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Planner: G. Bailey

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: 2335765 ONTARIO INC. FOR 300 DUNDAS STREET MEETING ON MARCH 27, 2017

RECOMMENDATION

That, on the recommendation of the Managing Director, Planning and City Planner, in respect to the following report regarding a grant application made on September 23, 2016 by 2335765 Ontario Inc. for the Tax Grant Incentive Program for the property located at 300 Dundas Street, the Civic Administration **BE DIRECTED** to process the grant application as retroactive to the date of issuance for building permit.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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None

BACKGROUND

The City of London has a Downtown Community Improvement Plan (CIP). The purpose of the CIP is to provide the context for a coordinated municipal effort to improve the physical, economic, and social climates of the Downtown. The initiatives summarized in the CIP are intended to stimulate private sector investment and property maintenance and renewal in the Downtown.

The objectives of the CIP include:

- Promoting the long-term stability and viability of the Downtown;
- Stimulating private property maintenance and reinvestment activity;
- Enhancing the visual quality of the Downtown through the recognition and protection of heritage buildings; and
- Providing for streetscaping, servicing, and building rehabilitation and improvements to enhance the Downtown and encourage complementary revitalization or redevelopment through private investment.

Financial incentives are established as a means to achieve the objectives of the CIP. Specifically, the Downtown Rehabilitation and Redevelopment (Tax) Grant Incentive Program is intended to provide economic incentive for the rehabilitation of residential and commercial properties in the Downtown Community Improvement Project Area. 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

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rehabilitation project. 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 residential development projects within the Downtown, as well as smaller scale renovation projects. This program has the effect of deferring the total amount of taxes that would be otherwise due immediately upon property reassessment, and therefore has allowed properties to be redeveloped sooner, providing an overall long term benefit to the area.

To be eligible for the Tax Grant program applications must be received and approved by Staff concurrently with the issuance of the building permit or prior to construction commencing. In this instance, the applicant undertook construction work prior to approval of the grant application. This led to an increased assessed value for the property. Triggered by the increase in property taxes, the applicant requested delegation status at the Planning and Environment Committee to seek retroactive approval for the Tax Grant program (see Appendix A and B). Municipal Council resolved at its meeting held on October 11, 2016:

11. That delegation status BE GRANTED to K. Millson, 2335765 Ontario Inc., at a future meeting of the Planning and Environment Committee, concurrent with a detailed staff report, with respect to the request for a Rehabilitation and Redevelopment Tax Grant, relating to the property located at 300 Dundas Street; it being noted that the Planning and Environment Committee reviewed and received a communication dated September 26, 2016 from K. Millson, 2335765 Ontario Inc. and a communication, in support of this request, dated September 21, 2016, from J. MacDonald, CEO and General Manager, Downtown London with respect to this matter. (2016-F11A) (11/17/PEC)

300 DUNDAS STREET

The subject property located at 300 Dundas is within the Downtown Heritage Conservation District (Image 1). It contains a three-storey brick building constructed in 1927, known as the Wyatt Building, which to this day remains an important part of the Dundas streetscape (Image 2).

In April 2013, the property owners were issued a building permit to renovate the interior of the building for offices to accommodate Express Employment Professionals which is a full service staffing agency that helps people looking for work to find employers who are looking for people. The renovation of this building was completed at an estimated construction cost of approximately \$840,000. The final building inspection on the project was completed in September 2013.

This project is an example of a major investment in the area which helps achieve the objectives of the Downtown CIP and encourages further revitalization along the Dundas Street corridor. The Downtown CIP includes goals for improving the Downtown including:

- To enhance the Downtown as a unique community and the Heart of the City. The Downtown shall be a place where people are attracted to live, work, shop and play;
- To encourage the preservation of significant heritage resources;
- To encourage and assist private property owner to rehabilitate buildings in the Downtown to ensure their long-term economic viability;
- To promote the continued development of the Downtown as the primary business, office, cultural and administrative centre for the City, and as a regional centre for Southwestern Ontario;

