



SMITHS FALLS

RISE AT THE FALLS

Report # 2023-037

To: Mayor and Council
From: Mary Remmig, Planning Clerk
Date: March 9, 2023
Committee of the Whole Date: March 13, 2023

☐ For Direction
☐ For Information
☒ For Adoption
☒ Attachment 5 pages

Title: Tax-based Redevelopment Grant – 20 Beckwith Street North

Recommendation: THAT Council of the Corporation of the Town of Smiths Falls pass a By-law authorizing a 10-year Tax-based Redevelopment Grant in accordance with the Downtown and Waterfront Area Community Improvement Plan for the property municipally known as 20 Beckwith Street North with the amount of program assistance starting at 80% of the Taxable Commercial (CTN) tax increment in year one and the amount of assistance decreasing by 8% each year for a duration of the agreement;

AND THAT the aforementioned By-law authorize the Mayor and Clerk to execute a Tax-based Redevelopment Commitment and Grant Agreement with 1686994 Ontario Inc. c/o Parkview Homes executing Council's decision respecting the Tax-based Redevelopment Grant.

Purpose: To provide Council with a recommendation for final approval of the Tax-based Redevelopment Grant application as submitted in 2017 in support of the redevelopment/rehabilitation of Hotel Rideau, municipally known as 20 Beckwith Street North.

Background: The Tax-based Redevelopment (TIG) Grant is a financial incentive provided under the 2013 Downtown and Waterfront Area Community Improvement Plan (CIP) which was rescinded with the adoption of the Smiths Falls Community Improvement Plan in October 2022. The program offered successful proponents a tax abatement equal to an approved proportion of the tax increment¹ where the Municipal Property Assessment Corporation (MPAC) reassessment of the property increases by an amount of \$300,000 or more as a result of redevelopment/rehabilitation of a property. The program prescribed a maximum eligibility of 80% of the commercial tax increment and 100% of the residential tax increment for successful applicants. Applicants are not guaranteed they will receive the maximums prescribed; the proportion of the tax increment eligible for rebate may be

¹ The Tax increment is defined as the difference in annual municipal property taxes generated from the difference between the base assessment and the MPAC reassessment of the property post redevelopment/rehabilitation.

adjusted or phased over the duration of a commitment and grant agreement, at the discretion of Council.

The duration of the commitment and grant agreement is as determined by Council and may be a period of up to 10 years. The Downtown and Waterfront CIP applied a ceiling value to the cumulative amount of taxes rebated to the property owner throughout the duration of an agreement. This ceiling value is equal to the costs of redevelopment/rehabilitation of the property as declared by the property owner. This means that if the overall amount of taxes rebated to the property owner reaches the total eligible costs of redevelopment/rehabilitation of the property before the term of the agreement is complete, then financial assistance is considered paid in full.

The property owner is responsible for paying the full tax liability to the municipality in any given year over the duration of an in-effect commitment and grant agreement. The Council-approved proportion of the tax increment set for rebate back to the property owner is rebated within the first quarter of the calendar year following the year in which taxes were paid. For example, the property owner is responsible to pay the full tax liability in 2023 and is rebated the approved portion of the tax increment in early 2024. This process is repeated annually until the prescribed duration of the agreement concludes or if the ceiling value for program assistance, as described above, is achieved.

The TIG Grant application for 20 Beckwith Street North was presented to Committee of the Whole in June 2017. At that time, Council deemed consideration of the application premature due to outstanding planning approvals and apprehension of approving an application prior to more specific information on the reassessment of the property post redevelopment/rehabilitation. The application was sent back to staff to obtain a narrative comprehensive assessment from MPAC for the redevelopment. The narrative comprehensive assessment pursued by staff was rendered not applicable to the application prior to Council's consideration given that the proportions of the building proposed for residential and commercial uses were adjusted during the construction process making the forecasted reassessment inaccurate.

Although consideration of the TIG Grant was not considered in detail at the time of application in 2017, the base assessment² for the property in accordance with the program was agreed to by the Town at an amount of \$109,000 for Taxable Commercial (CTN) and \$102,100 Multi-residential Taxable Public (MTP). Using the 2023 tax rates, these assessed values would generate roughly \$3,627 CTN and \$3,428 MTP for annual property taxes in 2023 (absent any applicable fees or levies).

