

## Analysis of Central Area CIP Incentives

### Purpose

To calculate the total value of the financial incentives that could be provided under the Central Area CIP to stimulate downtown revitalization. It hypothetically calculates the total financial savings that could have been provided to support the development of 91 apartment units in the former post office building on Charlotte St (Rivulet Courtyard).

### Façade Improvement Grant Program

This program would provide a grant to property owners who rehabilitate and improve the façades (including signs) of buildings within the Central Area. A grant for 50% of the eligible work up to \$15,000 per property would be provided.

Assuming that over \$30,000 worth of façade improvement work was undertaken in the process of creating 91 rental units in the former post office building, a total of \$15,000 could have been provided to the property owner.

### Central Area Revitalization (Tax Increment Based) Grant Program

This program would provide a grant based upon the incremental increase in the municipal taxes resulting from the work being completed. The program would be implemented over a period of 9 years after which the property owner would then be required to pay the full amount of taxes with no grant provisions. There are considerable variations in the level of tax change that will occur for a specific property based on whether it is a new build on a vacant lot or a conversion/addition to an existing commercial or industrial building.

The annual tax increase for this property was approximately \$43,000 after construction (this tax increase occurred in the scenario of the property tax class changing from 'multi-residential' to 'new multi-residential'). Based on this average annual tax increase, the grant provided to the property owner would be calculated as follows:

| <b>Year</b> | <b>% Grant</b> | <b>Amount Saved</b> | <b>Amount Payable</b> |
|-------------|----------------|---------------------|-----------------------|
| Year 1      | 100%           | \$43,000            | \$0                   |
| Year 2      | 100%           | \$43,000            | \$0                   |
| Year 3      | 100%           | \$43,000            | \$0                   |
| Year 4      | 100%           | \$43,000            | \$0                   |
| Year 5      | 100%           | \$43,000            | \$0                   |
| Year 6      | 80%            | \$34,400            | \$8,600               |
| Year 7      | 60%            | \$25,800            | \$17,200              |
| Year 8      | 40%            | \$17,200            | \$25,800              |
| Year 9      | 20%            | \$8,600             | \$34,400              |
| Year 10     | 0%             | \$0                 | \$43,000              |
|             | <b>TOTAL</b>   | <b>\$301,000</b>    | <b>\$129,000</b>      |

Over the 10-year period the grant would provide a total tax savings of \$301,000 to the property owner. This represents a 70% tax savings on the total amount that would have otherwise been payable over this period.

Municipal Incentive Grant Program

This program would waive building permit and municipal planning application fees for new development that occurs in the Central Area. Assistance will be in the form of a 50% waiver of fees for projects other than those creating new residential rental units and a 100% waiver of fees for new residential rental projects. Demolition and building permit fees will be refunded to a maximum of \$50,000.

Planning application and building permit fees for the 91-unit apartment building would have included:

|                         | <b>Cost</b>     | <b>Fee Calculation</b>                                      |
|-------------------------|-----------------|---|
| Building Permit         | \$22,500        | \$13.02/m <sup>2</sup> or \$15.00/\$1000 construction value |
| Committee of Adjustment | \$500           | \$500   |
| <b>TOTAL</b>            | <b>\$23,000</b> |   |

Refunding these fees would amount to a savings of \$23,000 for this 91-unit apartment building.

Residential Conversion and Intensification Grant Program

This program would offer a grant to property owners who rehabilitate/redevelop/convert their properties for residential purposes. The grant will be calculated on the basis of \$10 per square foot of habitable floor space.

MPAC tax assessment data indicates the floor area of the 91-unit apartment building to have an area of 55,697 square feet. Based on this, a total grant of \$556,970 could have been provided to support its redevelopment for residential purposes.

Overall

These 4 programs combined could provide a savings of approximately **\$895,970** to the developer of this 91-unit apartment building (a savings of \$9,845 per unit). Based on the current average market rent of \$847, this represents nearly 12 months of rental income generated from these 60 units.