

**Economic Development Committee Meeting
November 6, 2019**

On-Table Item(s)

Item Type	Date	Item No.	Item Name	Reason For On-Table Distribution
Document	November 6, 2019	4.3	Business Incentives Working Group Update	Received after agenda distribution
Document	November 6, 2019	4.5	2019 Spike Awards Debrief	Received after agenda distribution

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Economic Development Committee – Business Incentives Working Group
Wednesday, October 30, 2019
Brovold Room

Present: Matt Ferguson, Sharleen Karamanian, Sean Ogilvie, Chris Pope, Joji Kumagai (Manager of Economic Development)

Regrets: Dustin Chelen

Meeting started at 7:15pm.

- Review of materials:
 - Overview of the revitalisation tax exemption program (Sharleen, appendix A). Key points included:
 - Timeline to implement any program must align with budget cycles
 - Need to consider budget implications (loss of tax revenue that needs to be generated elsewhere by the municipality)
 - Public consultation often accompanies process; adds timeline, potential public pressure
 - Flexibility in application of the program but process is very rigid
 - Summary of discussions with City of Vernon, City of Penticton, City of Nanaimo (Joji, Appendix B). Key takeaways included:
 - Important that any vision documents are aligned with zoning guidelines
 - A wide variety of applications of the program, most with fairly modest financial thresholds for participation
 - Program helped achieved building of rental that wouldn't have been possible otherwise
 - City of Penticton also invested significant funds for street beautification to complement tax program
 - Overview of research of Port Coquitlam, Langley City, Mission, Abbotsford, and Chilliwack (Sean, on-table package). Key takeaways included:
 - Many attempts to use tax exemption program to spur revitalization but general conclusion was that the program had little impact in these municipalities
 - Reflecting on these municipalities, some working group members felt that Port Moody's challenge is that it has no clear core or downtown and no anchor tenant
 - 2018 and 2019 municipal tax rates for select municipalities in Metro Vancouver and adjacent jurisdictions (Joji, Appendix C). Key points included:
 - In general, Port Moody has relatively competitive tax rates though as the GM of Finance and Technology mentioned in his presentation to EDC, these figures cannot be viewed in isolation and as standalone data
- Discussion:
 - Incentives need to be focused that support development of commercial spaces to house businesses that provide higher paying jobs
 - Most incentives are poorly targeted – no rhyme or reason to the incentives (not tied to relative strengths and opportunities of the area)
 - Up front incentives with no real commitment to meet goals – what are the consequences if companies fail to meet objectives? Incentives for existing companies to expand?
 - Little connection between level of incentives and economic fortune. One study looking at state tax incentive programs estimated that 8 of 10 jobs get taken by outsiders, which diminishes the benefit to the local economy

- Port Moody currently has little available commercial space so can't locate new businesses
- Need city to show investment as well to indicate partnership with private sector investment – e.g. beautification
- Main locational considerations for business include workforce, proximity to markets, access to qualified suppliers
 - Property tax relaxation is not a substantial incentive
 - A faster turnaround for permits and licences is more important (this is business friendly and will save businesses more money through reduction in holding costs than tax incentives would)
- Planning is critical - important to get Planning aligned with any economic development efforts to build commercial space that is appealing to new businesses
 - Noted that at the EDC presentation by the GM of Planning and Development, it was mentioned that economic development is not typically top of mind for planners at the pre-application stage or when reviewing applications
- Question as to whether tax savings would be much of a differentiator for Port Moody to attract businesses. The city has great standards of livability, tax rates are already relatively low.
- Is the loss of tax revenue from some commercial properties during the tax exemption program and potential push back from the public, including other businesses, worth the tradeoff? Need to communicate the long-term benefits when pitching the idea of this program.
- What type of business should be a recipient of tax exemption?
 - Should be an anchor tenant only, not any business even if in the TOD area
 - Incentivize office and light industrial space (not retail or residential) of x square feet or more and not for small floor plates
- Consider strata to support small businesses
- Need to think beyond just Moody Centre TOD area and include the entire Skytrain corridor – call it a commercial business district as opposed to a TOD
- Lack of clarity around extent of residential density developers need to build substantial commercial space
- Port Moody has been in discussions with post-secondary institutions for a campus in the city. An institution would help as an anchor tenant and build credibility for the economic development vision (innovation and technology) for the area
 - Helpful for EDC to be informed of these types of significant details that could substantially sway considerations and recommendations
- Other policy ideas such as DCCs charges like what the City of Nanaimo had been offering provide advantages but very time consuming to apply and rewrite bylaws
- Could other uses be attracted through a tax exemption program? e.g. hotel, boutique movie theatre

Meeting adjourned at 8:45pm.

