

## 6 TAX INCENTIVE GRANT

### 7.1 BACKGROUND – INCENTIVE GRANT ESTABLISHED MARCH 2020

In March 2020, Sackville Council adopted an **economic development incentive program** to provide rebates of a portion of the developer’s municipal property taxes over periods of 5 or 10 years, depending on the development cost.

Here is the link to the full article as it was reported at that time, in WarkTimes

- <https://warktimes.com/.../laffords-could-benefit-from.../>

Jamie Burke, then Senior Manager of Corporate Projects, initiated the grant program in Sackville, and said it would be based on Council '**approving an application from a developer before a building development permit is issued**'. The grants would be restricted to the following zones:

- o **MU** (mixed commercial/residential)
- o **R3** (dense urban residential)
- o **IND** (industrial)
- o **HC** (highway commercial)

Burke suggested to Council that '*as long as the proposed development was in one of the target zones, then it didn't appear the request could be denied by Council*'. He reported to Council that this grant program would be *in line with the grants in Moncton and Riverview*.

### 7.2 DISCREPENCY DISCOVERED

We recently **checked with Moncton and Riverview**, as well as Shediac, Dieppe, and Amherst, and we found **significant differences** between their grants and the program which Sackville instituted in 2020.

**Riverview** - we spoke with Annette Crumme, the Town Clerk, and she verified that they have **NO TAX INCENTIVE for multi-unit residential development, UNLESS at least 50% of the ground floor is dedicated to Commercial enterprises. For developments which are strictly Residential, there is no tax incentive at all.**

**Moncton** - as in Riverview, the tax incentive is granted for developments **which include Commercial space**, but not for multi-unit fully Residential.

**Shediac** - they have a **modest incentive for multi-unit fully Residential development**, and a much larger incentive for Commercial development.

**Dieppe** - there is a focus on developing **Commercial and Industrial properties** in the main downtown core, with various levels of incentive grants for different areas, with some **modest incentives** for fully Residential developments.

**Amherst** - similar to Dieppe. Tax rebate incentives are **mainly** intended for Commercial and Industrial development, but **not for exclusively Residential properties**.

Chart #5 - Tax Rebate Grants in Other Locations

### 7.3 MAIN RESEARCH FINDINGS

In short, the **main difference** is that Sackville’s program provides the very generous tax rebate grant for **all types of development, including strictly multi-unit Residential, while most of the other locations do not.**

Those which **do** provide some sort of grant for **exclusively multi-unit Residential developments** (Apartment buildings) do so on a **much smaller scale** than what Sackville’s grant program allows.

### 7.4 GRANT FORMULA

This is the formula which is used to calculate the amount of tax incentive grant which a developer will receive.

**Basic calculation** - cost of construction (as stated on the building permit)  
 x % of commercial building x 0.0234 (current mil rate for commercial tax)  
 + % of residential building x 0.015 (current mil rate for residential tax)

For **projects under \$5Million** cost - 5 year program  
 Year 1 = 90% of tax is rebated as a grant,  
 yr 2 = 80%, yr 3 = 60%, yr 4 = 40%, yr 5 = 20%.

For **projects over \$5Million** cost - 10 year program  
 Year 1 = 91% of tax rebated as a grant, yr 2= 82% / yr 3= 73% / yr 4= 64% /  
 yr 5= 55% / yr 6= 45% / yr 7= 36% / yr 8= 27% / yr 9= 18% / yr 10= 9%.

Chart #6 - Tax Rebate Grant Formula

**7.5 COMPARISON WITH PRIVATE RESIDENTIAL CONSTRUCTION**

There are **no tax incentive grants for private home constructions**, so does it make sense for our Town to subsidize half of the municipal property taxes for a major fully residential development for a period of 10 years? The developer will already be reaping the benefits of the recently introduced provincial property tax rebate for 50% of the provincial portion for rental properties.

