

DATE OF MEETING June 3, 2024

AUTHORED BY AMRIT MANHAS, ECONOMIC DEVELOPMENT OFFICER

SUBJECT DOWNTOWN AND HOTEL AND MOTEL REVITALIZATION TAX EXEMPTION PROGRAMS

OVERVIEW

Purpose of Report

To present Council with new Revitalization Tax Exemption Bylaws for the Downtown and Hotels and Motels.

Recommendation

Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384

1. That “Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384” (a bylaw to establish a revitalization tax exemption program for the downtown) pass first reading;
2. That “Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384” pass second reading; and
3. That “Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384” pass third reading.

Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385

1. That “Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385” (a bylaw to establish a revitalization tax exemption program for the hotels and motels) pass first reading;
2. That “Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385” pass second reading; and
3. That “Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385” pass third reading.

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 two tax incentive programs, aligning them with specific objectives to foster revitalization in the hotel motel sector and the downtown core.

In 2011 the City created the Hotel and Motel Revitalization Tax exemption program (HMRTE) to encourage investment in renovations and new projects. The city-wide program applies to all major renovations, additions, demolition and rebuilds, and new construction associated with hotels and motels over a value of \$2M. So far two projects in the downtown core have taken advantage of this program (Courtyard by Marriot and Quality Inn).

In 2018, the City introduced the Downtown Revitalization Tax Exemption (DRTE) program to encourage development in the downtown core. The program applies to new multi-family residential buildings with four or more units, new commercial buildings, and additions/renovations to existing commercial buildings with a construction value of \$500,000 or more. So far, ten projects have taken advantage of this program. The most significant under this program are the Telus Living Project at 235 Wallace Street and the former Caledonia Clinic property at 400 Campbell Street which are both under construction.

Both the HMRTE and the DRTE applies to the municipal tax portion and is only based on the increase in assessed value resulting from the capital improvement. Both programs run for a maximum length of ten years.

When Council established the DRTE program, it included a commitment to review the program after five years to determine the effectiveness of the program and to review possible amendments.

Staff undertook a comprehensive review of other tax exemption program offered by local government across British Columbia. In addition, Staff met with developers to solicit feedback and reviewed the overall take up of the two tax exemption programs.

The findings of this analysis were presented to Council at the 2023-NOV-27 Governance and Priorities Committee (GPC) meeting. In addition, Staff engaged the GPC on amendments to the two programs focused on the key considerations of each program. The input received from the GPC included the following (Attachment A):

Hotel/Motel Program (HMRTE)

- Tax Exemption Area: Entire City for Renovations
- Type of Project: Renovations only outside the downtown core. New hotel/motel developments would qualify under the DRTE program in the downtown core
- Minimum Building Permit Value: \$3M for new builds, \$250K for renovations
- Time Limit on the Program: Five years, with the last application intake being 2029-DEC-31
- Length and Percentage of Tax Break: Five years, 100%
- Approval Authority: Delegated to Staff
- Extension Requests: Two maximum, none after the program expiry date

Downtown Revitalization Program (DRTE)

- Tax Exemption Area: Remains the same (Pine Street Boundary)
- Eligible Projects: New Commercial or Multi-Family, additions/renovations to existing commercial buildings.
- Minimum Number of Residential Units for Multi Family: 10+ units (revised from 4+ units)

- Minimum Investment: \$2M (revised from \$500,000)
- Time Limit on the Program: Five years, with the last application intake being 2029-DEC-31
- Length and Percentage of Tax Break: Five years, 100%
- Approval Authority: Delegated to Staff
- Extension Requests: Two maximum, none after program expiry date

DISCUSSION

After the GPC, Staff reviewed the feedback and met with representatives from the development community to gain input on the proposed amendments. The development community supports all changes except for the length of the exemption period, to which they advocate for keeping at ten years instead of five years.

Staff also believe that it would be in the best interest for the HMRTE program to be available across the entire City for both renovations and new builds.

The City solicitor has updated the existing HMRTE and DRTE bylaws to reflect the changes recommended by the Committee, Staff and development community. This is Staff's recommendation as presented in Option 1.

Once the bylaws are adopted, the existing Bylaws 7143 and 7261 would be repealed. Under Section 227(2) of the *Community Charter*, notice would need to be given prior to adoption of the new bylaws, and to advise that the existing bylaws are to be repealed. Previously approved exemptions granted under the current bylaws would be protected.

A summary of each bylaw is provided below:

Bylaw 2024 No. 7385 - Hotel/Motel Program (HMRTE)

- Tax Exemption Area: Entire City.
- Type of Project: Renovations and new build construction
- Minimum Building Permit Value: \$3M for new builds, \$250K for renovations
- Time Limit on the Program: Five years, with the last application intake being 2029-DEC-31
- Length and Percentage of Tax Break: 10 Years, 100%
- Approval Authority: Delegated to Staff
- Extension Requests: Two maximum, none after the program expiry date
- Effective Date: Upon adoption of the bylaw

Bylaw 2024 No. 7384 - Downtown Revitalization Program (DRTE)

- Tax Exemption Area: Remains the same (Pine Street Boundary)
- Eligible Projects: New Commercial or multi-family, renovations to existing commercial
- Minimum Number of Residential Units: 10+ units (revised from 4+ units)
- Minimum Investment: \$2M building permit value (revised from \$500,000).

