



STAFF REPORT

To: Council
From: Chief Administrative Officer
Subject: Downtown Revitalization Tax Exemption Bylaw

File No.: 0250-20/3900-2937
Date: July 16, 2018

PURPOSE:

The purpose of this report is for Council to consider a downtown revitalization tax exemption bylaw to stimulate new commercial and residential development in the greater downtown area.

CAO RECOMMENDATIONS:

That based on the July 16, 2018 staff report, "Downtown Revitalization Tax Exemption Bylaw", Council proceed to First and Second Readings of Bylaw 2937, 2018; and

That statutory notice for the Downtown Revitalization Tax Exemption Bylaw be published pursuant to section 277 of the *Community Charter* prior to adoption of the bylaw.

Respectfully submitted,

David Allen, BES, CLGEM, SCLGM
Chief Administrative Officer

BACKGROUND:

In August 2016 Council adopted the Downtown Courtenay Playbook: A Partnership Action Plan. This playbook was the result of extensive stakeholder engagement and community consultation. It outlines a number of initiatives the City and its partners can undertake to facilitate strengthening Downtown Courtenay as the heart of the Comox Valley.

The creation of a revitalization tax exemption program is one of the actions recommended in the plan to assist in stimulating redevelopment of existing buildings, and the development of new buildings.

DISCUSSION:

Revitalization tax exemption programs are widely used by local governments across the province as a means to incentivize development of certain types or within specified areas. One of the more common exemptions programs is for downtown development.

With regard to downtown Courtenay staff are proposing a bylaw with two distinct areas for tax exemption purposes. These are the core area (Area 1) of downtown generally bound by 3rd Street, the Courtenay

River, 8th Street and Harmston Avenue and the “Greater Downtown” (Area 2) extending south from the core area to 17th Street and west to the railway corridor.

Within the core area (Area 1), the program, as proposed, includes a 5 year 100% tax exemption on the increase in assessed value resulting from new improvements. This exemption will apply equally to commercial, residential and mixed use developments.

Within the greater downtown area (Area 2) the program includes a 5 year 50% tax exemption on the increase in assessed value resulting from commercial improvements. In an effort to support residential development on the periphery of the core a 5 year 100% exemption for residential development of 4 or more units is also proposed.

In an effort to encourage development of affordable housing units staff are proposing that within both Area 1 and Area 2 the program include an 8 year 100% exemption for residential development where the owner enters into a housing agreement to secure affordable housing units. In this regard, the housing agreement will require that at a minimum 10% of the units (but not less than 1 unit) be rented, leased, sold or share priced at 30% below market rates.

For commercial development staff are proposing a minimum building permit value of \$200,000 for the project to be eligible. This will encourage more significant investment and limit the number of exemptions granted for minor renovations. Council may wish to consider other incentive programs such as a façade improvement grant to stimulate more modest renovations.

The impact of the proposed exemptions based on 2018 tax rates are approximately:

- a) \$343 per year for every \$100,000 of increased assessed value for a 100% exemption on a residential project; and
- b) \$1,042 per year for every \$100,000 in increased assessed value for a 100% exemption on a commercial project; and
- c) \$521 per year for every \$100,000 in increased assessed value for a 50% exemption on a commercial project.

Some revitalization tax exemption bylaws require specific types of commercial or residential uses, or that projects are constructed to certain standards such as LEED (Leadership in Energy and Environmental Design) to meet eligibility requirements. These limiting criteria are more easily implemented in communities that are currently seeing significant development interest in their downtown area. While staff are working with a number of property owners in the Greater Downtown area who are considering projects, the interest in downtown development in the last few years has not been significant. To achieve the maximum impact in the shortest time frame staff are not recommending significant eligibility conditions at this time. Staff believe that applying the exemption with limited requirements will provide flexibility and clarity to industry making the program more appealing.

Council may wish to direct revisions to the bylaw to include specific eligibility criteria at this time, however, staff recommend considering revisions to the bylaw in the future after an initial period of review to measure the success of the program.

FINANCIAL IMPLICATIONS:

Implementing a revitalization tax exemption bylaw will not result in a loss of current tax revenue but will delay new tax revenue from the increased assessed value resulting from new development.

Staff are recommending a \$200 fee for processing the application and tax certificate.

ADMINISTRATIVE IMPLICATIONS:

Preparation of this report took approximately 25 hours. Should Council proceed with the bylaw, an additional 15 hours of staff time will be required to undertake the required notification process, prepare the application form and prepare educational material.

