

DATE OF MEETING August 29, 2022

AUTHORED BY TERESA LEE, REAL ESTATE TECHNICIAN

**SUBJECT 100 GORDON 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 the Courtyard Marriott Hotel development at 100 Gordon Street.

### **Recommendation**

That Council approve the amended Revitalization Tax Exemption Agreement for the 172-room hotel development at 100 Gordon Street.

## **BACKGROUND**

The Owner of 100 Gordon Street, 1141872 BC Ltd., has applied for and received a development permit (DP1076) to construct a 172-room hotel development (the “Project”).

The Owner sought and was granted a ten-year tax exemption for the Project by Council on 2017-NOV-06 under “Revitalization Tax Exemption Bylaw 2011 No. 7143”. The Tax Exemption Agreement required the Owner to obtain an occupancy permit prior to 2020-DEC-31.

The Owner was not able to meet the 2020-DEC-31 occupancy permit deadline in the Tax Exemption Agreement. On 2020-DEC-21 Council approved an amendment to the Agreement to extend the requirement for the occupancy permit to be issued by 2022-OCT-31.

The Project has been further delayed as a result of staffing issues and difficulties with obtaining construction materials in a timely manner due to the ongoing pandemic. The Owner will not be able to meet the 2022-OCT-31 deadline for issuance of the occupancy permit as required in the existing Agreement.

Staff are recommending that Council approve the amendment of the Tax Exemption Agreement to extend the Project completion date to 2023-JUL-01.

### **About the Revitalization Tax Exemption Program**

The main goal of the Revitalization Tax Exemption (RTE) is to encourage new hotel and motel development and redevelopment in the City. The construction value of the Project, as determined based on the building permit(s) issued, must be \$2,000,000 or greater. 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 meets the objectives of the RTE program and will enhance the operations of the Vancouver Island Conference Centre (VICC) by providing accommodation for guests of the VICC.

The tax exemption for the Project is calculated based on the current assessed value of the property, less the assessed value of the property immediately before the building permit for the project has been issued (the baseline assessment).

In 2019, the property was assessed as a Class 6 (business) property with a value of \$731,000, and the portion of municipal taxes paid to the City of Nanaimo was \$9,021.71. This is the baseline assessment. The tax exemption calculated for the next 10 years will be on the municipal portion of property taxes only, and the property owner is still responsible for the payment of taxes charged by other agencies. The commercial building is proposed to have a Class 6 (business) property value of \$30,220,000. Based on 2023 municipal tax rate estimates, the exemption equates to approximately \$385,000 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 (DP1076).
- The Owner has obtained a building permit from the City for the Project on or before 2019-NOV-27.
- The Project must be officially opened and available for use as a 172-room hotel development and for no other use, no later than 2023-JUL-01 (revised from 2022-OCT-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 granted under the building permit, but no later than 2032-JUL-01 (revised from 2031-OCT-31). |

## **OPTIONS**

1. That Council approve the amended Revitalization Tax Exemption Agreement for a 172-room hotel development at 100 Gordon Street.
  - Advantages: The Project was previously accepted into the Revitalization Tax Exemption program as it met the goals of encouraging new hotel development in the City. 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 estimated \$385,000 per annum will be recouped through the remainder of the tax base.
2. That Council deny the amended Revitalization Tax Exemption Agreement for a proposed 172-room hotel development at 100 Gordon 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 City.
- Financial Implications: No budget implication to the City. The Owner will pay the full property tax bill going forward

### **SUMMARY POINTS**

- The Owner of 100 Gordon Street, 1141872 BC Ltd., has applied for and received a development permit (DP1076) to construct a 172-room hotel development.
- The Owner sought and was granted a ten-year tax exemption for the Project by Council on 2017-NOV-06. The tax exemption required the owner to obtain an occupancy permit prior to 2020-DEC-31 (revised to 2022-OCT-31).
- Due to staffing constraints and difficulties obtaining construction materials in a timely manner as a result of the ongoing pandemic the Owner has requested an extension of the deadline identified in the existing Tax Exemption Agreement.
- Staff recommend that Council amend the current Tax Exemption Agreement by revising the requirement for the occupancy permit to be issued by 2023-JUL-01.
- Key Terms of Revised Agreement: The Owner must obtain an occupancy permit on or before 2023-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:**

Bill Corsan  
Director, Corporate and Business  
Development

#### **Concurrence by:**

Jeremy Holm  
Director, Development Approvals

Laura Mercer  
Director, Finance

Dale Lindsay  
Deputy CAO/General Manager, Development  
Services |