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Planner: E. Lalande

TO:	CHAIR AND MEMBERS PLANNING & ENVIRONMENT COMMITTEE
FROM:	JOHN M. FLEMING MANAGING DIRECTOR, PLANNING AND CITY PLANNER
SUBJECT:	RETROACTIVE APPLICATION FOR TAX GRANT INCENTIVE PROGRAM BY 2204907 ONTARIO INC. – 637 DUNDAS STREET MEETING ON JULY 22, 2014

RECOMMENDATION

That, on the recommendation of the Managing Director, Planning and City Planner, the following report regarding a grant application made by 2204907 Ontario Inc. for the Tax Grant Incentive Program for the property located at 637 Dundas Street **BE RECEIVED** as information and that civic administration **BE DIRECTED** to process the grant application as retroactive to the date of issuance for building permits.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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“None”

BACKGROUND

In 2005, the City of London adopted the Old East Village Community Improvement Plan. This plan identifies key areas of revitalization along the Dundas Street corridor and encourages residential development to achieve long term success. The plan sets objectives for redevelopment projects by encouraging:

- A continuous building streetscape
- The maintenance of existing heritage buildings
- New development to be sensitive to the scale, massing and vernacular of the existing built environment
- Provide linkages for pedestrian movement
- And provide a broad range of commercial, residential, office, cultural, recreation and facility type uses.

Financial incentives are established as a means to achieve the objectives of the plan. Specifically, The Tax Grant Incentive Program is intended to provide economic incentive for the rehabilitation of residential and commercial properties in the Downtown and Old East Village Community Improvement Project areas. The annual grant amount is calculated based upon the increase in the municipal portion of property taxes that is directly related to a rehabilitation project (i.e. tax increase that results from the increase in assessment relating to an improvement project). Annual grants are provided to property owners over a ten-year period and the value of each grant declines over this ten-year period. While it is not structured as a tax rebate program, the effect of this program is to phase in the tax increase, which results from a rehabilitation project, over a period of ten years. Another perspective is that this program will provide those who perform rehabilitation projects with a ten-year revenue stream that they can use to address the financing of their projects. This program provides grants only related to the increase, the municipal portion of taxes paid prior to development shall continue to be paid and do not factor into the calculation of the annual grant.

The tax grant program has been successful in attracting large scale development projects within the City. This program has the effect of deferring the total amount of taxes that would be

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otherwise due immediately, and therefore has allowed properties to be redeveloped sooner, providing an overall long term benefit to the area.

637 DUNDAS STREET

The subject property is located at 637 Dundas and previously known as 637-639 Dundas Street and 636 Marshall Street, owned by 2204907 Ontario Inc. The subject property was developed comprehensively in 2011 and 2012 to include a low-rise mixed use building along the south side of Dundas Street between Adelaide Street North and Elizabeth Street; and a medium rise apartment building to the rear of the property accessing from Marshall Street. In total, 72 residential units and 6 commercial units were constructed.



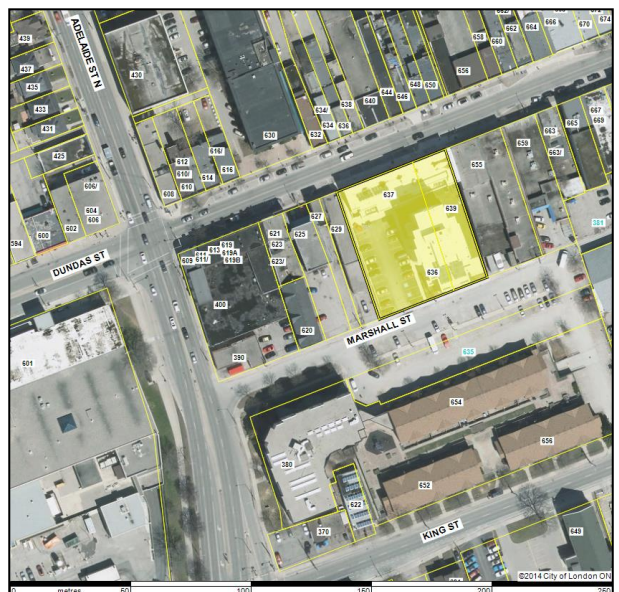
The City of London issued building permits February 1, 2011 to construct a three (3) storey, 12-unit apartment building with 6 retail units and a nine (9) storey, 60-unit apartment building. The project was completed at an estimated construction cost of approximately \$9,000,000. Final inspections on the project were completed on November 7, 2012 and November 27, 2012.