In 2021, Planning staff in consultation with the CIP Evaluation Committee established an approval procedure for the TIG Grant program which gave the property owner greater certainty of the TIG Grant approval without committing the Town to exact figures prior to the MPAC reassessment of the property. The process required in-principle approval of the application through a Council resolution setting out specific conditions and criteria that needed to be achieved before final approval of the TIG Grant would be considered. Final

² The base assessment is the MPAC assessed value of the property prior to redevelopment/rehabilitation. In the case of 20 Beckwith Street North, the base assessment is the value of the property at the time of application in 2017.

approval is considered by Council at the time all conditions of in-principle approval have been fulfilled. An agreement, registered to the title of the property, executes Council's final decision. This process facilitates more accurate projections for the commitment when considering final approval given that the reassessment reflects the redeveloped/rehabilitated state of the property. On this basis, Council was generally supportive of staff's approach and decided to proceed with in-principle approval of the TIG Grant for the subject property.

At their meeting on May 3rd 2021, Council passed the following resolution in support of in-principle approval of the TIG Grant for 20 Beckwith Street North:

Resolution #2021-05-114

WHEREAS, Council of the Corporation of the Town of Smiths Falls supports the recommendation from the Community Improvement Plan Evaluation Committee in-principle, respecting the rehabilitation of 20 Beckwith Street North (Hotel Rideau) through support under the Tax-based Redevelopment Grant (TIG) "Program 4" of the Community Improvement Plan;

AND WHEREAS support in-principle is granted subject to the following conditions:

- 1. Consideration for and execution of a contribution agreement will occur following the property being reassessed by MPAC and the Town has been notified of the same;*
- 2. The executed contribution agreement prescribes a duration of 10 years;*
- 3. The contribution agreement will be phased with the value of the assistance decreasing over the funding duration;*
- 4. Construction of the historical portico along the Beckwith Street North facade is completed before December 31, 2021;*
- 5. An accessible ramp be provided to directly access the ground-floor commercial unit; and,*
- 6. Completion of landscaping and all other work pursuant to an amended site plan control agreement.*

AND FURTHER THAT any reassessment received will be communicated to Council for consideration and direction.

Planning staff were notified of the MPAC reassessment of the subject property in October 2021. The reassessment of the property classified a large portion of the rehabilitated building as New Multi-Residential Public (NMTP) with a small portion classified as New Commercial (CTN).

The MPAC reassessment of the property was circulated to the CIP Evaluation Committee in December 2021 by way of a staff report for the purpose of recommending final approval of the TIG Grant to Council. At that time, there was a broad understanding amongst the Committee that the majority of residential units on the subject property were available as short-term rental accommodations, which, in their opinion, necessitated a commercial tax classification. Further, many Committee members acknowledged that the New Multi-Residential Public (NMTP) tax classification had been assigned to the property. This tax

classification has a considerably lower tax rate than that of the Multi-Residential Public (MTP) or Taxable Commercial (CTN) tax classifications. For these reasons, Committee members felt the property owner had received ample relief on their annual property taxes and directed staff to develop a funding scenario that limited the amount of program assistance to roughly \$100,000 over a 10-year duration and meeting the requirements of Council's resolution for in-principle approval.

See Appendix 'A' for a copy of the CIP Evaluation Committee minutes dated December 15, 2021 and January 12, 2022.

In February 2023, the property owner completed an amendment to the existing site plan control approval to reflect the as-constructed condition of subject property. The amendment fulfilled the final condition of Council's in-principle approval for the TIG Grant. Staff are now in a position to bring forward final TIG Grant approval for Council's consideration with all conditions of in-principle approval having been fulfilled by the property owner. However, the property has since been reassessed by MPAC as a full Taxable Commercial (CTN) property at an assessed value of \$3,284,000. The CIP Evaluation Committee, having been dissolved with the adoption of the new Smiths Falls CIP, was unavailable to review the new assessed value and provide a recommendation on final approval of the TIG Grant. In lieu, the specifics of Council's in-principle approval along with the reasons for the Committee's previous recommendation have been considered in developing a recommendation of final approval from staff.