Appendix A

Overview of Revitalization of Tax Exemptions

- Legislation Section 226 of the Community Charter provides authority to exempt property from municipal property value taxes.
- To use this authority, a Council must establish a revitalization program (with defined reasons for and objectives of the program), enter into agreements with property owners, and then exempt their property from taxation once all specified conditions of the program and the agreement have been met.
- Exemptions may apply to the value of land or improvements, or both. Councils are free to specify, within their revitalization programs, the amounts and extent of tax exemptions available.
- Revitalization tax exemptions are limited to municipal property value taxes (Section 197(1)(a) of the Community Charter only) and do not extend to school and other property taxes, such as parcel taxes.
- An exemption may be granted for up to 10 years. The authority to provide a revitalization tax exemption is not subject to section 25 of the Community Charter (prohibition against assistance to business).
- Revitalization tax exemptions are a tool that Councils may use to encourage various types of revitalization to achieve a range of environmental, economic or social objectives.
- A revitalization program may apply to a small area or areas, a certain type of property or properties, a particular activity or circumstance related to a property or properties, or an entire municipality.

Financial Implications

- **Once criteria have been established for permissive tax exemptions, local governments may estimate the number of properties eligible for exemption and the amount of forgone municipal taxes.**
- **This analysis would help the local government determine the acceptable scope of exemptions, within the given budgetary restraints of the local government.**
- **Local governments may choose to limit the scope of exemptions by ranking them in order of priority based on established criteria. They could also elect to cap the total amount of tax revenue they are willing to forego in any one year through permissive exempt.**

Appendix B

Municipal Revitalization Tax Exemptions

City of Vernon via City of Campbell River (Cleo Corbett, Senior Planner – phone call on October 29, 2019)

- Cleo is ten months into the job at Campbell River so couldn't provide many details to the [tax exemption initiatives in Campbell River](#) but offered these thoughts
 - There are inconsistencies with the revitalisation plan (Refresh Downtown) and the zoning bylaws. These must be aligned to provide clear policy direction to external stakeholders.
 - Uptake has been limited likely because of the above
- Cleo was a senior planner at the City of Vernon for 8 years and authored the City Centre neighbourhood plan
 - The tax exemption bylaw in the City of Vernon was written as soon as the neighbourhood plan was finished in order to align vision with policy
 - Any development consistent with plan and greater than \$50K was approved for the exemption
 - Mixed-use development was encouraged but there was also success in converting old, single-family housing stock into four-plexes and other more dense forms (ground-oriented residential infill)
 - Employment space and residential units for families were also encouraged
 - No defined goals were set prior to the implementation of the bylaw

City of Penticton (Blake Laven, Planning Manager – phone call on October 29, 2019)

- First tax exemption bylaw was established in 2010 when the economy was struggling
- Aligned with Council Strategic Plan elements regarding revitalising downtown and the waterfront
- Each bylaw had a 2 year sunset clause, which was renewed a number of times subsequently; no bylaw currently exists (i.e. there is no tax exemption program because it was deemed that the economy is going well and there is less need to have such a program)
- 19 projects totalling close to \$32 million in investment was completed, including more than 100 residential units
- The City also invested in public realm improvements (e.g. wider sidewalks, street furniture) of around \$8 million in the tax exemption area
- Different buildings had different exemptions
 - Residential buildings : 10 year tax exemption
 - Commercial buildings: 5 year tax exemption
- Planning staff heard from some developers that certain projects (e.g. purpose built rental) wouldn't have gone ahead without the exemption
 - Many developments are leveraged in the first five years after completion to manage costs so with a five year exemption, funds that would have been used to pay taxes can go into paying down costs and therefore, makes pro formas viable)
- No set metrics at onset of program
- Would definitely do this again if had to but would not apply tax breaks to land value and only apply on improvements
 - If no building, property owner still has to pay taxes on land value so break should only be applied to improvements to incentivise development and also better optically
- There has been [debate at Council](#) regarding the tax exemption program

City of Nanaimo (Bill Corsan, Deputy Director Community Development – phone call on October 29, 2019)

- City of Nanaimo has two tax exemption programs
 - Hotels and motels
 - Downtown
- Hotels and motels program
 - Started 7 or 8 years ago

- Valid for any new construction or renovation over \$2 million (BP value) anywhere in the city
- \$2 million was set as the threshold as it was deemed to represent a significant project
- Nanaimo has 665 rooms with three more hotels/motels coming online soon (180 rooms, 40 rooms, and 60 rooms) for a total of about 940 rooms
 - Has taken time to catch on even though the new convention centre was built but starting to see progress
- City had sought a 5 star hotel but after market research, found there wasn't demand but there will likely be a 4 star hotel
- Annual occupancy rate has typically been in the 50 to 60% range but now is up to 95% in the peak season due to tourism, business travellers (Nanaimo is positioning itself as the commercial centre on the Island for a certain geographical area so is attracting many construction companies), the hospital, and Vancouver Island University
- Downtown program
 - Launched in 2018 to replace development cost charges (DCC) program
 - Downtown area used to be a DCC exempt zone but after analysis, found that tax incentives would better spur development
 - Applicable to both residential and commercial developments
 - Must be over \$500K in improvements or developments; low threshold
 - 1 project in the works right now
 - While part of downtown are seeing a revitalisation, particularly around the convention centre, the Terminal area (in and around the former A&B Sound store) continues to be a challenge
 - Due to brownfield sites, small property lots, and contamination from the coal industry, looking at relaxations in environmental processes to reduce costs and timelines (not a relaxation of environmental standards but more to prevent each developer from having to test sites for contamination knowing that it already is) and to encourage developers to consolidate lots

