

DATE OF MEETING April 27, 2020

AUTHORED BY BILL CORSAN, DIRECTOR, COMMUNITY DEVELOPMENT

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

OVERVIEW

Purpose of Report

To obtain Council approval to amend the Tax Exemption Agreement for a mixed-used building at 507 Milton Street.

Recommendation

That Council approve the amended 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 sought and was granted a ten-year tax exemption for the Project by Council on 2019-NOV-04. The tax exemption required the Owner to obtain a building permit prior to 2019-DEC-07.

As the Owner’s consulting professionals were not able to provide the information required for the building inspector to issue the building permit prior to the deadline, the Owner was unable to obtain a building permit prior to the 2019-DEC-07 deadline identified in the existing Tax Exemption Agreement.

Staff are recommending Council amend the tax exemption agreement, with a requirement for the building permit to be acquired by 2020-JUL-01.

About the Revitalization Tax Exemption Program

The main goal of the Revitalization Tax Exemption (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

The Project is located within the downtown core and meets the objectives of the RTE program.

The Project is currently assessed as a Class 1 property at \$568,000 and will be levied an estimated \$4,115.46 in 2020 property taxes, of which \$2,427.17 will be 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 \$30,678.44 of municipal taxes per annum.

Key Terms of the Revised 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 2020-JUL-01 (revised from 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 2022-JUL-01 (revised from 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 2032-JUL-01 (revised from 2029-DEC-07).

OPTIONS

1. That Council approve the amended Revitalization Tax Exemption Agreement for a proposed 27-unit mixed-use building at 507 Milton Street.
 - Advantages: The project was previously accepted into the Downtown Revitalization Tax Exemption program as it met the goals of encouraging commercial and multi-family development in the downtown core. Providing an amendment to the tax exemption will enable the developer to proceed with the project as originally envisioned.
 - 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 \$30,678.44 will be recouped through the remainder of the tax base.
2. That Council deny the amended 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.
- The Owner sought and was granted a ten-year tax exemption for the Project by Council on 2019-NOV-04. The tax exemption required the Owner to obtain a building permit prior to 2019-DEC-07.
- The Owner's consulting professionals were not able to provide the information required for the building permit to be issued prior to the 2019-DEC-07 deadline identified in the existing Tax Exemption Agreement.
- Staff recommend Council amend the current tax exemption agreement by revising the requirement for the building permit to be acquired by 2020-JUL-01.
- Key Terms of Revised Agreement: The Owner must obtain a building permit on or before 2020-JUL-01; the Project must be completed no later than 2022-JUL-01; and the tax exemption shall be for ten years as of the date of the occupancy permit, but no later than 2032-JUL-01.

ATTACHMENTS:

ATTACHMENT A: Amended Revitalization Tax Exemption Agreement

Submitted by:

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Concurrence by:

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