

# Planning Fact Sheet

Planning & Development:  
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## Commercial Assessment Phase-in program

### Encouraging economic growth and stimulating new investment

#### Basics

The phase-in assessment tool is designed by the provincial government to help promote downtown revitalization and broader economic growth by helping businesses invest more money in their business and spend less money on taxes. This tax savings is accomplished by reducing the immediate tax increases resulting from major renovations or new construction. Depending on the final program details, qualifying businesses can have up to half of commercial assessment increases resulting from such construction applied gradually over a period of up to ten years. To be eligible, such businesses must be served by municipal water and sewer in an area designated by Municipal Council as a *Commercial Development District*.

The phase-in assessment tool does not change property tax rates. Instead, it is designed to gradually phase in commercial assessment increases either due to commercial investment or new construction, including brownfield remediation, resulting in lower overall commercial property tax bills. Commercial assessment phase-in was designed to be a new tool for municipalities to attract investment to the downtown and support brownfield redevelopment.

#### Supporting a variety of goals

Municipalities can create multiple Commercial Development Districts with unique criteria such as thresholds and phase-in periods tailored to different commercial areas. Development of traditional downtowns is distinct from industrial parks and isolated commercial/industrial facilities.

Municipalities can also create various criteria for different types of activities with distinct goals. Criteria for former brownfield sites can be different than those located in an area with overall low assessment increases and vacant storefronts.

#### Supporting economic growth in areas of low annual assessment increase.

A municipality may want to use the phase-in assessment tool to support an area with low increases in annual assessment. This area may be a vacated downtown or area where business owners may be hesitant to invest in their properties. In this instance, the municipality may consider triggering the phase-in after a building permit application has been made as it encourages renovations and updates to the area. The municipality may also consider a low threshold and lengthy phase-in period to ensure the taxation on increases in assessed values occur gradually and in keeping with returns on these investments.

#### Support the development of brownfield sites.

The municipality may also use the phase-in tool to help the development of brownfield (contaminated industrial) sites that are likely to experience increased assessment values once redeveloped. The municipality may trigger the phase-in after the redevelopment has been completed and after a building permit has been issued. In this instance, the impact of the phase-in on municipal revenues will likely be minimal due to the quantity of brownfield sites in the designated area as well as the resultant higher assessed value, compared to the base year.

## COMMERCIAL ASSESSMENT PHASE-IN PROGRAM

### Supporting broader economic growth and commercial investment.

The municipality can also apply the phase-in tool more broadly including commercially assessed properties anywhere serviced by water and wastewater infrastructure. This could offer tax incentives to a much broader range and number of businesses.

## QUESTIONS ON THE COMMERCIAL ASSESSMENT PHASE-IN PROGRAM

### Why do we need tax incentives?

- Downtowns are facing many challenges.
- Business owners renovating or enlarging old buildings face additional costs and challenges.
- Business owners face drastically increased assessments and higher taxes when renovating and expanding creating a disincentive to investment.
- Cumberland's downtowns, business parks and commercial areas are experiencing little new development.
- There is a need to "kick start" new development in downtowns and commercial areas.
- A healthy downtown benefits the entire community, not just the downtown.

### Why is the Municipality of Cumberland considering tax incentives now?

- The Province of Nova Scotia recently changed legislation to allow municipalities to phase-in tax increases for new development in areas with municipal services.
- Previously, municipalities were very limited in their ability to provide tax relief of any kind to commercial development.

### How would these tax incentives work?

The phasing in of tax increases must take place over a period of up to ten years and must result in a tax reduction of no more than 50% over that period.

If Municipal Council decides to implement the proposed tax incentives the phase-in period and increase in assessment thresholds details will be detailed in a Commercial Development By-Law.

### Would Residential Properties be eligible for the tax incentives?

No, provincial legislation does not allow residential development to be included in the proposed tax incentive.

