

DATE OF MEETING NOVEMBER 19, 2018

AUTHORED BY BILL CORSAN, DEPUTY DIRECTOR, COMMUNITY DEVELOPMENT

SUBJECT 440 SELBY STREET – UPDATE TO THE REVITALIZATION TAX EXEMPTION AGREEMENT

OVERVIEW

Purpose of Report

To obtain Council approval to update the Revitalization Tax Exemption Agreement for 440 Selby Street.

Recommendation

That Council approve an update to the Revitalization Tax Exemption Agreement for a proposed three-storey hotel at 440 Selby Street.

BACKGROUND

In 2011, the City of Nanaimo established a Revitalization Tax Exemption (RTE) Program to stimulate new hotel development within the city and to encourage major renovations. The program is captured under “Revitalization Tax Exemption Bylaw 2011 No. 7143” (the “Revitalization Tax Exemption Bylaw”).

The objectives of the RTE program are to:

- encourage new hotel and motel investment in the city of Nanaimo;
- promote a higher standard of overnight accommodations and enrich the visitor’s experience while staying in the city of Nanaimo; and
- generally reinforce the City’s commitment to the long-term development of the tourism industry.

The city-wide program applies to all major renovations, additions, demolition and rebuilds, and new construction associated with hotels and motels over a value of \$2M dollars. The RTE Program exempts the property owner from paying the municipal portion of their annual tax notice based on the increase in assessment resulting from the capital improvement. The owner is still responsible for the payments associated with the School District, Regional District, BC Assessment, etc. The program runs for a maximum length of ten years.

Three projects have been granted RTE status for hotel projects: 100 Gordon Street (172-room Conference Centre Hotel), 15 Front Street (90-room hotel) and 440 Selby Street (45-room hotel).

440 Selby Street

At the 2018-FEB-19 Council Meeting, Council approved the RTE Agreement for a proposed three-storey hotel at 440 Selby Street, under the Revitalization Tax Exemption Bylaw.

Jasbir Kaur Saroya (the “Owner”) intends to construct a three-storey hotel with 45 rooms (the “Project”).

Under the RTE Agreement, the Owner committed to obtaining a Building Permit from the City by 2018-JUN-30. The Owner has been working with the City to revise and update their building permit throughout 2018 and Staff anticipate that the final building permit will be issued by the end of November 2018.

Subsequently, the RTE Agreement needs to be revised to incorporate dates anticipating construction commencing in early 2019.

Keys Terms of the Updated RTE Agreement

- The Owner will use their best efforts to ensure that the Project will be built in accordance with the approved development permit.
- The Owner must obtain a building permit from the City for the Project on or before 2019-MAR-30.
- The Project must be officially opened and available for use as a 45-room hotel and for no other use no later than 2020-DEC-31.
- Term of Tax Exemption – Provided the requirements of the RTE Agreement are met, the tax exemption shall be for ten years as of the date of the occupancy permit granted, but no later than 2030-DEC-31.

OPTIONS

1. That Council approve an update to the Revitalization Tax Exemption Agreement for a proposed three-storey hotel at 440 Selby Street.
 - **Budget Implication:** The hotel is estimated to cost \$2.8 million to construct. Total property taxes generated by the project are estimated to be \$56,012.32 per annum based on the 2018 assessment. The exemption from the municipal tax portion is estimated at \$34,671.56 per annum for the City portion only. The exemption will run for a ten-year period post-construction.
 - **Policy Implication:** The Project is consistent with the criteria set out under the Revitalization Tax Exemption Bylaw.
 - **Strategic Priorities Implication:** Recreation, Culture, Sports and Tourism: By providing the necessary resources to facilitate the development, the community will grow and appeal to investors, tourists, residents and newcomers. The hotel will provide a major boost to downtown revitalization.
 - **Political Implication:** Support of this application reinforces Council’s commitment to the downtown and growth of the tourism industry.

2. That Council not approve the update to the Revitalization Tax Exemption Agreement.
- **Budget Implication:** The Owner will pay the municipal tax portion of \$34,671.56 per annum.
 - **Policy Implication:** Not approving the project is inconsistent with the RTE Bylaw and Council's previous decision.
 - **Political Implication:** Not providing approval to the RTE Agreement would discourage further investors from applying to the program. |

SUMMARY POINTS

- |Jasbir Kaur Saroya owns property located at 440 Selby Street and has applied for and received a development permit (DP001054) to construct a three-storey hotel with 45 rooms.
- Council provided approval of the Revitalization Tax Exemption Agreement on 2018-FEB-19. The RTE Agreement needs to be updated as the date for one of the original conditions (Building Permit to be obtained by 2018-JUN-30) has passed.
- The agreement has been amended to update the key dates associated with the construction schedule, including the following: the hotel must obtain a building permit on or before 2019-MAR-30, must be opened and available for use no later than 2020-DEC-31, and the tax exemption shall be for ten years as of the date of the occupancy permit but no later than 2030-DEC-31. |

ATTACHMENTS

ATTACHMENT A: Revitalization Tax Exemption Agreement |

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Concurrence by:

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