26 to 30		High likelihood of success and impact with/without additional supportive changes

Putting the Model to Work

- Once final refinements to model are made, can test it with sample data
 - Increases comfort with customizable features
 - Can generate economic impact estimates for specific projects to understand economic impact sensitivity to changes
 - Can be used by Downtown Kingston BIA and KEDCO to make a first-pass assessment of 'off-site' characteristics that influence economic and environmental impact



June 14, 2016

Mayor Paterson and Members of City Council,

The Downtown Kingston! Business Improvement Area Board of Management participated in facilitated Strategic Planning sessions in April and May of 2015.

The “Top Priority” that emerged was “Advocate for downtown intensification (i.e. increasing residential density) and harness the residential segment’s full potential to stimulate activity in downtown Kingston”.

The Downtown Development Committee planned and budgeted in late 2015 to conduct research on the economic impact of residential intensification, and our KEDCO representatives on the committee indicated KEDCO would be interested in partnering on the project, if the resulting economic impact model could be applied to projects in any part of the city.

Kathryn Wood – President of Natural Capital Resources Inc. – was selected as the consultant on the project – in part because she had done the economic impact studies on the Grand Theatre, and the Rogers K-Rock Centre for the City of Kingston.

Phase One of the Economic Impact of Residential Intensification project was completed February 16, 2016. Phase One was essentially a review of studies and reports from other jurisdictions (over 50 were reviewed).

Things we learned from Phase One included:

- A) Residential intensification is now considered as an integral part of “smart growth”. The Province of Ontario – through legislation and its Policy Statement – is driving increased municipal attention to intensification.
- B) There have been few “post” implementation economic impact assessments in Canada, particularly on residential intensification. There are case studies from the U.S.
- C) There is sufficient data and information available in the public domain to allow us to build and populate a predictive model for residential intensification projects anywhere in the City.

A draft of the 2nd phase report was available in early April, and meetings were held with several City Planning staff. Their input was incorporated in later drafts.

We are now ready to present to City Council re: “Modeling the Economic Impact of Residential Intensification”, and close to selecting a project, or projects, which we can populate with data.

Doug Ritchie
Managing Director, Downtown Kingston! BIA