Analysis and Options: This restoration project has been widely supported due to the building's longstanding vacancy, location in the Downtown Core and significance in the Town's heritage. The rehabilitation of Hotel Rideau and reinstatement of the historical portico enhances the historical fabric along the Town's main street. Funding this redevelopment/rehabilitation project through the TIG Grant has been broadly supported by former term(s) of the CIP Evaluation Committee and term(s) of Council since the original submission of the application in 2017 given the project's alignment with the objectives of the former Downtown and Waterfront Area CIP. Further, the developer advises that obtaining tax relief to support the redevelopment/rehabilitation of the property is essential in making the project economically viable.

Staff have considered the CIP Evaluation Committee recommendation from early 2022 that limits the aggregate amount of program assistance the applicant would receive to an estimated \$100,000. In review of the Committee's discussion, it is acknowledged that many of the members disagreed with the original reassessment of the property which, in their opinion, was operating as a commercial use. Staff acknowledge that the MPAC reassessed value of the property has changed since the Committee's consideration and that the reassessed value now recognizes that the property is commercial in nature with the property being taxed as a fully commercial building.

In consideration of Council's resolution with respect to in-principle approval, the final TIG Grant agreement must prescribe a duration of 10 years with the value of program assistance decreasing over the duration of the agreement. An agreement executed in 2023 will schedule the first program assistance rebate for the first quarter of 2024. The agreement will remain in force and effect until 2033 with the last program assistance rebate paid to the property owner in the first quarter of 2034. As previously noted, if the cumulative amount of

program assistance paid over the duration of the agreement reaches the total eligible costs of redevelopment/rehabilitation (declared at a value of \$2,084,112), the agreement may be fulfilled prior to the 10-year duration.

See Appendix 'C' for an overview of the total eligible costs of redevelopment/rehabilitation as submitted by the property owner.

Using the 2023 tax rates, the new MPAC assessed value of the property will generate roughly \$108,393 CTN for annual property taxes in 2023 (absent any applicable fees or levies). This represents a tax increment of \$104,765 in 2023 compared to the taxes that would be generated by the Taxable Commercial (CTN) base assessment. Staff are recommending that Council approve the maximum eligible amount of 80% of the Taxable Commercial (CTN) rate for the first program assistance payment in 2024. This will result in an estimated rebate of approximately \$83,812 in the first quarter of 2024 with roughly \$24,581 recognized as tax revenue for the subject property. Even with the rebate considered, the tax revenue for the subject property will increase by approximately \$17,525 in 2023 compared to the taxes generated had the redevelopment/rehabilitation of the property had not occurred.

In accordance with Council's in-principle approval for the subject property, staff are recommending that the amount of program assistance decrease by 8% each year over the term of the agreement. This will decrease the value of the annual rebate and will increase the realized tax revenue for the property each year over the duration of the agreement at a consistent rate. For example, using 2023 tax rates and taxation projections in the previous paragraph, the property owner would be eligible for 72% of the Taxable Commercial (CTN) taxes in 2024 for their second program assistance payment in the first quarter of 2025. This results in an estimated rebate of \$75,430 in the first quarter of 2025. This estimation is roughly \$8,382 less than the amount of taxes projected for rebate in 2024 for the 2023 calendar year.

See Appendix 'B' for a financial analysis overview of the staff recommendation for the TIG Grant.

Council is advised that the scenario presented in Appendix 'B' is for Council's consideration and may vary each year depending on MPAC's annual assessed value of the property and Council's approved annual tax rates.

Following Council's final decision on the TIG Grant, the decision will be executed by way of a commitment and grant agreement. The agreement will establish terms and conditions for the calculation and payment of annual rebates in accordance with the former Downtown and Waterfront Community Improvement Plan and Council's final decision on the TIG Grant. The agreement will also give the municipality the discretion to reassess the TIG Grant in the event the MPAC assessed value of the property changes or in the event of demolition of the property in full or part. At this time, the staff-prepared draft agreement is currently with legal representation for review to confirm accuracy and coverage of the Town's interests.

