

DATE OF MEETING November 4, 2019

AUTHORED BY BILL CORSAN, DIRECTOR, COMMUNITY DEVELOPMENT

SUBJECT 507 MILTON STREET – ACCEPTANCE OF PROJECT UNDER THE REVITALIZATION TAX EXEMPTION BYLAW

OVERVIEW

Purpose of Report

To obtain Council approval of a mixed-used building at 507 Milton Street into the Downtown Revitalization Tax Exemption Program.

Recommendation

That Council approve the Revitalization Tax Exemption Agreement for a proposed 27-unit mixed-use building at 507 Milton Street.

BACKGROUND

The owner of 507 Milton Street, Akal Development Ltd. (the “Owner”), has applied for and received a development permit (DP993) to construct a 27-unit mixed-use building (the “Project”).

The Owner is seeking a ten-year tax exemption for the Project. The Revitalization Tax Exemption (RTE) Agreement, Attachment A, requires Council approval under the “Revitalization Tax Exemption Bylaw 2018 No. 7261”.

The property is currently assessed as a Class 1 property at \$521,000 and was levied \$3,611.14 in 2019 property taxes, of which \$2,120.31 are due to the City of Nanaimo. The municipal portion of property taxes the applicant would be responsible for is based on the land value only for a ten-year period. The tax exemption would be based on the municipal portion of property taxes on any increase in the land value and for the improvements on the property. The proposed mixed-use building is proposed to have a value of \$6,000,000. Estimated on a combination of Class 1 and Class 6 municipal tax rates, the exemption equates to \$29,550.09 of municipal taxes per annum.

The main goal of the RTE program is to encourage new multi-family and commercial investment in the downtown core.

The program applies to all major renovations, additions, demolitions and rebuilds, and new construction in the downtown core associated with commercial and multi-family residential housing over a construction value of \$500,000. The RTE applies to the municipal tax portion and only applies to the increase in assessment resulting from the capital improvement. The RTE program runs for a maximum length of ten years.

DISCUSSION

Key Terms of the RTE Agreement

- The Owner will employ best efforts to ensure the Project will be built in accordance with the approved development permit (DP993).
- The Owner must obtain a building permit from the City for the Project on or before 2019-DEC-07.
- The Project must be officially opened and available for use as a 27-unit mixed-use building and for no other use, no later than 2021-DEC-07.
- 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 granted under the building permit, but no later than 2029-DEC-07.

OPTIONS

1. That Council approve the Revitalization Tax Exemption Agreement for a proposed 27-unit mixed-use building at 507 Milton Street.
 - Advantages: The Downtown Revitalization Tax Exemption program was established to encourage commercial and multi-family development in the downtown core. This project is consistent with the goals of the program. Economic Health, identified as a key pillar within the 2019-2022 Strategic Plan, encourages investment in the downtown core.
 - Disadvantages: None identified.
 - Financial Implications: There is no direct impact on the budget. The City will collect tax from one fewer property in those years and the \$29,550.09 were be recouped through the remainder of the tax base.
2. That Council deny the Revitalization Tax Exemption Agreement for a proposed 27-unit mixed-use building at 507 Milton Street.
 - Advantages: None identified.
 - Disadvantages: Not approving the project is inconsistent with the RTE Bylaw. Not providing approval to the RTE Agreement would discourage further investors from applying to the program and may slow investor interest in the downtown core.
 - Financial Implications: No budget implication to the City. The Owner will pay the full property tax bill going forward.

SUMMARY POINTS

- The Owner of 507 Milton Street, Akal Development Ltd., has applied for and received a development permit (DP993) to construct a 27-unit mixed-use building.
- Council’s approval for a ten-year tax exemption for the mixed-use building under “Revitalization Tax Exemption Bylaw 2018 No. 7261” is being sought.
- Key Terms of Agreement: The Owner must obtain a building permit on or before 2019-DEC-07; the Project must be completed no later than 2021-DEC-07; and the tax exemption shall be for ten years as of the date of the occupancy permit, but no later than 2029-DEC-07.

ATTACHMENTS:

ATTACHMENT A: Revitalization Tax Exemption Agreement

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Concurrence by:

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