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Image 1: Aerial Map showing location of subject property, 300 Dundas Street

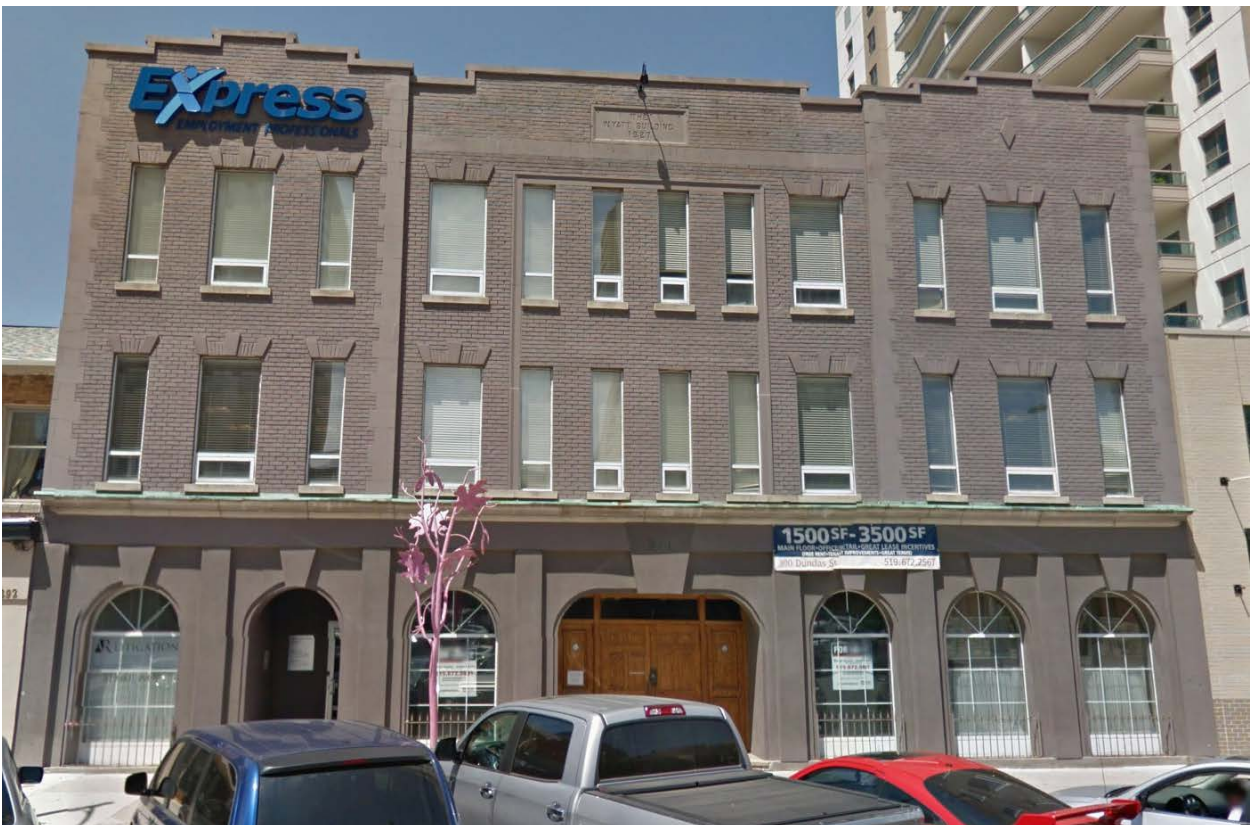


Image 2: Google Street View, 300 Dundas, July 2016

The City's Strategic Plan 2015-2019 also encourages investing in London's downtown as the heart of our city and using community improvement plans to coordinate City and private investment to meet both local and city-wide priorities.

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This project renewed a building along Dundas Street. Further, the redevelopment of the building allowed for the establishment of an office and staffing agency use, which is a type of use that is encouraged in the upper floors of buildings along Dundas Street as it provides a necessary service and increases activity in the area. As a result of the redevelopment, the assessment value of the property has increased significantly and consequently the municipal taxes applicable to the property have also increased.