Appendix C

2018 and 2019 Tax Rates

Municipalities	Type	RD	2018				2019			
			Residential	Light Industry	Business	2018 Business/Residential Ratio	Residential	Light Industry	Business	2019 Business/Residential Ratio
Abbotsford	C	FVR	3.3565	8.3080	10.0512	2.99	3.0916	6.8641	9.2476	2.99
Anmore	V	GVR	1.3240	0.0000	1.3240	1.00	1.3644	0.0000	1.3644	1.00
Belcarra	V	GVR	1.0345	0.0000	2.5345	2.45	1.1219	0.0000	2.7487	2.45
Burnaby	C	GVR	1.5063	6.3109	6.3109	4.19	1.5119	5.3525	5.3525	3.54
Chilliwack	C	FVR	3.2539	7.2477	7.8122	2.40	3.0157	5.5454	7.1077	2.36
Coquitlam	C	GVR	2.0220	9.9203	8.8663	4.38	1.9838	8.3080	7.2747	3.67
Delta	C	GVR	2.3170	7.5475	7.7991	3.37	2.3429	6.9333	7.1283	3.04
Langley	C	GVR	2.4854	7.9285	7.6775	3.09	2.3236	6.3779	7.6388	3.29
Maple Ridge	C	GVR	2.9961	9.8429	9.8429	3.29	2.8326	8.9367	8.9367	3.15
Mission	D	FVR	3.2226	10.9236	12.9026	4.00	2.9814	9.4923	12.4819	4.19
New Westminster	C	GVR	2.5071	13.5274	10.4278	4.16	2.4499	11.4122	9.4584	3.86
North Vancouver	C	GVR	1.6834	6.4785	6.4785	3.85	1.6928	5.2827	5.2827	3.12
Pitt Meadows	C	GVR	2.7452	12.8026	9.3294	3.40	2.6307	13.0369	8.6028	3.27
Port Coquitlam	C	GVR	2.4401	10.6173	9.1630	3.76	2.3611	8.7298	7.9027	3.35
Port Moody	C	GVR	2.4729	14.1856	6.9255	2.80	2.3986	12.7401	5.7004	2.38
Richmond	C	GVR	1.5152	4.8344	4.8344	3.19	1.5493	4.2702	4.2702	2.76
Squamish	D	SQL	3.1789	12.1434	8.6784	2.73	2.9891	11.4184	7.8613	2.63
Surrey	C	GVR	1.8060	5.0777	5.9532	3.30	1.7568	4.6278	5.4636	3.11
Vancouver	C	GVR	1.2439	5.0302	5.0302	4.04	1.3357	4.2712	4.2712	3.20
White Rock	C	GVR	2.2627	0.0000	6.0131	2.66	2.3005	0.0000	5.2925	2.30
Campbell River			5.2216	13.2831	12.9184	2.47	4.7003	12.5121	12.5464	2.67
Nanaimo			4.4807	12.9391	12.9391	2.89	4.2519	12.8942	12.8942	3.03
Penticton			3.9255	6.5551	6.5324	1.66	3.6929	6.6215	6.7210	1.82

2019 Spike Awards Debrief

Positives

- 61 different businesses in attendance, or about a 50% increase in the number of unique businesses in attendance compared to 2018, despite lower attendance numbers
 - 16 home-based businesses (7 in 2018)
 - 45 bricks and mortar (33 in 2018)
- 134 total attendees (152 in 2018)
- New categories were an improvement on previous categories
- Shortlisting helped substantially in nomination process to ensure quality of nomination over quantity
- Able to get more home-based and service entities involved
- Milestone recognitions were generally well received
- Improved lighting in Galleria so photos of winners and others by the Spike were of much better quality
- Vendors included all five breweries and four florists and local caterer
- Nice [article](#) in the Tri-Cities News about winners

Areas for Improvement

- Timelines
 - Move up nomination period to July 1 (Canada Day/Golden Spike Days) to August 31 (will capture CFD)
 - Process nominations the first week of September
 - Shortlist second week of September
 - Shortlist responses by end of September
 - EDC selects winners in October
- Shortlisting
 - Add character count in shortlisted business submissions
 - Request photo of business (interior or exterior) along with head shot and logo (show photo of business rather than business owner in slides, expect for Young Entrepreneur category)
- Milestone recognition
 - During pre-event registration period, ensure businesses provide whether they are a milestone business or not and their address (to cross reference)
 - Indicate cutoff date on invitation letter for inclusion on milestones (also pertinent for name tags)
 - Do a final call out during event for milestones for any businesses that registered last minute
- Enhance presentations to provide more time to highlight what good things shortlisted businesses are doing
- Ensure EDC members receive speaking points before the event
- Have voice from the booth introduce MC at beginning of the evening
- Use the opportunity to engage business community on current thoughts/concerns through short survey
- Live music would be a nice touch
- Push more social media in the script