It is estimated that each application will take approximately 5 hours to process.

ASSET MANAGEMENT IMPLICATIONS:

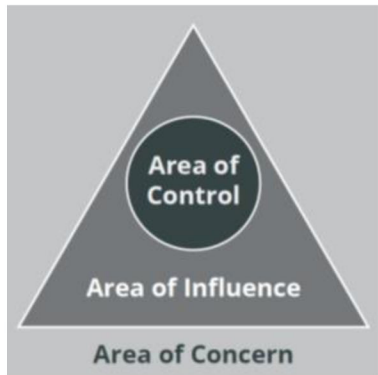
There are no direct asset management implications associated with this program.

STRATEGIC PRIORITIES REFERENCE:

The proposed revitalization tax exemption program aligns with Council’s strategic priority to actively pursue vibrant economic growth.

We actively pursue vibrant economic growth

- Revitalizing our downtown is critical to our economic future
- Continue to improve our relationship with business in our community



- **Area of Control**
The policy, works and programming matters that fall within Council’s jurisdictional authority to act.
- ▲ **Area of Influence**
Matters that fall within shared or agreed jurisdiction between Council and another government or party.
- **Area of Concern**
Matters of interest outside Council’s jurisdictional authority to act.

OFFICIAL COMMUNITY PLAN REFERENCE:

Section 4.1.2

- To strengthen the role of the downtown as the primary business district and the centre for culture, entertainment, government and tourism;
- identify policies to encourage the development and redevelopment of the downtown
- promote a mix of multi residential with commercial uses

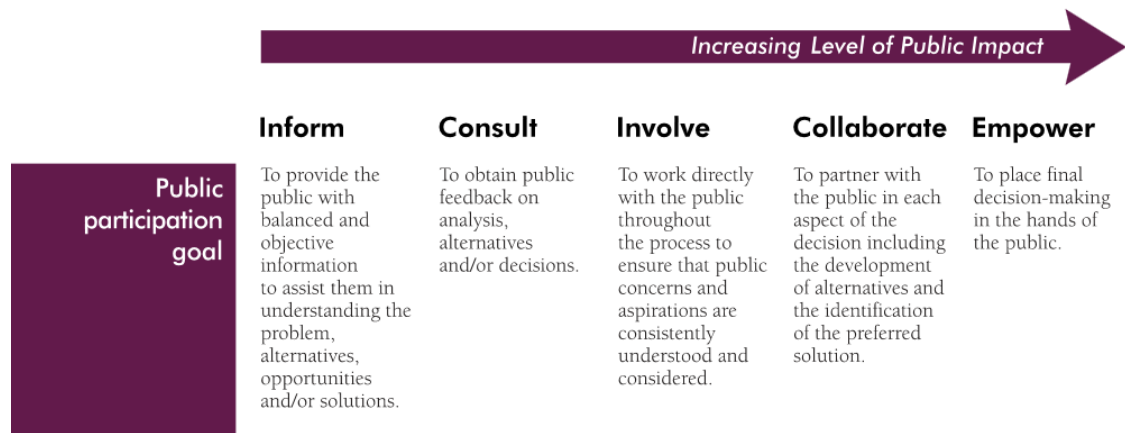
REGIONAL GROWTH STRATEGY REFERENCE:

The RGS generally supports infill development within Municipal Areas close to existing services and in particular supports the promotion of Town Centres as regional mixed use, compact and accessible employment nodes.

Additionally, one of the supporting policies (3D-3) for Goal 3: Local Economic Development encourages the examination of tax structures for Town Centres that result in reduced costs.

CITIZEN/PUBLIC ENGAGEMENT:

Pursuant to the requirements of the Community Charter the City is required to post notice in the newspaper prior to adoption of a tax exemption program. To this end, staff will **consult** with the public based on the IAP2 Spectrum of Public Participation:



OPTIONS:

- OPTION 1:** That Council proceed to First and Second Readings of Bylaw 2937, 2018 and direct staff to publish statutory notice of the City’s intention to adopt a revitalization tax exemption bylaw.
- OPTION 2:** That Council direct staff to make revisions to the bylaw prior to publishing notice.
- OPTION 3:** That Council direct staff not to proceed with any further work on a revitalization tax exemption bylaw.

Prepared by:



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