

Report to/Rapport au :

**Finance and Economic Development Committee
Comité des finances et du développement économique**

and Council / et au Conseil

**November 27, 2012
27 novembre 2012**

**Submitted by/Soumis par : Nancy Schepers, Deputy City Manager/Directrice
municipale adjointe, Planning and Infrastructure/Urbanisme et Infrastructure**

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Orléans (1)

Ref N°: ACS2012-PAI-PGM-0256

**SUBJECT: ST. JOSEPH BOULEVARD COMMUNITY IMPROVEMENT PLAN
GRANT APPLICATION – PLACE D'ORLEANS HOLDINGS INC. - 3025
ST. JOSEPH BOULEVARD**

**OBJET : DEMANDE DE SUBVENTION DU PLAN D'AMÉLIORATION
COMMUNAUTAIRE DU BOULEVARD ST-JOSEPH – PLACE
D'ORLEANS HOLDINGS INC. – 3025, BOULEVARD ST. JOSEPH**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council:

- 1. Approve the St. Joseph Boulevard Community Improvement Plan Grant Application submitted by Place d'Orleans Holdings Inc., owner of the property at 3025 St. Joseph Boulevard, for the Development Incentive Grant not to exceed \$459,416.30 payable to Place d'Orleans Holdings Inc. over a maximum of 10 years subject to the Owner entering into an Agreement, as provided for in the approved St. Joseph Boulevard Community Improvement Plan; and**
- 2. Authorize staff to negotiate a Development Assistance Agreement with Place d'Orleans Holdings Inc. establishing the terms and conditions governing the payment of the Development Incentive Grant for the redevelopment of 3025 St. Joseph Boulevard satisfactory to the Deputy City Manager, Planning and Infrastructure Services, the City Solicitor and the City Treasurer.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil :

- 1. d'approuver la demande de subvention du Plan d'amélioration communautaire du boulevard St-Joseph présentée par Place d'Orléans Holding Inc., propriétaire du terrain situé au 3025, boulevard St-Joseph, en accordant une subvention au développement d'un montant n'excédant pas 459,416.30\$, payable à Place D'Orléans Holding Inc. sur une période maximale de 10 ans, sous réserve de l'établissement des conditions d'un Accord d'aide au développement, et en conformité avec celles-ci; et**
- 2. d'informer le personnel de conclure un Accord d'aide au développement avec Place d'Orléans Holdings Inc. en établissant les conditions régissant le versement de la subvention au développement pour le réaménagement du 3025, boulevard St-Joseph qui répond aux attentes de la directrice municipale adjointe, Services d'urbanisme et d'infrastructure, du chef du contentieux et de la trésorière municipale.**

BACKGROUND

On January 28, 2009 City Council adopted the St. Joseph Boulevard Community Improvement Plan (CIP). The goal of the CIP is to bolster the economic viability of St. Joseph Boulevard by stimulating the development and redevelopment of privately held property, encouraging land use intensification and the provision of affordable housing, supporting the establishment of mixed-use development, and improving site and built-form aesthetics. This is achieved in the CIP through a comprehensive framework of incentive programs including the Project Feasibility Study Grant, Planning Fee Grant, Development Incentive Grant and the Building Permit Fee Grant that partially offset a range of typical development costs.

J. P. Taillefer on behalf of Place d'Orleans Holding Inc. has filed an application for a Development Incentive Grant for the one-hectare property located at 3025 St. Joseph Boulevard (see Document 1). The property is located within the St. Joseph Boulevard Community Improvement Plan Project Area.

DISCUSSION

The Development Incentive Grant Program provides financial assistance to partially offset the cost of site and building development. Eligible costs under this program include, for example, building demolition, construction, energy efficiency (LEED), building permit fees, hard and soft site landscaping components and signage. The annual grant amount is equal to 70 per cent of the increase in the municipal portion of property taxes (tax increment) resulting from constructed projects. This grant is paid once annually over a maximum 10-year period to a total overall maximum grant amount of 70 per cent of the eligible on/off site construction costs or \$1,000,000, whichever is lower.

The Building Permit Fee Grant Program provides financial assistance to partially offset the cost of building permit fees. The grant amount is equivalent to 30 per cent of building permit fees. This Building Permit Fee Grant is automatically included as an eligible cost within, and is paid as a component of an approved Development Incentive Grant (a separate application is not required). Through the Development Incentive Grant, up to 70 per cent of the 30 per cent (maximum 21 per cent of permit cost) may be reimbursed.