- Time Limit on the Program: Five years, with the last application intake being 2029-DEC-31
- Length and Percentage of Tax Break: 10 Years, 100%
- Approval Authority: Delegated to Staff
- Extension Requests: Two maximum, none after program expiry date
- Effective Date: Upon adoption of the bylaw

Next Steps

Should Council wish to advance with Option 1, the bylaws would receive the first three readings at tonight's Council meeting. Notice of the Revitalization Tax Exemption program's establishment and cessation of the existing program would then be provided prior to adoption of the bylaw under Section 94 and 227 of the *Community Charter*.

Staff would prepare an annual update for Council on the two tax exemption programs identifying which projects have been captured by the program and the net benefit to the community.

OPTIONS

Option 1

Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384

1. That "Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384" (a bylaw to establish a revitalization tax exemption program for the downtown) pass first reading;
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Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385

1. That "Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385" (a bylaw to establish a revitalization tax exemption program for hotels and motels) pass first reading;
2. That "Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385" pass second reading; and
3. That "Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385" pass third reading.
 - The advantages of this option: The City Plan recognizes the downtown core as the primary urban centre and encourages revitalization initiatives. The City's hotel and motel stock would benefit from investment to help grow the tourism sector in Nanaimo. The feedback from the development community has been incorporated into the bylaws. Encouraging private investment in the tourism sector and the downtown core aligns with the City's prosperous Nanaimo goal.
 - The disadvantages of this option: The two programs target a specific sector (Hotels and Motels) and an area of the City (downtown). The programs provide an incentive to invest in these areas as opposed to other areas that may be deemed important to Council.
 - Financial Implications: There is no direct impact on the budget. The City will not collect tax from properties in the program on the value of improvement for the

specified time-period. The cost burden is shared across the rests of the properties in the City. New builds and renovations will expand the City's tax base after the ten-year tax exemption expires.

Option 2

That Council direct Staff to bring forward Revitalization Tax Exemption Bylaws for the downtown and hotels and motels that reflect a five-year tax exemption period, including Hotel Motel Revitalization Tax Exemption program open Citywide for both new builds and renovations.

Should Council choose this option, Staff would make the necessary amendments to the bylaws to reflect the above changes and bring them back to the 2023-JUN-17 Council meeting for consideration.

- The advantages of this option: The City Plan recognizes the downtown core as the primary urban centre and encourages revitalization initiatives. Encouraging private investment in the tourism sector and the downtown core aligns with the City's prosperous Nanaimo goal.
- The disadvantages of this option: The two programs target a specific sector (Hotels and Motels) and an area of the City (downtown). The programs provide an incentive to invest in these areas as opposed to other areas that may be deemed important to Council.
- Financial Implications: There is no direct impact on the budget. The City will not collect tax from properties in the program on the value of improvement for the specified time-period. The cost burden is shared across the rests of the properties in the City. New builds and renovations will expand the City's tax base after the five-year tax exemption expires.

Option 3

That Council provide alternate direction. |

- Should Council wish to make further amendments to the Revitalization Tax Exemption Bylaws beyond amending the tax exemption period, Staff would be seeking direction on the requested changes. Staff would then incorporate the feedback received at the meeting and come back to a future Council meeting with the bylaws for consideration.

SUMMARY POINTS

- Under Section 226 of the BC *Community Charter*, municipalities have the authority to create Revitalization Tax Exemption Programs.
- The City of Nanaimo has two existing programs.
- In 2011, the City established the Hotel Motel Tax Exemption Program.
- In 2018, the City established the Downtown Revitalization Tax Exemption Program.
- At the 2023-NOV-27 Governance and Priorities Committee (GPC) meeting the two programs were reviewed and the Committee identified amendments to the programs.
- The feedback from the Committee has been incorporated into the Bylaws associated with this Staff report.

- The key changes to the Hotel Motel Tax Exemption Program include the lowering of the building permit value threshold to \$250K for renovations and increasing the new build threshold to \$3M (previously \$2M).
- The key change to the Downtown Revitalization Tax Exemption Program is the increase of multi-family residential developments to 10+ units (previously 4+) and increasing the building permit value to \$2M (previously \$500K).
- Both programs are open for a five-year period, expiring Dec 2029-DEC-31
- The Tax Exemption term would be for ten years.
- Staff intend to prepare an annual update for Council on the two tax exemption programs identifying which projects have been captured by the program and the net benefit to the community.

ATTACHMENTS:

ATTACHMENT A: Key Input from 2023-NOV-27 GPC Meeting
Revitalization Tax Exemption Bylaw (Downtown) 2024 No. 7384
Revitalization Tax Exemption Bylaw (Hotel and Motel) 2024 No. 7385 |

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