

### Report Addendum (January 25, 2021)

At the January 18, 2021 Executive Committee, the following motion was made:

*That the January 18, 2021, Financial and Corporate Services report FCS00134, be referred to Administration to further consider a five-year timeline for the program and gather industry feedback, based on the discussion at Committee and provide revised recommendations, and return to the January 25, 2021, City Council meeting.*

This addendum outlines further conversations, considerations and changes by Administration after the January 18, 2021 Executive Committee meeting. Following the Committee discussion, Administration provided another opportunity for developers to provide feedback on timing and program requirements.

### Options

Industry representatives had a variety of opinions on the program and consensus was not reached. Additional options were also considered such as using a sliding scale (i.e., different terms depending on project value) but were not explored further. The following three options are presented for Council's consideration.

#### Option 1 - Status Quo

Under this option, Council would receive the report for information but take no further action. This would result in no property tax incentive program for the 2021 construction year.

#### Option 2 - Four-Year Construction Grant

Under this option, Council would approve the option as outlined within the January 18 version of report FCS00134. A tax incentive program would be developed with a four-year grant that would offset the tax increases for qualifying property owners. Applications would be received in 2021, construction would be required to also begin in 2021, and the grant would be issued from 2022 to 2025. Administration forecasts a cost of up to \$22.9 million for this program, but there is no cap on the total possible expenditure. If costs appear to exceed the original forecasted amount, Administration would provide an update to City Council and request additional funds.

#### Option 3 - Five-Year Construction Grant with Cap

Under this option, Council would adjust the total grant period from four to five years. As with Option 2, applications would be received and construction would need to start in 2021, however the grant would be issued from 2022 to 2026. As an extension of the grant period could increase the overall cost of the program by

approximately \$7.6 million (outlined in Attachment 3), Administration recommends capping the program at the original estimate of \$22.9 million.

To achieve this grant cap, Administration would receive grant applications on a first come, first served basis, based on an approved development permit application and an approved grant application. As grant applications are approved, a projected portion of the grant would be allocated for the five-year period. Once Administration estimates that no further grants can be approved without exceeding the \$22.9 million cap, no other applications will be approved.

The funding cap was determined based on an estimate of the potential tax uplift for potential projects over four years. While there is uncertainty in that assessment, the four-year cost estimate (\$22.9 million) was based on the assumption that all projects that met the criteria would apply. See Attachment 3 for the methodology. It is unlikely that these projects will all proceed, thereby allowing those projects that do proceed to secure the funding required for the fifth year of the grant. At the end of 2021, Administration can refine the cost estimates based on the number of approved projects that have commenced construction, however some uncertainty will remain regarding the value of the future tax uplift.

#### Supplemental Information

Included within the January 25, 2021 Council report FCS00134rev are two new documents: the first is an updated grant policy (Attachment 4) and the second is a detailed grant program guide (Attachment 5). Based on Councillors' feedback at the January 18, 2021 Executive Committee meeting, both of these documents have been drafted assuming Option 3, as outlined above, is chosen. If Council wishes to return to Option 2, then the grant policy and program guide would need to be amended by Council motion.

#### **Ensuring Program Effectiveness Provisions**

During the January 18, 2021 Executive Committee meeting, Councillors emphasized the need for program provisions that ensure the grant effectively supported economic revitalization and incentivized the acceleration of development. To do this, additional requirements have been added to the grant program. Applicants will be required to provide an impact statement that indicates the effect of construction, including:

- the anticipated costs of construction including documentation on the amount of the cost;
- the projected number of construction jobs that will be created;
- the number of net new residential housing units that will be created and the square footage;

- the square footage of any retail commercial area;
- any relevant social aspects including GBA+ and environmental considerations.

In addition, the City may audit all financial and related records associated with the agreement including expenditures on construction costs and the use of the grant funding. This audit may include a review of all documentation associated with the project. A failure to co-operate with an audit will mean that no additional grant payments will be made and prior grant payments may be required to be repaid.

### **Further Considerations**

Consultation with stakeholders and discussion at Executive Committee also raised the notion of including a pro-forma requirement. Administration is not recommending this requirement. While City staff are versed in reviewing pro-forma documents, it would be difficult to determine with certainty that a construction grant or a form of tax relief tipped the scales in favour of development. Pro-formas are often developed explicitly for a purpose and moment in time, and they may be changed based on different conditions or assumptions. This makes analyzing them a challenge for the verification purposes of this program. The use of a third party to verify pro-forma information would require additional time and costs. Requesting a pro-forma from applicants, no matter how it is reviewed, would likely slow-down the approval process. The impact statement and audit provisions outlined above would be better tools to provide assurances about the grant program's effectiveness, while facilitating construction to begin in 2021.

Finally, it is important to note that the grant program will function slightly differently for applicants in the Community Revitalization Levy (CRL) area. Within CRLs, any assessment increase above the original assessment baseline is taxed at a rate that is effectively the same as all other property owners, but the tax itself is entirely municipal. Education tax only applies to assessment value below the baseline. Given this unique circumstance, successful applicants within the CRL will qualify for a grant equal to the full municipal tax uplift. The CRL will still receive the tax uplift from development while the grant will offset the tax increase to the developer. If Council would want the grant to apply equally to projects in and out of the CRL area, an amendment to the current policy would be required.