

Appendix B: Summary and Examples of Recommended Incentive Options

Table 1: Summary of Incentive Options

Option # from Discussion Paper:	<u>Option #2:</u> Development Charge Rebate	<u>Option #5:</u> Annual TIEGs Covering Eligible Project Costs	<u>Option #7:</u> Choice of Tax Increment Equivalent Grant (TIEG) or Tax Exemption
Eligible Project Types:	Any project that would be required to pay an Intensification Levy in the program target area.	Any project in the program targeted area that results in intensification or development on an underutilized site.	Any project in the program target area that results in intensification or development on an underutilized site.
Discussion Paper Page:	32-33	36-38	40-42
High-Level Description:	<ul style="list-style-type: none"> - Applicants who pay an Intensification Levy (IL) are eligible for a full rebate after a project is completed. 	<ul style="list-style-type: none"> - After the project is completed, the property is assessed to reflect new development. - For the entire incentive term, the applicant pays full taxes to the City each year. - Annual grants equal to the municipal tax increment are paid to the applicant until total eligible project costs are paid back to the applicant or the 10-year maximum incentive term expires. 	<ul style="list-style-type: none"> - A Max. Incentive Amount is determined based on the municipal tax increment, multiplied by five. - Applicants get a choice of a lump-sum TIEG or five-year tax exemption. - The amount of either incentive option cannot exceed the Max. Incentive Amount and depends on project scoring.
Criteria and Intake:	<ul style="list-style-type: none"> - Applications are accepted throughout the year and prioritized based on an OCP design criteria scorecard. 	<ul style="list-style-type: none"> - No limit to the number of applications that can be accepted in one calendar year. - No OCP design criteria scorecard. - The incentive is applied to the property for the duration of the incentive term, regardless of property ownership changes. 	<ul style="list-style-type: none"> - Project scoring on an OCP design criteria scorecard dictates the Final Incentive Amount. - Applicants then may choose a one-time lump sum grant or a tax exemption. - Lump-sum grants are capped at 200K for commercial and mixed-use developments, 75K for multi-unit dwellings and 15K for one- and two-unit dwellings.
Funding:	<ul style="list-style-type: none"> - A one-time initial start-up/seed investment of \$100,000. This would be a one-time cost for taxpayers. - Any project that receives the rebate will have the future municipal tax increment allocated back into the program reserve each year until the amount of the rebate is fully recouped. 	<ul style="list-style-type: none"> - No start-up/seed investment is required. - Applicants may only receive the yearly TIEG after they pay their tax bill for that year. - All grants are based on the municipal tax increment and cannot exceed that amount. 	<ul style="list-style-type: none"> - A one-time initial start-up/seed investment of \$500,000. This would be a one-time cost for taxpayers. - Any project that receives the lump-sum grant will have the municipal tax increment allocated back into the reserve each year until the amount of the grant is fully recouped.

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Option # from Discussion Paper:	Option #2: Development Charge Rebate	Option #5: Annual TIEGs Covering Eligible Project Costs	Option #7: Choice of Tax Increment Equivalent Grant (TIEG) or Tax Exemption
Pros:	<ul style="list-style-type: none"> - Administrative effort needed for this option is anticipated to be low. - Providing a rebate of the Intensification Levy in a target area will reduce overall project costs for developers. 	<ul style="list-style-type: none"> - Developers are compensated for additional costs that they may incur as a result of undertaking development in established areas as opposed to greenfield neighbourhoods. - EXAMPLE: a brownfield site in an established area may require remediation and/or infrastructure upgrades prior to development. A greenfield site is typically “shovel ready” for development. 	<ul style="list-style-type: none"> - Offering a choice of incentive to applicants gives flexibility for applicants to choose an incentive that best meets their needs. - By having an OCP design criteria scorecard dictate final incentive amounts, the City can award projects that include elements that advance OCP policy directives (e.g. solar infrastructure on building).
Cons:	<ul style="list-style-type: none"> - The \$100,000 reserve could get used up quickly for large projects with high levy payments. This creates an opportunity to have the reserve fully depleted before it is replenished using municipal tax increments. - Providing rebates to cover Intensification Levy payments may take away from the overall intent of charging the levy. - If this option is advanced further, the program target area may need to be revised to exclude large development lands such as the REAL lands. 	<ul style="list-style-type: none"> - The grants are offered over a long period, which may not be as impactful to developers who wish to build and immediately sell a new development. - Tracking and administering a grant for up to 10 years may require a high level of administration. - Standard operating procedures will need to be carefully established to help Administration verify eligible project costs submitted by an applicant. 	<ul style="list-style-type: none"> - The \$500,000 reserve could get used up quickly if there are several large grant payouts in the initial years of the program. This creates an opportunity to have the reserve fully depleted before it gets replenished using municipal tax increments. - The OCP design criteria scorecard adds another level of program administration.

Table 2: Examples of Application of Incentive Options

Option # from Discussion Paper:	<u>Option #2:</u> Development Charge Rebate	<u>Option #5:</u> Annual TIEGs Covering Eligible Project Costs	<u>Option #7:</u> Choice of Tax Increment Equivalent Grant (TIEG) or Tax Exemption
Scenario:	New commercial building on vacant lot.	A 14-unit residential condominium on a former gas station site.	A two-storey mixed-use development consisting of commercial space on the bottom floor and four apartment units on the top floor.
Taxes Before Development (mun. portion)	\$1,563.56	\$2,932.48	\$2,453.19
Taxes After Development (mun. portion):	\$9,882.71	\$14,830.25	\$14,573.89
Municipal Tax Increment:	\$8,319.15	\$11,897.77	\$12,120.70
Incentive Received:	<ul style="list-style-type: none"> - The applicant paid an Intensification Levy (IL) of \$7,757.60. - After the building is completed and the property receives a post-construction assessment, the cost of the IL is rebated to the applicant. 	<ul style="list-style-type: none"> - Total eligible project costs turn out to be \$153,489.45 (includes an IL payment and site remediation). - Each year after construction and subsequent post-construction assessment are completed, the applicant will pay full taxes, which now are \$14,830.25. - After receiving tax payment, the City grants the applicant a TIEG equal to the tax increment, equaling \$11,897.77. - This will occur for nine more years until the 10-year incentive term expires. - By the end of the incentive term, the applicant will have received \$118,977.70 through TIEGs. - 	<ul style="list-style-type: none"> - A Max. Incentive Amount of \$60,603.50 is established (tax increment x 5). - The project scores 65% on the OCP scorecard, giving a Final Incentive Amount of \$39,392.28. - The applicant chooses to receive a lump-payment based on the Final Incentive Amount rather than a tax exemption for that amount stretched over five years. - The City issues the \$39,392.28 grant after construction and subsequent post-construction assessment are completed
Cost to Taxpayer:	<ul style="list-style-type: none"> - \$7,757.60 would come from the program reserve which is funded via tax dollars. - In the years following the issuance of the rebate, the \$8,319.15 tax increment would be used to replenish the reserve. 	<ul style="list-style-type: none"> - No direct impact 	<ul style="list-style-type: none"> - \$39,392.28 would come from the program reserve which is funded via tax dollars. - In the next four years following the issuance of the grant, the \$12,120.70 tax increment would be used each year to replenish the program reserve.