

DATE OF MEETING February 7, 2022

AUTHORED BY NANCY SKEELS, PROPERTY AGENT, REAL ESTATE

SUBJECT 521 HECATE 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 proposed multi-family building at 521 Hecate Street.

Recommendation

That Council approve the amended Revitalization Tax Exemption Agreement for a proposed 10-unit multi-family development at 521 Hecate Street.

BACKGROUND

The owner of 521 Hecate Street, Satgur Development Inc. (the “Owner”), has applied for and received a development permit (DP1153) to construct a 10-unit multi-family residential development (the “Project”).

The Owner sought and was granted a ten-year tax exemption for the Project by Council on 2021-FEB-01 under “Revitalization Tax Exemption Bylaw 2018 No. 7261”. The tax exemption required the Owner to obtain a building permit prior to 2021-APR-30.

The Owner was unable to obtain a building permit prior to the 2021-APR-30 deadline identified in the existing Tax Exemption Agreement due to unexpected construction delays to demolish the existing building and the requirement for the Owner to have a geotechnical report and covenant prepared.

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 property is currently assessed as a Class 1 property at \$265,000 and was levied \$3,032.70 in 2021 property taxes, of which \$1,770.09 are due to the City of Nanaimo. The proposed mixed-use building is proposed to have a value of \$1,416,275. The estimated exemption equates to \$6,321.06 of municipal taxes per annum.

Key Terms of the Amended RTE Agreement

- The Owner will employ best efforts to ensure the Project will be built in accordance with the approved development permit (DP1153).
- The Owner must obtain a building permit from the City for the Project on or before 2022-APR-30 (revised from 2021-APR-30).
- The Project must be officially opened and available for use as a 10-unit multi-family residential development and for no other use, no later than 2024-APR-30 (revised from 2023-APR-30).
- 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 BP126348, but no later than 2034-APR-30.

OPTIONS

1. That Council approve the amended Revitalization Tax Exemption Agreement for a proposed 10-unit multi-family building at 521 Hecate Street.

- The advantages of this option: 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.
- The disadvantages of this option: None identified.
- Financial Implications: There is no direct impact on the budget. The City will collect tax from one fewer property in those years.

2. That Council deny the amended Revitalization Tax Exemption Agreement for a proposed 10-unit multi-family building at 521 Hecate Street.

- The advantages of this option: None identified.
- The disadvantages of this option: Not approving the Project is inconsistent with “Revitalization Tax Exemption Bylaw 2018 No. 7261”. 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 implications to the City. The Owner will pay the full property tax bill going forward. |

SUMMARY POINTS

- The Owner of 521 Hecate Street, Satgur Development, has applied for and received a development permit (DP1153) to construct a 10-unit multi-family residential development.
- Council’s approval for a ten-year tax exemption for the proposed multi-family residential development 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 2022-APR-30; the Project must be completed no later than 2024-APR-30; and the tax exemption shall be for ten years as of the date of the occupancy permit, but no later than 2034-APR-30.

ATTACHMENTS:

ATTACHMENT A: Amended Revitalization Tax Exemption Agreement |

Submitted by:

Bill Corsan
Director, Corporate and Business
Development |

Concurrence by:

Laura Mercer
Director, Finance |