

DATE OF MEETING OCTOBER 23, 2023

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SUBJECT REVIEW OF CITY INCENTIVES AND TAX EXEMPTION

## **OVERVIEW**

### **Purpose of Report**

To provide the Governance and Priorities Committee with background information on the City of Nanaimo's development incentive programs and to seek direction to proceed with a number of proposed revisions.

### **Recommendation**

That the Governance and Priorities Committee provide direction on the proposed changes to the development incentive programs.

## **BACKGROUND**

Development projects have the potential to yield substantial benefits for cities, encompassing job creation, increased tax revenue, and overall economic growth. However, attracting developers to invest in underperforming areas and/or sectors can be challenging. Local governments can play a key role in encouraging such investments by proactively offering incentives to make development financially viable.

Under section 226 of the *BC Community Charter*, municipalities have the authority to utilize development incentives to achieve diverse objectives, including economic growth, environmental sustainability, and social well-being. To this end, Nanaimo has tailored and introduced several development incentive programs, aligning them with specific objectives to foster revitalization. In 2011 the City created the Hotel and Motel Revitalization Tax exemption program to encourage investment in renovations and new projects. In 2018, the City introduced the Downtown Revitalization Tax Exemption (DRTE) program to encourage development in the downtown core. In endorsing the new tax exemption program, Council asked staff to report back after five years with an evaluation of the program. The purpose of this report is to provide a review of both programs to determine if amendments are warranted.

## **DISCUSSION**

Attachment A highlights a spectrum of developer incentives used in various BC cities and other major Canadian municipalities. Furthermore, it delves into the City of Nanaimo's incentive programs, offering insights into the outcomes to-date and feedback from stakeholders. Potential

new incentives that align with the Reimagined City Plan are also suggested for Council's consideration.

Considering the evolving landscape and Nanaimo's aspirations for sustainable growth, staff are seeking guidance from the Governance and Priorities Committee regarding two key programs: the Downtown Revitalization Tax Exemption (DRTE) and the Hotel & Motel Revitalization Tax Exemption (HMRTE). Through discussion and a structured questionnaire, staff wish to explore potential future direction on these two programs.

### **Next Steps**

1. Summarize Proposed Amendments: Staff will consolidate the proposed amendments resulting from today's meeting, ensuring that all relevant ideas and suggestions are accurately reflected.
2. Gather Feedback from the Development Community: Staff will actively seek feedback from the development community regarding the proposed changes as their valuable insights helped form the basis of the initial discussion.
3. Prepare Amendments to Bylaw and Policies: Building upon the received feedback, Staff will prepare the necessary amendments to the existing bylaws and policies pertaining to development incentive programs.
4. Return to Council for discussion and approval.

By continuously evaluating and enhancing our development incentive programs, Nanaimo can attract investments and stimulate growth while remaining committed to the city's overarching vision of sustainable, inclusive, and prosperous development.

### **OPTIONS**

1. That the Governance and Priorities Committee provide direction on the proposed changes to the development incentive programs.
  - The advantages of this option: The two tax incentive programs have been moderately successful and minor amendments will help ensure they remain relevant and attractive to the development community while meeting Council's objectives. The proposed changes have been discussed with key stakeholders.
  - The disadvantages of this option: none identified.
  - Budget Implication: There is no direct impact on the budget. The City will not collect tax from properties in the program on the value of improvements for the specified time-period. The cost burden is shared across the rest of the properties in the City.
2. That the Governance and Priorities Committee recommend that Council discontinue the DRTE and HMRTE tax exemption programs.
  - The advantages of this option: removing the tax incentive programs would provide a level playing field for development across the City and would not promote any specific industry.

- The disadvantages of this option: if the Governance and Priorities committee wishes to cancel the two programs there could be push back from the development community unless an alternative incentive program is proposed.
- Budget Implication: not incentivizing downtown core development and renovations or new construction of Hotels & Motels could reduce investment. A reduction in investment in these projects could decrease the growth in tax revenue over the long run.

3. That the Governance and Priorities Committee provide alternate direction.]

### **SUMMARY POINTS**

- The City has the ability under section 226 of the *Community Charter* to offer revitalization tax exemption programs. The City of Nanaimo has two programs, the Hotel and Motel Revitalization Tax Exemption (HMRTE) and Downtown Revitalization Tax Exemption (DRTE) program.
- Both programs have been in existence for several years and a review is warranted now. Staff have reviewed best practices from other communities and met with stakeholders to get feedback on what is working well and what could be amended.
- A detailed report contained in Attachment A provides background information on tax incentive programs with a detailed look at the City of Nanaimo.
- The Governance and Priorities Committee is being asked to provide direction on several amendments proposed by staff.

### **ATTACHMENTS:**

ATTACHMENT A: Review of City Incentives and Tax Exemption

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#### **Concurrence by:**

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