



STAFF REPORT ACTION REQUIRED

Mechanism to provide grants through a Community Improvement Plan to assist properties contained within a heritage conservation district which are destroyed by fire

Date:	April 29, 2010
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2010\Internal Services\Cf\Cc10020cf (AFS#12008)

SUMMARY

To respond to Executive Committee's request to present a mechanism to provide grants through a Community Improvement Plan to assist properties contained within a heritage conservation district which are destroyed by fire, for consideration by Council at its meeting of May 11, 2010, in conjunction with Clause EX43.5 which Executive Committee has forwarded to Council without recommendation.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Should City Council choose to proceed with a Community Improvement Plan to provide assistance to properties destroyed by fire within a Heritage Conservation District, then:
 - a. staff be directed to develop a Community Improvement Plan (CIP) that provides for grants based on the eligibility criteria and features as outlined in Appendix A;
 - b. the grants provided for under such CIP be made to apply, retroactively if necessary, in the case of any eligible new development arising at 611 to 625 Queen Street West, which were destroyed by fire on February 20th 2008; and

- c. Notice for the public meeting under the *Planning Act* be given in accordance with the regulations under the *Planning Act* with the public meeting targeted for the Planning and Growth Management Committee meeting scheduled to be held on August 19, 2010.

Financial Impact

The course of action recommended by Executive Committee would require the City to make grants to offset a portion of the property taxes for properties destroyed by fire, and step them towards full Current Value Assessment (CVA) values in situations where multiple properties are contained within a heritage conservation district and when no criminal cause for the fire has been determined. Currently, only the six properties at 611 to 625 Queen Street West destroyed by fire on February 20, 2008, meet these criteria.

Prior to the fire, these properties were subject to the capping provisions for CVA-related tax increases, as they were under-assessed prior to the introduction of CVA, and their historical level of taxation was less than what would otherwise be payable at Current Value rates. Such properties would have their CVA-tax increases capped at 5% of their prior years' CVA taxes. For 2008, the level of taxation for these six properties averaged 45% of their full CVA taxes, which was approximately the same as that for 75 commercial properties in the immediate neighbourhood (512 – 635 Queen St. West). For 2010, staff project that these affected properties would have, in the absence of fire, reached a 60% level of taxation, compared to the actual 2010 average level of taxation for commercial properties in the neighbourhood at 63%. The capping benefit at a 60% level of taxation averages \$10,000 per property in the neighbourhood for 2010. As such, staff estimate the financial impact of providing phased-grants to the affected properties to replicate their level of taxation at \$60,000 for 2010, or approximately \$163,000 over a 5-year phase-in to 100% level of taxation, as shown below:

	Actual	----- Projected -----					
	2010	2011	2012	2013	2014	2015	
Commercial Level of Taxation							
Properties affected by fire: 611-625 Queen St W	60%	69%	78%	87%	96%	100%	
Other Properties in vicinity: 512-635 Queen St W	63%	69%	79%	89%	100%	100%	
Tax Capping Benefit							Cumulative
Average Capping Benefit per Property	\$10,000	\$7,693	\$5,363	\$3,230	\$941	\$ 0	\$27,227
Capping Benefit for Six Properties affected by Fire	\$60,000	\$46,158	\$32,177	\$19,381	\$5,649	\$ 0	\$163,364

Should Council choose to proceed with this course of action, staff will report back as part of the CIP report on a funding source for these grants.

DECISION HISTORY

Executive Committee, at its meeting of April 19, 2010, considered the report from the Deputy City Manager and Chief Financial Officer and Chief Planner, headed “Queen Street Fire Site: Options for the City to Assist Redevelopment of Properties Destroyed by Fire on Traditional Shopping Streets (March 31, 2010)”. That report did not support the notion of financial incentives for fire-destroyed properties for a variety of reasons as outlined in that report and a report to the June 2009 meeting of Executive Committee (<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-21527.pdf>)

Executive Committee forwarded this item to City Council without recommendation, and adopted the following motion:

“Request the Deputy City Manager and Chief Financial Officer to submit a report directly to City Council for its meeting on May 11, 2010, proposing a policy that would allow for phased Community Improvement Plan (CIP) grants to be used to restore tax rates for properties destroyed by fire, and step them towards full Current Value Assessment (CVA) values in situations where multiple properties are contained within a heritage conservation district and when no criminal cause for the fire has been determined.”