The Development Incentive Grant amount is increased to 85 per cent of the eligible on/off site construction costs or \$1,000,000, whichever is lower, if three or more new affordable housing units are constructed. This grant bonus does not apply to this application.

All grant programs are structured such that payment occurs following construction, property reassessment by the Municipal Property Assessment Corporation has occurred and the first year of post-reassessment taxes has been paid. The timing of the grant payments ensures that the City through its investment in the four grant programs has facilitated an actual constructed project and allows time for the project-related tax increment revenues to be received.

The CIP requires that all grant applications exceeding a total amount of \$250,000 be brought before Committee for consideration and Council for approval.

The Place D'Orleans Holdings Grant Application

Staff has reviewed the required documents that form a Development Incentive Grant application and have deemed the application to be complete. The development is the construction of a one-storey retail building (Document 2). This project is subject to site plan control. The site plan application was approved by the Planning Committee on the November 16th, 2011. The construction of the project was completed in early August 2012.

Development Incentive Grant Eligible Costs and Estimated Grant Amount

Under the St. Joseph Boulevard Community Improvement Plan, the applicant is required to submit an estimate of project construction costs and an estimate of the post-construction assessed value and tax payment amount to determine grant eligibility, eligible project costs and projected grant payment amount. Staff has reviewed the submissions and has determined that the total upset amount for all grants combined per property will be the lesser of 70 per cent of the eligible costs, \$1,000,000, or until 10 annual payments at 70 per cent of the municipal tax increment amount have been made.

The detailed calculations based on the formulas contained within the approved CIP are shown in Document 4. In summary, the total Development Incentive Grant amount is estimated to be \$459,416.30. The grant will be paid post-development in annual payments of approximately \$45,941.63 over a 10-year period. The actual amount of the

grant and the actual annual grant payments will be recalculated annually based on actual taxes paid. The total grant however will not exceed \$459,416.30.

The actual grant payment timing will depend on the pace at which development occurs, the property is reassessed and the first year of post-development taxes is paid in full. Since the total estimated grant amount is less than \$1,000,000 and is less than 70 per cent of the eligible project costs, the grant program period will be 10 years from the date of the first grant payment.

The detailed assumptions and the calculations of the highest future municipal tax increment and the earliest estimated grant pay-out period are shown in Document 4. The building program having been completed in 2012, the first grant payment could occur in 2013 and the grant pay-out could end in 2022.

Economic Benefits

The overall economic impact of the proposed development is estimated at \$2,300,200 in construction value for the one-storey retail store. Both significant direct and indirect economic benefits to the local economy will be realized during the construction period through payroll, purchased material supplies and services and equipment rentals for the development project.

Approximately \$59,700 in additional property taxes (municipal share) is expected for 2013 when fully developed. The tax consultant for the owner estimates a tax range of \$59,700 to \$71,347 difference for the 10-year period beginning in 2013. This is an increase of approximately 25 times over the pre-project 2012 property taxes (municipal share only) of \$2,394.

City Strategic Directions

One of the City's priorities, as a strategic direction, is in Planning and Growth Management. An important objective is to integrate new growth seamlessly with established communities.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Although Public Consultation is not required for grant approval under the St. Joseph Boulevard Community Improvement Plan, The Heart of Orleans Business Improvement Area and Orleans Chamber of Commerce have been advised of this application.

COMMENTS BY THE WARD COUNCILLOR

The Ward Councillor is aware of this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations of this report. In January, 2009, City Council designated an area as the St. Joseph Community Project Area which includes the subject property and approved the St. Joseph Boulevard Community Improvement Plan. The plan contains the various incentive programs described in this report. Such programs are intended to encourage and facilitate development and redevelopment in the designated area. Legal Services will prepare the required agreement in consultation with Planning & Growth Management Department.

RISK MANAGEMENT IMPLICATIONS

There are no risk management impediments to implementing any of the recommendations in this report.

This application will be subject to a legal agreement setting out the details of the responsibilities of the Owner and of the City in providing the grant program. The agreement will be registered on the title of the property to which it applies.

Grant payments will only be made following payment in full of the first year of post-development taxes. Grant payments will also not be made unless the minimum specified increase in assessed value of the property has occurred.

FINANCIAL IMPLICATIONS

The total maximum Development Incentive Grant is \$459,416.30 and the total maximum contribution to the St. Joseph Boulevard CIP Revolving Fund is \$196,892.70. Details, including the estimated payments/contributions per year, are in Document 3 Table 2.