In accordance with the City's financial incentive program guidelines, a property owner must submit an application under the Tax Grant Incentive Program concurrently with the building permit or prior to construction commencing. Staff then review the application and if deemed appropriate provide a commitment letter to the applicant. The issuance of a building permit serves as the pre-improved assessed value date. Using pre-improvement and post-improvement assessment values, Staff would then prepare the grant agreement and calculate the grant payment schedule.

However, in this instance, a Tax Grant Incentive Program application for 300 Dundas Street was not received by the City until September 26, 2016. Following the renovation, the property being reassessed by MPAC, and the municipal property taxes increase, the property owners submitted an application to staff and requested delegation status at Planning and Environment Committee seeking retroactive approval for the application.

This report has been prepared in support of the application and requests that Municipal Council acknowledge the application be applied retroactively notwithstanding the project has been completed prior to an application being submitted. This application requests that the 2016 Tax Year be considered as Year 1 under the program guidelines, which entitles the owner to receive the first grant payment in 2017.

FINANCIAL IMPLICATIONS

The redevelopment project at 300 Dundas Street would qualify as Grant Level 2. This level of the grant program applies to existing buildings within the Downtown that are rehabilitated or renovated to ensure their longer-term viability. The purpose of this level of rebate is to further encourage finer-grained and small-scale revitalization. Redevelopment projects under this level are eligible for grants, on a sliding-scale, starting at 70% as shown in the table below.

With the work and tax assessment having been completed, it is possible to determine the value of the annual grant eligible for this project. The subject property experienced an increase in assessed value of \$496,006 directly related to the renovation of the property, which translated into an annual tax increment of \$11,303.04. As a result, an approved application would provide a tax grant according to the following schedule:

Tax Year	Level Factor (%)	Tax Grant
1 (2016)	70%	\$7,912.13
2 (2017)	70%	\$7,912.13
3 (2018)	60%	\$6,781.82
4 (2019)	50%	\$5,651.52
5 (2020)	40%	\$4,521.22
6 (2021)	30%	\$3,390.91
7 (2022)	20%	\$2,260.61
8 (2023)	10%	\$1,130.30
9 (2024)	10%	\$1,130.30
10 (2025)	10%	\$1,130.30
Total		\$41,821.24

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It should be noted that the program provides grants for each tax year in the following calendar year; therefore, the grant for Year 1 (2016 tax year) in the above table would be issued in 2017.

Finance staff have confirmed that there is enough funding in the City’s Community Improvement Plan financial incentive funding sources to pay for the grants.

SUMMARY

The Downtown Rehabilitation and Redevelopment (Tax) Grant Program guidelines specifically state that “grants will not be given retroactively to recognize projects that have begun without application to this program”, however, in this instance staff supports the retroactive application to the Tax Grant Program for the following reasons:

- The project meets the general intent and purpose of the Tax Grant Program;
- The program was available at the time the project was commenced;
- 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;
- Downtown is identified in the Strategic Plan as a priority for revitalization;
- Approval of the application may help support further renovations to the building to attract a ground floor tenant.

The cost to the City of \$41,821 over 10 years is offset by the estimated \$71,209 or more in taxes collected during the same period, as well as the increased activity in the area generated by the renovated building.

Acknowledgments

This report was prepared in consultation with Louie Bruni and Alan Dunbar of the Financial Planning and Policy Division and Jim Edmunds of the Taxation Division.

PREPARED BY:	SUBMITTED BY:
GRAHAM BAILEY, MCIP, RPP PLANNER II, URBAN REGENERATION	JIM YANCHULA, MCIP, RPP MANAGER, URBAN REGENERATION
RECOMMENDED BY:	
JOHN M. FLEMING, MCIP, RPP MANAGING DIRECTOR, PLANNING AND CITY PLANNER	

February 2, 2017
GB/gb

Appendix “A” – Letter from 2335765 Ontario Inc.
Appendix “B” – Letter of Support from Downtown London

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Appendix "A"

September 26, 2016

Chair and Members

Planning and Environment Committee

City of London

300 Dufferin Ave.

London, ON

Retroactive approval of the Rehabilitation and Redevelopment Tax Grant

Re: increase assessment of property taxes at 300 Dundas Street, London, ON

Heather Lysynski

We were quite shocked when the property taxes for our building went from \$30,000 to approximately \$60,000 in one year (2016). When I inquired to Ted Lyons, Senior Customer Service Representative, Taxation - Finance & Corporate Services, City of London, he explained that it was due to the increase assessment of the building due to the renovations that we completed in 2013.

