

TO: GENERAL COMMITTEE

SUBJECT: REVIEW OF PAYMENT OF TAX INCREMENT BASED GRANT
218 BAYFIELD STREET

WARD: 2

PREPARED BY AND KEY CONTACT: K. BRISLIN, SENIOR POLICY PLANNER, EXTENSION 4440

SUBMITTED BY: S. NAYLOR, MES, M.C.I.P., R.P.P., DIRECTOR OF PLANNING SERVICES *S.Naylor*

GENERAL MANAGER APPROVAL: R. FORWARD, MBA, M.Sc., P. ENG.
GENERAL MANAGER OF INFRASTRUCTURE & GROWTH MANAGEMENT *R. Forward*

CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER *C. Ladd*

RECOMMENDED MOTION

1. That the request from Dr. T. Lamon for increased payment of the Tax Increment Based Grant resulting from the difference between the estimated and actual assessment increase for 218 Bayfield Street be approved.
2. That the additional \$8,815.46 required for the 2013 grant be funded from the CIP Reserve (13-04-0432 & 13-04-0433).
3. That staff be authorized to pay Council approved CIP Grants based on the actual increase in assessment unless the increased grant exceeds \$100,000 over the five year period subject to funding availability.

PURPOSE & BACKGROUND

Report Overview

4. The report recommends approval of a request for increased grant payments for the Tax Increment Based Grant for 218 Bayfield Street, based on a difference between the estimated and actual increase in taxes resulting from the redevelopment of the site.
5. The report also recommends that staff be authorised to pay future Council approved Tax Increment Based Grants based on the actual tax increment subject to funding availability, and provided that the total increased payment paid over the 5 year payment period does not exceed \$100,000.

Background

6. The property owner, Dr. T. Lamon, submitted correspondence to Council dated February 20, 2013, requesting consideration of an increased payment of this grant based on the actual tax increment which exceeded the tax increment estimated at the time staff recommended approval of this grant.

7. As a result, On March 25, 2013, City Council adopted motion 13-G-081 regarding the Tax Increment Based Grant for 218 Bayfield Street as follows:

"That correspondence from Dr. T. Lamon dated February 20, 2013, concerning the Tax Increment Based Grant be referred to staff in the Planning Services Department for review and report back to Committee" (Circ. List C5, March 18, 2013).

ANALYSIS

8. On June 4, 2012, Council approved a recommendation from staff to provide financial incentives, including a Tax Increment Based Grant for the redevelopment of 218 Bayfield Street from a vacant site to a chiropractic office/wellness centre.
9. On February 23, 2013, Dr. Lamon submitted a request that the grant be based on the actual tax increment which is approximately \$11,000 more than the approved estimate. The spirit and intent of this financial incentive is to encourage redevelopment based on a gradually declining rebate on the incremental increase in taxes resulting from a redevelopment project. The operational reality of this program is that it is impossible to accurately predict what that increased assessment will be until the project has been completed and re-assessed. This typically occurs after the approval of the grant by Council or the Director.
10. In order to prevent the need for property owners to request the adjustment after the property is assessed in each case, it is recommended that future Council approved CIP grants are paid based on the actual increase in assessment in order to remain in keeping with the spirit and intent of the original CIP program. If the change in the grant due to the increased assessment exceeds \$100,000 or sufficient funds are not available then staff would prepare a report to Council seeking approval for the increase.
11. Appendix "A" attached to Staff Report PLN013-13 shows the payment schedules for the estimated tax increment and the actual tax increment. Since the actual increment was not available at the time of recommending approval of the grant, staff rely upon a generic model to estimate the increment which is not always accurate.
12. The estimated annual increase was \$5,861 totalling an estimated \$20,518 to be paid over the 5 year payment period. The actual annual tax increase was \$11,753.95 totalling \$31,349.23 to be paid over the 5 year period.
13. Payment for years 1 and 2 totalling \$13,728.31 have been made based on the actual increase which is true in every circumstance, given that this grant program funding comes directly from the actual increase in taxes.

ENVIRONMENTAL MATTERS

14. There are no environmental matters related to the recommendation.

ALTERNATIVES

15. The following alternative is available for consideration by General Committee:

Alternative #1

General Committee could deny the request and maintain the payments as previously approved, which would amount to one final payment of \$6,794.69 at the end of 2013 (i.e. Status Quo).

This alternative is available, however since the increase in taxes (revenues) as a result of this development is also greater than the estimate, staff are of the view that the spirit of the Tax Increment Based Grant Program will not be maintained with this alternative.

FINANCIAL

16. The total payment for the Tax Increment Based Grant based on the estimate was \$20,516.89 compared with the total payment of \$31,349.23 based on the actual tax increment. The difference for the total amount to be paid over the 5 year period being \$10,831.34. Appendix "A" attached to Staff Report PLN013-13 provides a more detailed breakdown with the payment schedules based on the estimate and the actual tax increment.
17. There is sufficient funding in the CIP Reserves (13-04-0432 & 13-04-0433) to fund the Tax Increment Based Grant in the amount of \$8,815.46 for 2013. With respect to the future Tax Increment Grant payments, staff will include these commitments in the respective annual Business Plan (2014 - \$5,876.08, 2015 - \$2,938.49).
18. If it is assumed that the improvements would not have been made without the CIP grant, then the cost of the grant would be funded from the future incremental taxes of the improved properties.

LINKAGE TO 2010-2014 COUNCIL STRATEGIC PLAN

19. The recommendations included in this Staff Report are not specifically related to the goals identified in the 2010-2014 City Council Strategic Plan, beyond those that were previously described in Staff Report PLN002-12.

Attachment: Appendix "A" - Payment Schedules showing Estimated vs. Actual Payments for the Tax Increment Based Grant.

APPENDIX "A"

Calculation of CIP Tax Increment Based Grant Amount 218 Bayfield Street

ESTIMATED TAX INCREMENT (COUNCIL APPROVED)

Assessment Value		1-Jan-11	\$ 255,000.00
Tax Class	Commercial Vacant		CX
Municipal Taxes	(including capping \$0.00)		\$ 2,880.10
Prorated	365 Days		2,880.10
(b)	Calculation of CIP Grant Amount		
Assessment Value		1-Jan-11	Not yet assessed
Tax Class	Commercial Occupied		CT
Municipal Taxes	(including capping)		\$ 8,742.07
INCREMENTS			
Year 1 - 2011	5861.97*100%		5,861.97
Year 2 - 2012	5861.97*100%		5,861.97
Year 3 - 2013	5861.97*75%		4,396.48
Year 4 - 2014	5861.97*50%		2,930.99
Year 5 - 2015	5861.97*25%		1,465.49
Total			20,516.89

ACTUAL TAX INCREMENT

Assessment Value	1-Jan-11	\$ 929,965.00
Tax Class	New Commercial Occupied	XT
Municipal Taxes	(including capping)	\$ 14,545.94
Prorated	61 Days	2,430.96
INCREMENTS		
Year 1 - 2011	1964.36*100%	1,964.36
Year 2 - 2012	11753.95*100%	11,753.95
Year 3 - 2013	11753.95*75%	8,815.46
Year 4 - 2014	11753.95*50%	5,876.98
Year 5 - 2015	11753.95*25%	2,938.49
Total		31,349.23