

Economic review



RE. GEORGE HOTEL & RESIDENCES DEVELOPMENT APPLICATION
COMMITTEE OF THE WHOLE
SEPTEMBER 30, 2014

Affordable Housing &
Community Amenities

Economic Impact
Highlights

Economic
Review

Property Tax
Revenue Estimate

Municipal property &
servicing/infrastructure

Focus of today's report

January 21, 2014 / February 4, 2014 Council decisions:

- THAT Council request staff to report on the provision of affordable housing and community amenities under Council Policy 3.14.
- THAT staff arrange a Special Committee-of-the-Whole meeting to consider the economic impacts and viability of The George Hotel and Residences project, subsequent to receipt of the staff report regarding the revenue indications of the proposed development.

Where are we in the process?

- **Previously:** On April 1, Council endorsed the form and character and requested preparation of a Zoning Bylaw amendment
- **Today:** Report on economic review, including affordable housing and community amenities
- **Still to come:**
 - + results geotechnical / aquifer peer review
 - + draft Zoning Bylaw amendment

Sources of information

Coriolis Consulting Corp.

- Leading land use economics experts in BC
- Review based on financial information from the applicant, March 2014

Staff review

- Based on information from applicant regarding infrastructure works
- Currently proposed housing and amenities (tentative)

Scope of work

Coriolis report includes

- A financial review of the developer's proposal to determine if the proposed provision of amenities is reasonable, given the nature of the rezoning.
- A review of municipal costs and revenues associated with the project.

Affordable Housing & Community Amenities

Affordable Housing

- Initial proposal: 4 affordable housing rental units for hotel staff
- Alternative proposal: cash contribution of \$ 156,648 for affordable housing (\$ 39,162 per unit)

Community Amenities

- Proposed: \$ 100,000 for off-site amenities and in-kind support for planning study upgrades to Winegarden Park

- Options the Town would like to explore:
 - Winegarden Park improvements
 - extended works for roads, sewer, water, drainage beyond what is required for the site

- (Details dependent on future negotiations with the proponent)

Financial capacity for more amenities?

- Estimated costs reasonable and possibly low
- Estimated revenues reasonable and possibly high
- Developer's profit reasonable for residential component and modest for the hotel

- No financial capacity for additional amenities according to Town's consultant (Coriolis)

Economic Impacts

Community wide impacts

(high level observations only)

- New tourism infrastructure
- Net gain in local employment despite some transfer of tourism dollars
- New public access to the waterfront and public realm improvements

Municipal property and infrastructure

Municipal property

- D.R. Coell Associates Inc. appraisal
- Valued by the Direct Comparison Approach
- Winn Road road allowance valuated at \$ 425,000
by law, the proceeds are earmarked for substitute waterfront access
- (Details dependent on future negotiations with the proponent)

Required works and DCCs

- Approximately \$ 520,000 - \$ 720,000 in required works: Works for Gower Point Road, drainage, water line, sanitary sewer pipes and lift station(Traffic study intersection improvements, no estimate yet)
- Plus net amount in Development Cost Charges: \$ 1,280,000

Optional works: extend works to Prowse Road

- Approximately \$ 880,000 for road, water and sewer works
- Would extend works to Prowse Road intersection
- Partially funded by project DCC's
- Remainder of funding to be determined

Total value 2 scenarios

| | Required | Required plus optional works |
|--------------------------------|--------------------------------|--|
| Infrastructure improvements | \$ 520,000 - \$ 720,000 | \$ 520,000 - \$ 720,000 Plus \$ 880,000 |
| Development Cost Charge levies | \$ 1,280,000 | \$ 1,280,000 Minus \$ 480,000 (credit) |
| Total value | \$ 1,800,000 – \$ 2,000,000 | \$ 2,200,000 – \$ 2,400,000 |

Property Tax Revenues

Town's role as a tax collector

Property tax bills include a range of taxes:

- Provincial (hospitals, schools, BC Assessment)
- Regional (recreation facilities, transit, landfill, fire protection, etc.)
- Municipal (water, roads, sewer, drainage, etc.)

Property Tax estimate provided, limited to municipal portion only (approximately 1/3 or 33% of total property tax collected)

Property Tax: residential portion

- 40 units
- Value of buildings \$ 23.1 million to \$ 25.7 million
(adding 3.2% to current total residential assessed value)
- Estimated annual tax \$ 50,000 - \$ 56,000

Property Tax: commercial (retail)

- Value of buildings \$ 1.5 million to \$ 1.8 million
- Estimated annual tax \$ 9,000 - \$ 11,000

Property Tax: commercial (hotel)

- Value of buildings \$ 40 million to \$ 45 million
(adding approximately 33% to existing commercial tax base)
- Estimated annual tax \$ 247,000 - \$ 278,000
- Note: Expected annual tax can be higher or lower, depending on the performance of the hotel. Also, revenue from existing commercial properties may decrease.

Property Tax: project totals

- Value of buildings \$ 64.6 million to \$ 72.5 million
- Estimated annual tax \$ 306,000 - \$ 345,000
(adding 13 – 14% to the Town's current tax base)
- “On balance, the hotel will almost certainly make a net positive fiscal contribution to the Town”

amenity options:
\$ 156,648 (housing) or 4 rental units;
\$ 100,000 (park amenities)
option: \$ 400,000 (road amenities)

new tourism infrastructure, net gain
employment,
public access improvements

Economic Review Summary

\$ 306,000 to \$ 345,000 municipal
property tax revenue estimated

\$ 425,000 Winn Road sale;
\$ 520,000 - \$ 720,000 in required
infrastructure
\$ 1,280,000 net DCC revenue

Development Cost Charges

- DCC funds are the Town's earmarked savings accounts for major infrastructure works in the coming years.
- Through Development Cost Charges new development pays for a specific list of needed major infrastructure works.
- If a developer builds projects from the list with DCC major infrastructure works, it is credited against his DCC payment.
- Most road works required from the George Hotel are "DCC creditable". For those works, instead of paying the Town DCC's, the developer could be asked to build the works for the Town.