The grant and the revolving fund contribution will be funded through incremental taxes resulting from the increased assessments as shown in Document 3 Table 2.

The expenditure authority for the grant payments and revolving fund contributions will be brought forward through the annual budget process. The file will be reviewed at the end of each tax year to confirm the actual tax benefit of the development and to calculate the actual payment to the developer.

ACCESSIBILITY IMPACTS

The approved site plan for this development is designed to ensure proper accessibility to the disabled.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

The approval of this grant will contribute to the achievement of the Economic Prosperity Long-term Sustainability Goal of supporting short and long term success of enterprises.

SUPPORTING DOCUMENTATION

Document 1 Location Map

Document 2 Site Plan

Document 3 Eligible Costs

Document 4 Estimated Future City Property Tax Increment and Annual Grant Payable

Document 5 Estimated Development Incentive Grant

DISPOSITION

Legal Services to prepare the Development assistance Grant Agreement.

Planning and Growth Management Department to monitor the performance of this grant application and prepare a status report on this application as part of an annual CIP monitoring report to Council.

Planning and Growth Management Department to notify the applicant of Council's decision.

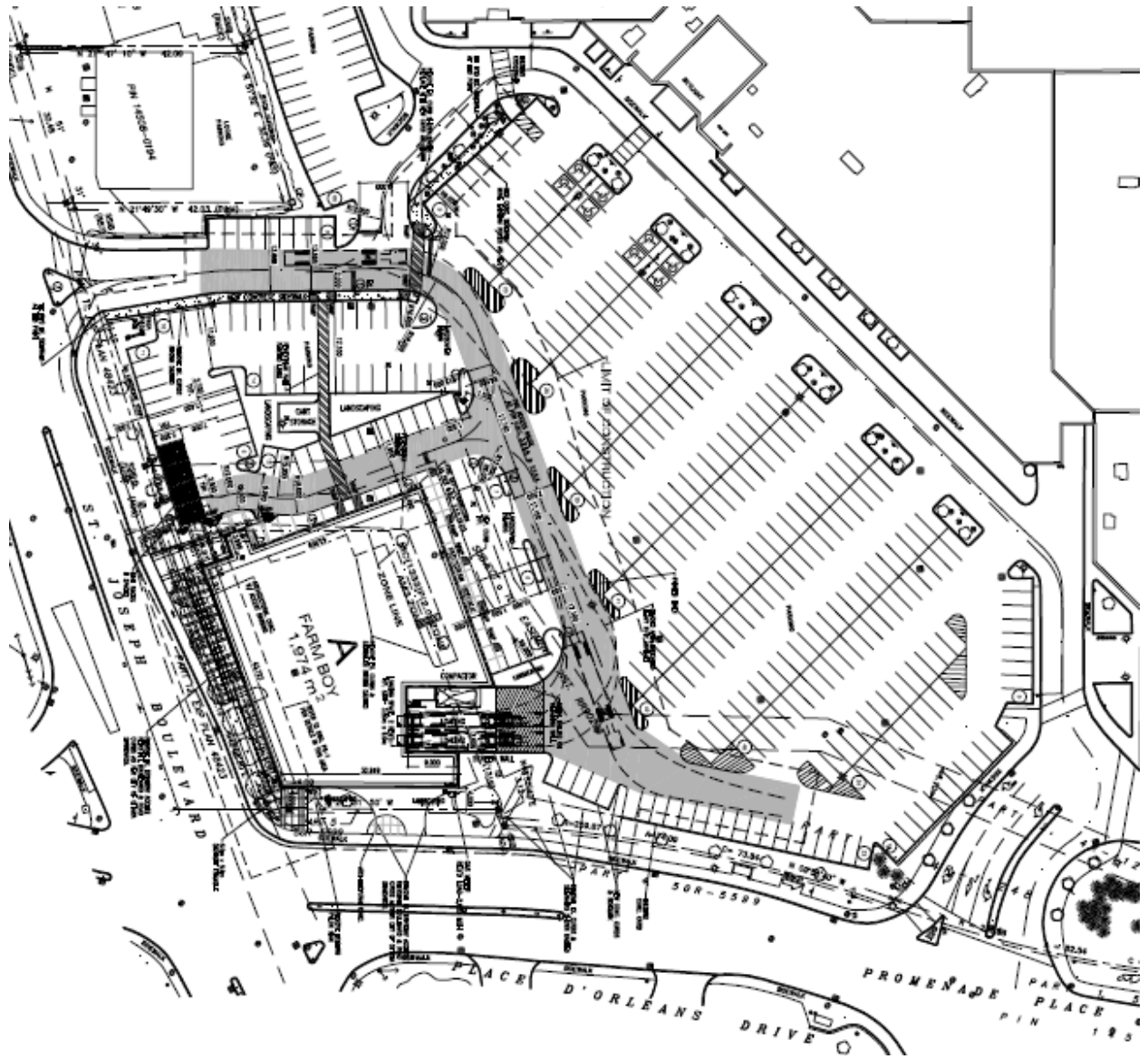
LOCATION MAP

DOCUMENT 1



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<p>Ottawa Produced by Infrastructure Services and Community Sustainability Produit par le Service d'infrastructure et de Viabilité des collectivités</p> <table border="1"> <tr> <td>D07-12-11-0123</td> <td>11-0676-L</td> </tr> <tr> <td colspan="2">11COQ011/SITE PLAN/place d'orleans110</td> </tr> <tr> <td colspan="2">JUNE 24, 2011</td> </tr> <tr> <td>REVISION DATE</td> <td>DE RÉVISION</td> </tr> </table>	D07-12-11-0123	11-0676-L	11COQ011/SITE PLAN/place d'orleans110		JUNE 24, 2011		REVISION DATE	DE RÉVISION	<p> Location Map / Plan de révision Site Plan / Plan de emplacement 110 PLACE D'ORLEANS DRIVE</p>	<p>Échelle N.T.S. Mètres</p> <p></p> <p>Scale N.T.S. Metres</p>
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JUNE 24, 2011										
REVISION DATE	DE RÉVISION									



ELIGIBLE COSTS

DOCUMENT 3

The costs eligible for a Development Incentive Grant are estimated as follows:

	Item	Estimated Cost
1	Building Demolition	N/A
2	Construction of new building(s)	\$1,598,175
3	Construction of addition(s)	N/A
4	Facade upgrade(s) in front yard or external side yard	N/A