COMMENTS

The Planning Act authorizes municipalities to prepare Community Improvement Plans for lands within Community Improvement Project Areas providing that the City’s Official Plan contains provisions relating to community improvement in the municipality.

Section 5.2.2 of the City’s Official Plan states that “Community Improvement Plans will be prepared to promote the maintenance, rehabilitation, revitalization and/or conservation of selected lands, building and communities facing challenges of transition, deficiency or deterioration or for any other environmental, social or community economic development reason”. The following sections provide a rationale for a CIP to assist properties within a heritage conservation district, destroyed by fire.

Objectives – the City’s Interest

Rebuilding fire sites is important for the health and liveability of traditional shopping strips in Heritage Conservation Districts such as Queen Street West. Ideally the new buildings will continue the functions of the lost buildings – ground floor retail with residential or commercial on the second and third floors. This is consistent with the status of these strips as Avenues in the Official Plan. If, like Queen Street West, these strips are also Heritage Conservation Districts, then it may also be consistent with the applicable Heritage Conservation District guidelines to replace the lost retail commercial space.

Obstacles

On these strips, taxes for existing commercial space are typically capped, whereas new space must pay full CVA taxes. The resulting higher property taxes for new retail space present an obstacle to the marketability of the rebuilt retail space, especially for small /

independent / start-up businesses. In order to cover the taxes, rents may need to be significantly higher than in other stores in the neighbourhood.

This is a challenge to potential redevelopment created by the City's taxation system: the caps which apply to older buildings do not apply to new space. The only way the City can mitigate this higher tax burden is to use the authority provided by the Planning Act to provide grants or loans for community improvement. Essentially a CIP could be used to provide an annual grant to the owner to help cover the difference between the taxes payable for the new building and those that would have been payable if the building had not burned down.

Proposed Content of a CIP

Should Council choose to proceed with a CIP to improve the marketability (and hence the feasibility of new development) of new retail commercial space in new buildings in multiple properties destroyed by fire in Heritage Conservation Districts, it should have the following minimum eligibility criteria and features, as outlined in Appendix A.

Timing

If Council decides to proceed with a CIP, the August meeting of Planning and Growth Management Committee should be targeted for the public meeting required by the Planning Act. This will enable staff to develop the CIP and consult with the Province and give public notice as the Planning Act requires.

Staff in City Planning and Legal were consulted on this report.

CONTACT

Len Brittain, Director
Corporate Finance Division
Tel: 416-392-5380
Fax: 416-397-4555
lbrittai@toronto.ca

SIGNATURE

Cam Weldon
Deputy City Manager and Chief Financial Officer

ATTACHMENT:

Appendix A – Proposed Content of a CIP

APPENDIX A

Proposed Content of a CIP

Eligibility:

- The grant will only be available for new commercial floorspace that replaces the commercial floorspace in properties destroyed by fire. Residential components of these developments are not eligible.
- The grant will only be available for a property that is one of multiple properties destroyed by fire within a heritage conservation district.
- To be eligible, the floorplate in the new building must generally replicate that in the burned-down building, with financial assistance being limited on a pro-rata basis to a maximum size of 3,800 sq.ft. (350 sq. m.).
- To be eligible, the new building must conform to the Heritage Conservation District guidelines.
- Grants will only be available if no criminal cause for the fire has been determined.
- The grant will not be available for properties which are in arrears of property taxes or other fees and charges owing to the City.

Features:

- The grant / subsidy in each year should be equivalent to the difference between the full CVA taxes payable on the commercial component for the new building and the estimated level of taxation that these properties would have paid in the absence of the fire for that year, and consistent with the average commercial taxation level for similar properties in the area that continue to pay taxes, as set out in the following table for the Queen St. fire site.

**Grants for Eligible New Commercial Development
611-625 Queen St. West**

Year of New Development	Level-of-Taxation	Grant – Expressed as a Percentage of the full CVA Taxes Payable in that Year
2010	60%	40%
2011	69%	31%
2012	78%	22%
2013	87%	13%
2014	96%	4%
2015	100%	0%

- In the case of eligible properties in instances other than the Queen St. West fire site, the grant shall be similarly based on the level of taxation relevant to that area.
- The value of the grant / subsidy provided by the City should be based on both the municipal and education portion of the property taxes.
- The CIP should expire five years after its adoption (2015).