Options:

1. **THAT, Council pass a by-law authorizing a 10 year TIG Grant for 20 Beckwith Street North starting at 80% of the tax increment in year 1 with the amount of assistance decreasing by 8% each year;
AND THAT, the aforementioned by-law authorize the Mayor and Clerk to enter into a commitment and grant agreement with the property owner.
(Recommended)**
2. THAT Council pass a by-law authorizing a 10-year TIG Grant for 20 Beckwith Street North starting at an undetermined proportion of the tax increment with the amount of assistance decreasing over the duration of the agreement. (As directed by Council)
3. THAT Council defer a decision regard final approval of the TIG Grant for 20 Beckwith Street North pending further information. (As directed by Council)
4. THAT Council deny final approval of the TIG Grant for 20 Beckwith Street North. (Not recommended)

Budget/Financial Implications: This grant focuses on net municipal taxation gain which represents unrealized revenue if the development or enhancement of the property had not occurred. The property owner is responsible for paying the increase in annual property taxes to the municipality. Through the budget process, the proportion of the annual taxes expected to be rebateable to the property owner will be provided for. An amount equivalent to the expected rebate will be accrued at the end of each calendar year. Once the annual budget is adopted by Council in the following calendar year, and all requirements of the commitment and grant agreement have been met, the property owner will receive a rebate for the proportion of the tax increment agreed to by Council.

See Appendix 'B' for staff's forecasted aggregate amount of taxes to be rebated to the property owner, estimated at a \$460,968 with approximately \$622,961 of realized tax revenue, over the duration of a 10-year agreement.

Link to Strategic Plan (2019-22): Not applicable.

Existing Policy:

- Downtown and Waterfront Community Improvement Plan, 2017
- Downtown Revitalization and Waterfront Integration Master plan
- Ontario Planning Act, Section 28

Consultations: Clerk, Senior Planner, Tax Collector, Treasurer, Community Improvement Plan Evaluation Committee (2018-2022)

Attachments:

- Appendix 'A' – CIP Evaluation Committee Meeting Minutes (December 15th, 2021 and January 12th, 2022)
- Appendix 'B' – Financial Analysis Overview of Staff Recommendation
- Appendix 'C' – Total Eligible Costs (Cost of Redevelopment/Rehabilitation, provided by the property owner)

Respectfully Submitted:

Approved for agenda by CAO:

Original copy signed

Mary Remmig
Planning Clerk

Original copy signed

Kerry Costello
Director of Corporate
Services

Original copy signed

Malcom Morris, CMO
Chief Administrative Officer

Appendix 'A' – Minutes of the CIP Evaluation Committee

COMMUNITY IMPROVEMENT PLAN EVALUATION COMMITTEE MINUTES

Wednesday, December 15th, 2021 – 4:00 p.m.

YouTube - <https://www.youtube.com/channel/UCIFXU6Sq9neiC5VU9QbmLtQ>

ii) Report #CIP-2021-15 – 20 Beckwith Street North (Program 4)

M. Remmig gave an overview of Report #CIP-2021-15.

C. McGuire asked how much funding had been granted to the property through the CIP overall.

M. Remmig advised that a total of \$10,000 had been granted to the subject property.

C. Saumure noted that the residential units are operating as short-term rentals which is a hotel use in his opinion.

J. Koziel advised of her discussion with MPAC in this regard. MPAC notes that there is currently no rationale for assessing short terms rentals. J. Koziel generally agreed with C. Saumure's comment.

C. McGuire noted that the development was classified as 'new multi-residential' which is a considerably lower tax rate. He recognized that the building was rehabilitated after years of neglect, but would like to see TIG funding scaled back.

J. Koziel acknowledged that the assessment is based off the 2016 valuation. Valuations will be frozen until at least 2024.

J. Crowder agreed with C. McGuire. The assessment, in consideration of the short term rental operation, offers a 'tax break'. She noted her support for Scenario 3 or capping maximum funding at \$100,000.

C. McGuire would support a rebate of roughly \$10,000 per year.

M. Remmig advised that the policy only prescribed a funding/rebate cap equal to the cost of construction/renovation.

I. Mazurkiewicz reiterated that the Committee would like to see roughly \$100,000 dispersed over the 10-year abatement period. He directed M. Remmig to develop a funding scenario consistent with this direction. The final funding decision can move forward to Council without approval by the Committee, however should be brought forward to the Committee for information in January 2022.

Motion #2021-CIP-22

THAT, the *Community Improvement Plan Evaluation Committee*, having reviewed the new MPAC assessment for the development and the specifics of the operation, hereby supports final approval of the CIP application under Program 4, Tax-based Redevelopment Grant (TIG), to a maximum estimate of \$100,000.00;

AND THAT, staff are directed to develop a funding scenario in accordance with the Committee's support and which is consistent with the CIP policy for consideration by Council.