5	On-site infrastructure construction / upgrade including water services, sanitary sewers / burial of hydro service and stormwater management facilities	\$591,175
6	Off-site infrastructure construction / upgrade including roads, water services, sanitary sewers, stormwater management facilities, electrical and gas utilities	N/A
7	On-site features construction / upgrade including hard and soft landscaping, parking areas, walkways, decorative lighting and signage	\$110,850
8	Off-site features construction / upgrade including walkways, pedestrian amenities, hard and soft landscaping	N/A
9	30% (40% if 3 or more affordable housing units) of the estimated Building Permit Fee to be paid	N/A
10	The following Leadership in Energy and Environmental Design (LEED) Program Components: a) base plan review by a certified LEED consultant; b) preparing new working drawings to the LEED standard c) submitting and administering the constructed element testing and certification used to determine the LEED designation	N/A
	Total Eligible Project Costs: Eligible Project Costs x Maximum 70% Grant Amount	\$2,300,200 \$1,610,140

**ESTIMATED FUTURE CITY PROPERTY TAX INCREMENT
AND ANNUAL GRANT PAYABLE**

DOCUMENT 4

This Schedule is intended as an example of how the Development Incentive Grant is calculated.

Pre-Project Property Tax Rates and Property Taxes

The Current Value Assessment (2012) on the property located at 3025 St. Joseph Boulevard when fully developed is estimated to be \$3,358,000, classified as commercial. The 2012 pre-project property taxes are \$4,052 broken down as follows:

**Table 1
Pre-Project Property Taxes**

Municipal Property Tax Portion	\$2,394
Education Property Tax Portion	\$1,658
Total Pre-Project Property Taxes (In the year the CIP grant application was made)	\$4,052

Based on the post-project assessment valuation prepared by Altus Group, as submitted as part of the application, it has been estimated that once the entire project is complete, the property including all building will have a post-project assessment value (in 2012) of approximately \$3,358,000 in the commercial tax class.

Even though construction is now completed, it is important to note that the tax increment is an estimate and provides guidance on the order of magnitude of the possible payment under the assumption of all buildings being reassessed and taxes levied and paid at the full rate in 2013. The assessed value of the unit will likely increase reflecting increasing property values to reflect the existing MPAC reassessment term, as shown in Table 2. Also, there will likely be some increase in annual municipal taxes during the projection period.