This project is an example of major investment in the area which achieve the objectives of the Community Improvement Plan and encourages further revitalization along the Old East Village Corridor. The Community Improvement Plan specifically envisioned for this area:

The project filled an existing gap along Dundas Street and re-established a continuous building streetscape without compromising heritage buildings. Further, the development provides a form sensitive to the scale, massing and vernacular along Dundas and provides increased density in the rear portion protecting the vibrancy along the pedestrian oriented Old East Village Core. This project provides a mixed use form with significant residential units located at the core of the Old East Village.

As a result the redevelopment of the subject property, the assessment value of the property has increased significantly and as a result the municipal taxes applicable to the property have also increased.

However, to be considered for an incentive, the property owner must submit an application under the Tax Grant Incentive Program concurrently with the Building Permit. The City will review the application and, if deemed appropriate, provide a letter of commitment under the program. The issuance of a Building permit serves as a pre-improved assessed value date. Utilising pre- and post-improvement assessment values, the City would then prepare the Grant Agreement and calculate the eligible rate under the program. An application under the program was not received by the City until following the closing of a building permit on April 3, 2013.



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This report has been prepared to request that Council acknowledge the application be applied retroactively notwithstanding the project has been completed prior to an application being submitted. This application requests that the 2013 Tax Year be considered as Year 1 under the program guidelines, which entitles the owner to receive payment in 2014.

FINANCIAL IMPLICATIONS

The redevelopment project at 637 Dundas Street would qualify as a Grant Level 3. This level of the grant program applies to new buildings that are developed on vacant or cleared sites within the Downtown or within specified districts of the Old East Village. The purpose of this level of rebate is to encourage the rehabilitation of vacant or under-utilized sites. Redevelopment projects under this level are eligible for grants, on a sliding-scale, starting at 60% and as shown in the table below.

As the work has been completed, it is possible to determine the value of the annual grant that would be eligible for this project. The subject property experienced an increase in annual municipal taxes of \$137,569.39 due to the work completed as of the 2013 Tax Year. As a result, an eligible application would provide a tax grant according to the following schedule.

Tax Year	Year/Level Factor (%)	Tax Grant for 637 Dundas Street
1 / 2013	60%	\$82,541.63
2 / 2014	60%	\$82,541.63
3 / 2015	50%	\$68,784.69
4 / 2016	40%	\$55,027.75
5 / 2017	30%	\$41,270.82
6 / 2018	20%	\$27,513.88
7 / 2019	10%	\$13,756.94
8 / 2020	10%	\$13,756.94
9 / 2021	10%	\$13,756.94
10 / 2022	10%	\$13,756.94

It should be noted that the program provides grants for each tax year in the following calendar year; therefore, the grant for Year 1 in the above noted table would be issued in 2014.

SUMMARY

Staff supports the retroactive application to the Tax Grant Incentive Program for the following reasons:

- The project meets the general intent and purpose of the Tax Grant Incentive Program.
- The program was available at the time the project was commenced; the applicant was not informed of being eligible for the program at that time.
- The property owner shall be required to enter into an agreement with the City, maintaining the project eligibility and the program guidelines for the life of the Program.
- The Old East Village is identified as a priority for revitalization through Council's Community Improvement Plan.
- The property owner made efforts in good faith for consideration under this program to support the long-term investment made into the Old East Village Area.

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PREPARED BY:	SUBMITTED BY:
ERIC LALANDE, PLANNER II, CURRENT PLANNING	GREGG BARRETT, AICP MANAGER, LONG RANGE PLANNING AND RESEARCH
RECOMMENDED BY:	
JOHN M. FLEMING, MCIP, RPP MANAGING DIRECTOR, PLANNING AND CITY PLANNER	

June 16, 2014

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