

DATE OF MEETING June 19, 2023

AUTHORED BY TERESA LEE, REAL ESTATE TECHNICIAN

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 proposed mixed-use building at 507 Milton Street.

Recommendation

That Council approve the amended Revitalization Tax Exemption Agreement for a proposed 28-unit mixed-use development at 507 Milton Street, consisting of 25 residential units and 3 commercial rental units.

BACKGROUND

The Owner of 507 Milton Street, Akal Development Ltd. (the “Owner”) has applied for and received a development permit (DP993) to construct a 28-unit mixed-use development (the “Project”).

The Owner sought and was granted a ten-year tax exemption for the Project by Council on 2019-NOV-04 under “Revitalization Tax Exemption Bylaw 2018 No. 7261”. The Tax Exemption Agreement required the Owner to obtain a building permit prior to 2019-DEC-07.

The Owner was not able to meet the 2019-DEC-07 building permit deadline in the Tax Exemption Agreement. On 2020-APR-27 Council approved an amendment to the Agreement to extend the requirement for the building permit to be issued by 2020-JUL-01. The building permit was issued on 2020-MAY-19. On 2022-DEC-19 Council approved an amendment to the Agreement to extend the Project completion date to 2023-JUN-30.

The Project commenced during the pandemic and the Owner has had to adjust the construction schedule to account for supply chain and labour shortages. The Project is now nearing completion, however, the Owner will not be able to meet the 2023-JUN-30 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-DEC-30.

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 tax exemption for the Project is calculated from the property value prior to the time that the building permit is issued. The property was assessed as a Class 1 property at \$568,000 and was levied \$4,061.44 in 2020 property taxes, of which \$2,375.32 was paid 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 \$12,112,600. Estimated on a combination of Class 1 and Class 6 municipal tax rates, the exemption equates to approximately \$49,000 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 (DP993).
- The Owner has obtained 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 28-unit mixed-use building and for no other use, no later than 2023-DEC-30 (revised from 2023-JUN-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, but no later than 2032-DEC-29 (revised from 2023-JUN-30).

OPTIONS

1. That Council approve the amended Revitalization Tax Exemption Agreement for a proposed 28-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 \$49,000 will be recouped through the remainder of the tax base.

2. That Council deny the amended Revitalization Tax Exemption Agreement for a proposed 28-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 28-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 (revised to 2020-JUL-01).
- The Project has been delayed and 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-DEC-30.
- Key Terms of Revised Agreement: The Owner must obtain an occupancy permit on or before 2023-DEC-30 and the tax exemption shall be for ten years as of the date of the occupancy permit, but no later than 2033-DEC-30.

ATTACHMENTS:

Attachment A: Amended Revitalization Tax Exemption Agreement |

Submitted by:

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Concurrence by:

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