I. Mazurkiewicz - Yea

J. Crowder - Yea

D. Hudson – Yea

J. Koziel – Yea

C. McGuire – Yea

C. Saumure – Nay

CARRIED: (5-1)

COMMUNITY IMPROVEMENT PLAN EVALUATION COMMITTEE MINUTES

Wednesday, January 12th, 2022 – 4:00 p.m.

YouTube - <https://www.youtube.com/channel/UCIFXU6Sq9neiC5VU9QbmLtQ>

i) Hotel Rideau – Program 4, Final Funding Scenario

M. Remmig circulated a funding scenario demonstrating the Committee's recommendation to support a maximum of \$100,000 in Tax Increment Grant contribution over a 10-year duration. M. Remmig asked if the Committee considered whether or not their direction is consistent with the in-principle approval resolution adopted by Council.

Members confirmed that this had been considered.

Irv asked if there were any questions on the proposed scenario for the Committee's recommendation.

No questions or concerns were conveyed by the Committee.

Appendix 'B' – Financial Analysis Overview of Staff Recommendation

CIP RECOMMENDATION GRANT FUNDING FOR THE RIDEAU HOTEL - 20 BECKWITH ST N													
ORIGINAL ASSESSMENT					REVISED ASSESSMENT					Recommendation			
YEAR	TAX CLASS	TAX RATE	VALUE	TAXES	TAX CLASS	TAX RATE	VALUE	TAXES	TAX INCREMENT	% OF INCREMENT	REBATE (taxes generate from increment)	TAXES TO BE PAID	% rate
2023	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	2,539,280	83,812	24,581	80%
2023	MTP	0.03357540	102,100	3,428				0					
2024	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	2,285,352	75,431	32,962	72%
2024	MTP	0.03357540	102,100	3,428				0					
2025	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	2,031,424	67,050	41,343	64%
2025	MTP	0.03357540	102,100	3,428				0					
2026	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	1,777,496	58,669	49,724	56%
2026	MTP	0.03357540	102,100	3,428				0					
2027	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	1,523,568	50,287	58,105	48%
2027	MTP	0.03357540	102,100	3,428				0					
2028	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	1,269,640	41,906	66,487	40%
2028	MTP	0.03357540	102,100	3,428				0					
2029	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	1,015,712	33,525	74,868	32%
2029	MTP	0.03357540	102,100	3,428				0					
2030	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	761,784	25,144	83,249	24%
2030	MTP	0.03357540	102,100	3,428				0					
2031	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	507,856	16,762	91,630	16%
2031	MTP	0.03357540	102,100	3,428				0					
2032	CTN	0.03300638	109,900	3,627	CTN	0.03300638	3,284,000	108,393	3,174,100	253,928	8,381	100,012	8%
2032	MTP	0.03357540	102,100	3,428				0					
				\$70,554				\$1,083,930			\$460,968	\$622,961	

Appendix 'C' – Total Eligible Costs

• demolition of all existing interior buildout , including asbestos removal from floorng / wall structures	173,125.00
• windows / exterior heritage doors...the windows for entire building had to be special ordered, to replicate the existing size and style	
• arched windows which were hand crafted , as will be the entrance doors ...total supply cost..	142,000.00
• rework interior of window openings to accept new units, including supporting of additional transoms to meet code requirements....	97,500.00
• steel structural components, reinforcement of existing interior masonry walls, introduction of steel beams / Plams as required to ... create complete ecoskelton within existing hotel structure , new perimeter structurl walls to meet code requirements , which included pouring new footings , "sistering of all floor joists ...total cost 1,100,000.00	
• replacement of all sections of floor which were rotted, structurally unsound...	156,000.00
• recreating heritage entrance doors and specialty 2cd floor balcony door..	12,987.00
• reinforcement of all sections of wood truss roof system that were required to meet code , repalcement of entire exterior roof system as wood structure penetrated roof membrane when interior trued up...	125,000.00
• rebuild of all sections of exterior brick work, which includes rebuild, retooth, and repointing as required(ongoing budget estimate) ..	165,000.00
• cleaning of brick utilizing 3 detergent washings	34,000.00
• future expenditure for portico (budget)	78,500.00
Total...	\$2,084,112.00