Information: building purchased in 2013 for \$1,750,000, renovations required \$830,000 = total investment in the building to date \$2,580,000.

I was recently advised by Graham Bailey, MSc.PI, MCIP RPP, Planner II, Urban Regeneration, Planning Services, City of London that a grant is available to property owners in the Downtown area to help with the increase of property taxes that are directly related to the renovations completed. We have submitted the grant application to Mr. Bailey.

We purchased 300 Dundas Street, London, On. in January of 2013. At that time we were unaware of any grants and loans that were available to us for renovations to the building. The building was in dire need of upgrades including electrical, some plumbing, ceilings, flooring and a new roof. The majority shareholder of the building corporation that owns this building is also the main tenant of the building, Express Employment Professionals (Express). Christine Menard has been in business in the area since 1979. For twenty years the business was housed at Dufferin Ave. and Richmond St.. Ms. Menard wanted a more central presence and therefore purchased the building at 300 Dundas Street with 3 partners.

Express Employment Professionals is a full service staffing agency that helps people looking for work find employers looking for people. Their slogan is: we help good people find good work with good employers. Although profit is always important to sustain the health of a company, Ms. Menard does not believe that she is the only one that should benefit from this

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business. Express Employment Professionals is a large contributor to Children’s Miracle Network. In the past, a room was donated for parents to stay in while their child is receiving treatment. Express Employment has approximately 22 full time staff working in this location. Express brings many people to the area that are looking for work or that need people to work which helps with the vitality of downtown. There are approximately 8000-10000 people that visit this building each year. They not only come to Express looking for work but they also visit other businesses including area restaurants and shops.

Although I understand that the grants are usually preapproved before renovations take place, we are asking you for retroactive approval to receive the grant. The sudden unexpected increase in property taxes has significantly impacted our cash flow as well as delayed additional renovation plans that are needed to attract a main floor tenant.

Please find attached a letter of support from *Downtown London*.

We are available for the meeting on October 17th to discuss this application further.

Kindest Regards



Kelly Millson CPA, CMA

2335765 Ontario Inc.

Owner (*President*)

519-963-3881

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Appendix "B"



September 21, 2016

Chair and Members
 Planning and Environment Committee
 City of London
 300 Dufferin Ave.
 London, ON

RE: 300 Dundas – Rehabilitation and Redevelopment Grant Request

Downtown London partners with the City of London to offer incentives to property owners who are committed to revitalizing their downtown buildings. These incentive programs have become an important tool to ensure the vitality and redevelopment of our heritage building stock for ongoing commercial and residential use.

We recently learned that renovations were completed at 300 Dundas in 2013, at a cost of \$840,000, to customize the building for new tenants after a period of vacancy. The assessed value went from \$769,500 in 2014 to \$1,258,256 in 2015. Unfortunately, we did not have the opportunity to work with the owners at the time the work was undertaken, so they were unaware of the incentives available to support the cost of renovations. The City of London tax office has subsequently notified them about a significant property tax increase triggered by the improvements to their property.

The redevelopment of 300 Dundas is exactly the type of project that the City of London Rehabilitation and Redevelopment (Tax) Grant program was created for, to encourage redevelopment and support growth in the downtown tax base by helping investors to transition to a higher property tax bill. The property owners are now asking respectfully that you permit City staff to retroactively award the tax grant to the owners of this property, and we fully support their request in keeping with the spirit of the program.

Sincerely,

Janette MacDonald
 CEO And General Manager

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