The administration of the grant program would require that any grants to be paid be based on actual Municipal Property Assessment Corporation (MPAC) property assessment (including any resolution of appeals) of improved properties. The prevailing tax rate would be applied and only after taxes are paid in full for one year and only when the City is satisfied that all terms and conditions have been met as specified in this agreement between the City and the applicant would a grant be issued. The CIP directs that the annual grant payment is capped at 70 per cent (85 per cent if three or more affordable housing units have been constructed) of the municipal share of the increase in property taxes over the pre-project municipal property taxes paid.

The program period is a maximum of 10 years from the Development Assistance Effective Date, until 70 per cent of the total project Eligible Costs (85 per cent if three or more affordable housing units have been constructed) have been paid by the annual grants or until \$1,000,000 has been paid, whichever comes first.

For this application, the estimated future Municipal Tax Increment is the estimated future municipal tax minus the pre-project municipal share of taxes. That is, for example, \$62,125 minus \$2,394 (from Table 1) = \$ 59,731 for the first year.

The future municipal tax increment has been estimated and the annual grant is based on the 70 per cent grant factor. The possible grant payment schedule is shown in Table 2 below. In the administration of this grant the line item for each year would be calculated in the corresponding year based on the new assessment, tax rate, taxes paid and actual municipal tax increment paid in that year to establish the actual grant payment.

Table 2 – Estimated Grant Amount

Year	Existing Municipal Taxes (Base Rate)	Projected New Municipal Taxes	Municipal Tax Increment	Development Incentive Grant at 70% of increment	Feasibility & Planning Fees Grants (1/10 of Total Amounts)	Est. Annual Development Assistance*	Balance to CIPRF**
1	\$2,394	\$62,125	\$59,731	\$41,811.70	N/A	\$41,811.70	17,919.30
2	\$2,394	\$63,367	\$60,973	\$42,681.10	N/A	\$42,681.10	18,291.90
3	\$2,394	\$64,635	\$62,241	\$43,568.70	N/A	\$43,568.70	18,672.30
4	\$2,394	\$65,927	\$63,533	\$44,473.10	N/A	\$44,473.10	19,059.90
5	\$2,394	\$67,246	\$64,852	\$45,396.40	N/A	\$45,396.40	19,455.60
6	\$2,394	\$68,591	\$66,197	\$46,337.90	N/A	\$46,337.90	19,859.10
7	\$2,394	\$69,962	\$67,568	\$47,297.60	N/A	\$47,297.60	20,270.40
8	\$2,394	\$71,362	\$68,968	\$48,277.60	N/A	\$48,277.60	20,690.40
9	\$2,394	\$72,789	\$70,395	\$49,276.50	N/A	\$49,276.50	21,118.50
10	\$2,394	\$74,245	\$71,851	\$50,295.70	N/A	\$50,295.70	21,555.30
TOT.	\$23,940	\$680,249	\$656,309	\$459,416.30	N/A	\$459,416.30	196,892.70

*The cumulative total of annual Development Assistance paid shall not exceed the total from line 8 in Document 5 (as may be reduced based on actual eligible project costs, assessed values and tax increments paid).

**CIPRF = St. Joseph Boulevard Community Improvement Plan Revolving Fund

DEVELOPMENT INCENTIVE GRANT UPSET AMOUNT

DOCUMENT 5

The St. Joseph Boulevard CIP specifies that, the total of all grants combined with any Brownfield's CIP grant shall not exceed 70 per cent of eligible project costs, 85 per cent if three or more affordable housing units have been constructed, to a total of \$1,000,000, whichever is lower.

1	Total Eligible Project Costs (From Document 3)	\$2,300,200
2	Total capping equal to the lesser of 70 per cent of Total Project Costs (85% if 3 or more affordable housing units constructed) and \$1,000,000	\$1,610,140
3	Project Feasibility Study Grant approved amount: (From Schedule "C")	N/A
4	Planning Fee Grant approved amount (From Schedule "D")	N/A
5	Development Incentive Grant estimated amount (From Table 2 -- Document 4)	\$459,416.30
6	Brownfield's CIP grant amount (From existing or pending agreement, if any)	N/A
7	Subtotal (Lines 3-6 inclusive)	\$459,416.30
8	Total estimated Development Assistance upset amount: (the lower of lines 2, 7, \$1,000,000)	\$459,416.30