**7.6 TAX INCENTIVE REBATE ESTIMATE FOR CURRENT PROPOSAL**

After verifying with the Town Treasurer that I was applying the formula correctly, we then prepared the following example, using a realistic estimate for the value of the current multi-unit **residential development** being proposed. **6 storey multi-unit apartment building, 71 units**

Reasonable cost estimate of <b>\$200,000 per unit</b> , on average, = estimated total of <b>\$14Million</b> .		
<b>\$14M x .015 = \$210,000 base tax per year.</b> ( = total \$2,100,000 over 10 years)		
(based on current mil rate).		
Year 1 – 91% rebate = \$191,100		(tax paid = \$ 18,900)
Year 2 – 82% rebate = \$172,200		(tax paid = \$ 27,800)
Year 3 – 73% rebate = \$153,300		(tax paid = \$ 56,700)
Year 4 – 64% rebate = \$134,400		(tax paid = \$ 75,600)
Year 5 – 55% rebate = \$115,500		(tax paid = \$ 94,500)
Year 6 – 45% rebate = \$ 94,500		(tax paid = \$115,500)
Year 7 – 36% rebate = \$ 75,600		(tax paid = \$134,400)
Year 8 – 27% rebate = \$ 56,700		(tax paid = \$153,300)
Year 9 – 18% rebate = \$ 37,800		(tax paid = \$172,200)
Year 10 – 9% rebate = \$ 18,900		(tax paid = \$191,000)
Totals - <b>rebate \$1,050,000</b>		tax paid \$1,050,000

Chart #7 - Tax Incentive Rebate Estimate for Current Proposal

**7.7 COMPARISON WITH OTHER LOCATIONS ...**

Tax Incentive rebates in the other areas we checked are primarily to **encourage Commercial and Industrial** development and growth. Where there is any incentive for **Residential** buildings they generally require a portion of the building to have **Commercial or Retail** space on the ground floor.

For the <b>same development figures</b> used above - <b>\$14M, 6-storey, 71 units, fully residential</b> , here are the <b>comparative results</b> for the following locations:		
<b>SACKVILLE</b>	- \$1,050,000 rebate	- over 10 years
<b>SHEDIAC</b>	- \$ 210,000 rebate	- single payment (very small, compared to Sackville grant)
<b>DIEPPE</b>	- \$ 193,866 rebate	- single payment (very small, compared to Sackville grant)
<b>RIVERVIEW</b>	- \$ 0 rebate	- (verified by Riverview Town Clerk Annette Crummey)
<b>MONCTON</b>	- \$ 0 rebate	-
<b>AMHERST</b>	- \$ 0 rebate	-

Chart #8 - Comparison With Other Locations (tax grant)

**7.8 IMPLICATIONS FOR THE TOWN**

In essence, the Town would see new revenue on an increasing sliding scale for 10 years, as indicated in chart #7 above. That revenue would be balanced for 10 years by the decreasing sliding scale of the rebate each year, also shown in chart #7.

The bottom line is that over the course of 10 years, the Town would end up rebating approximately 50% of the total municipal tax for that property, or a little more than \$1M for this particular fully residential development. So in effect they would receive approximately 5 years tax-free.

**7.9 CONCLUSION FROM RESEARCH**

It seems clear now that **Council was misled in 2020**, by being told the grant program was modeled after those of Riverview and Moncton. Our research indicates that is not the case. Sackville’s grant policy for **fully Residential** developments is far out of line with what the other nearby municipalities offer, which means our Town municipal property tax payers will be **subsidizing multi-unit fully residential developments**.

**7.10 TIME-SENSITIVE ISSUE**

This issue is **Time-Sensitive**, considering the **potential financial ramifications** should the request by Lafford Realty be approved with no changes to this policy.

**7.11 IMMEDIATE ACTION REQUESTED**

We request that Tantramar Town Council immediately **re-evaluate the parameters of this tax exemption grant**, and **compare it realistically** with the grant programs of **Riverview and Moncton**, since those were the locations cited by Mr Burke as having **similar programs**.

This needs to be corrected, in order to be fair to the municipal tax payers, and **bring our grant program into line with what those other municipalities are actually doing**.

Again, it is the responsibility of our elected Council to represent the financial and other interests of the citizens of the Town of Tantramar, with proper research and due diligence prior to every decision, and to amend any previous errors if they are found to have been based on incorrect information.

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| <p><b>Action requested:</b></p> <ul style="list-style-type: none"><li>- <b>Review</b> the actual grant information from Moncton &amp; Riverview ...</li><li>- <b>Compare</b> that information with what Council was told in 2020 ...</li><li>- <b>Amend</b> the policy so it lines up with the stated goal at that time -<br/>le - to be 'more in line' with Moncton and Riverview.</li></ul> |
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Chart #9 - Action Requested (re: tax incentive grant)