Lansdowne Chair Report - April 11, 2023

Alexandra Gruca-Macaulay

1. Property Tax Uplift – Unique to Lansdowne

At the March 2023 OOECA meeting, there was a question submitted to the chatbox about “Property Tax Uplift,” and whether such a feature had been used at Greystone Village. The short answer is no, Property Tax Uplift has not been done in Ottawa other than at Lansdowne, but the question did raise the issue of what is being proposed by City staff for Lansdowne 2.0.

- **Brownfield Grants**, used at Greystone, are not Property Tax Uplift. Brownfield grants are used by the City to attract development to parcels of land that need significant rehabilitation before they can be developed. The amount of a grant that a developer can receive is in part tied to a formula that looks at the expected increase in property taxes that the rehabilitated property could generate – property taxes here help to establish a maximum level of grant available. Most importantly, the case for brownfield grants is that due to the degree of remediation or rehabilitation that would be needed to make a parcel of land “development ready” **the land cannot readily attract development without a grant**; therefore grants are needed to offset some these pre-development costs to make “unattractive” land, “attractive to developers.
- **Tax Increase Equivalent Grants (TIEG)**- A case involving a municipal grant similar to brownfield has made recent news and has some relevance for the argument against the use of property tax uplift. The City’s Finance and Corporate Services Committee (FCSC, formerly FEDCO) considered a staff proposal to give a grant to a developer to build a hotel by the Ottawa Airport. Again, the maximum amount of such a grant is based on the expected level of property taxes that the new development would bring in. Mayor Sutcliffe voted against the grant, because, as reported in the CBC, he argued that **development will happen anyway in that area** – a new hotel eventually will be built and **Ottawa taxpayers do not need to fund a grant to attract development** (https://www.cbc.ca/news/canada/ottawa/airport-alt-hotel-community-improvement-plan-fcsc-1.6800854).
- **Property Tax Uplift** is not a municipal grant. In fact Property Tax Uplift **has only been done at Lansdowne in Ottawa** – and it is not a financing mechanism that you find being used in other Canadian cities either. Even the term seems to have been made up by the City for Lansdowne.
    - What does the City propose to do under Property Tax Uplift? Essentially it plans to “fix” an amount of property tax revenue once the retail podium and residential towers have been built and “ready to go” – that is, at the “stabilization date” of the project. At stabilization date, **the City plans to take**

90% of assessed property taxes and divert this amount towards the repayment of the (at least) $239M in City debt that the Lansdowne project would require, **each and every year over the 40 year debt repayment period**.
  - During these 40 years of Lansdowne 2.0 debt repayment, **Ottawa residents will not have the benefit of these property tax revenues** from the Lansdowne development to fund needed city services. Also, the 2500 or so new residents that would be moving in at Lansdowne would only be contributing 10% of their property taxes towards city services, while fully using the services – libraries, community centres, Aberdeen!, and so on – thus shifting the burden of paying for these services to the rest of the city;
  - **The land at Lansdowne is already attractive to developers**, it could be developed (at a site appropriate level of density) and generate an incremental increase in property taxes that would go to City services **and not be diverted away for 40 years**. The question remains, **what is the opportunity cost to Ottawa taxpayers if the City staff Lansdowne 2.0 proposal proceeds**?

2. Finance and Corporate Services Committee Members One-on-Ones

- As reported in the March 2023 Lansdowne Chair's report, members of the Lansdowne community consultation group have been holding meetings with councillors on FCSC to discuss the need for meaningful consultation on Lansdowne before any future decisions are made. These meetings have continued, and while the various councillors have had differing responses, the following are points in common:
  - Councillors appear to be listening in an engaged manner, good questions have been asked;
  - All Councillors recognize that traffic congestion is a big concern for Lansdowne: it is a constrained site, and not much can be done to alleviate added traffic pressure from adding 1200 new residential units to the site;
  - To varying degrees, Councillors acknowledge that the Lansdowne 2.0 proposal's claim of "revenue neutrality" is essentially a "fiction" since:
    - The Property Tax Uplift model removes tax revenue from City services, City service costs will need to be borne by all other taxpayers;
    - There are a number of project costs that have not been factored in, such as soil remediation and traffic management measures – the real cost of the project is greater than presented;
    - Interest rate increases and inflation already will have driven project costs considerably higher than when the projected figures were compiled;

- A number of councillors cited serious concerns over the proposal re: debt exposure, opportunity cost to other needed City projects such as affordable housing, waste;
- The main question is: if the Lansdowne 2.0 proposal is flawed, what are the alternatives? are there better options for an arena/event centre development location?

3. Update on request from community groups for meaningful consultation on Lansdowne Park

- Letter sent to Mayor and councillors in February 2023 had asked that financial data since 2014 be made available, including financial statements for each of the 4 component operating entities under the Master Limited Partnership (Retail, Stadium, 67s, CFL (Capital Gridiron Limited Partnership) as well as consolidated statements for the Master Limited Partnership (where City is one of the limited partners). The reason for the request is that the Lansdowne 2.0 proposal has been driven by the investment partners' dissatisfaction with their financial returns – the Lansdowne 2.0 proposal is intended to address the issue of longer term financial sustainability. However, without financial statements, how is it possible to assess the nature of the problem?
- A particular concern of the community group is the financial performance of the retail component – in the Lansdowne 2.0 proposal retail is to generate 75% of the operating profit for the partnership, and also is needed for the City's debt repayment and to cover projected losses from the stadium and event centre (event centre and stadium are projected to lose $84M under Lansdowne 2.0);
- We have learned that financial statement have not yet been prepared for the previous 3 years (not yet for March 31, 2021, nor March 31, 2022, nor March 31, 2023). Yet Council is being asked to approve a financial sustainability project that will cost the City a further $332.6M, after it had spent $210M just 10 years ago.
- The Councillor's office is planning to hold a public consultation session, and the Glebe Community Association may host one as well.

4. Shade and Seating at Aberdeen Square

- Staff now have a plan to add benches, tables, shade and planters to the Aberdeen Square; details to follow.