### Can I apply for the commercial assessment phase-in program for work that is recently completed or underway?

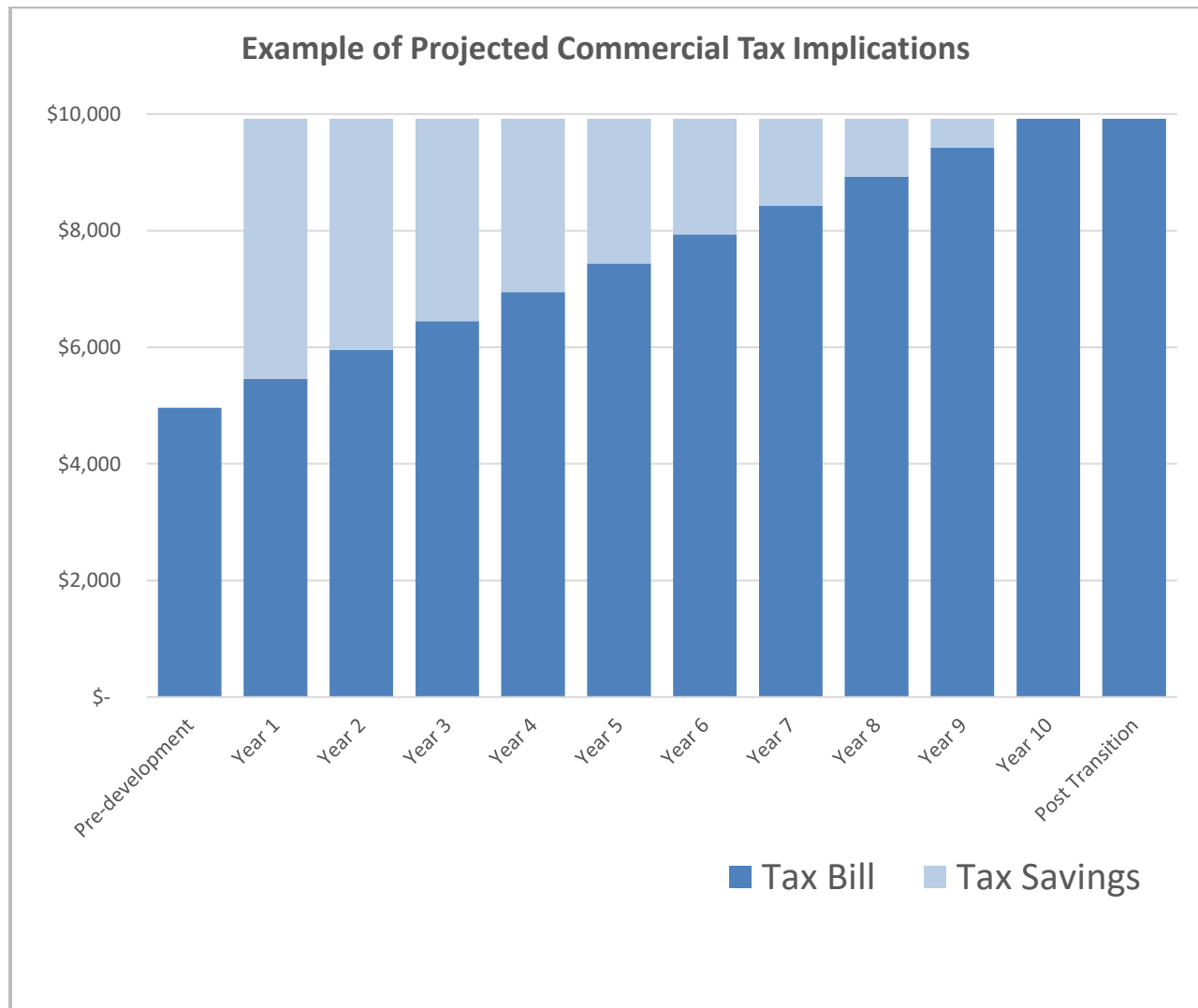
No, provincial legislation does not permit the Municipality to include any development that occurs before an applicant receives program approval from the Municipality.

### Where would these proposed tax incentives apply?

No decision has been made by Council on this, but the incentives can only apply to properties with commercial assessments must be serviced by water and wastewater infrastructure.

**How would the tax incentives work?**

An older commercial building in one of Cumberland’s downtowns is assessed at \$100,000. The owner decides to undertake a major renovation and addition to the building. Once the work is completed, the assessment jumps to \$200,000. The property taxes owing on the difference between the original assessment and the new assessment (\$100,000) is eligible for the tax reduction for a period of up to ten years as determined by the by-law. The original \$100,000 portion of the assessment would continue to be taxed at the full rate. Once the phase-in period has expired the owner would pay the full tax rate on the entire assessed value.



Example is based on a \$100k starting commercial assessment and \$100k increase in assessment applied over ten years with a commercial tax rate of \$4.96 per \$100 of assessment. The total tax savings in this example is \$22,320 or 22% of the increased assessment.

## COMMERCIAL ASSESSMENT PHASE-IN PROGRAM

### What about the phase-in program in rural areas?

Unfortunately, the Municipal Government Act only permits Municipalities to use the phase-in tool in areas serviced by both water and wastewater infrastructure. This was done to help Municipalities optimize the large investment necessary to build and maintain Municipal services.

### What is the public participation and timeline for this tax incentive program?

In February 2021 Council directed staff to develop an amendment to the Municipal Planning Strategy and a new Commercial Development District By-Law. The first step will be an amendment to the Municipal Planning Strategy enabling Commercial Development Districts.

Planning staff will conduct public engagement in July and August before preparing a memo and recommendations for Council in September. This will be followed by a draft amendment which will likely go to Council for first reading in October. This will be followed by a Public Hearing in November and Second Reading and possible approval in December. If the Municipal Planning Strategy amendment is approved by Council it must then be submitted to the Provincial Director of Planning for approval followed by a newspaper notice that the amendment is in effect.

The Commercial Development District Bylaw which will include details on minimum thresholds for increased assessments, phase-in periods, base year and many other details will be developed by Economic Development staff who will be reaching out to the business community in upcoming months. The Commercial Development District Bylaw will then follow a very similar Council approval process as the Municipal Planning Strategy with the By-Law given final approval by the Minister of Municipal Affairs.

If approved by Council and the Province it is anticipated that the Commercial Assessment Phase-in program would begin sometime in 2022.