

Economic Development Incentive – Commercial Properties

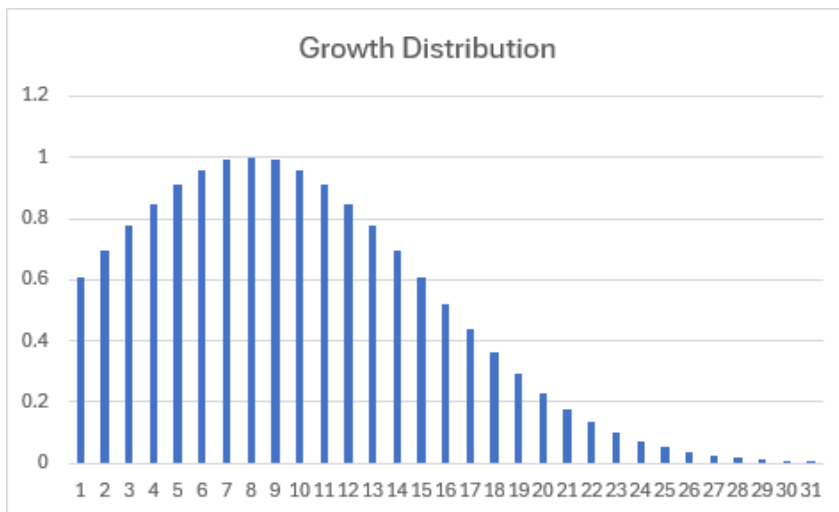
There are numerous factors that will certainly carry implications with respect to an Economic Development Incentive through tax exemption.

For the sake of simplicity we identify the following strictly as it relates to **Commercial Property**:

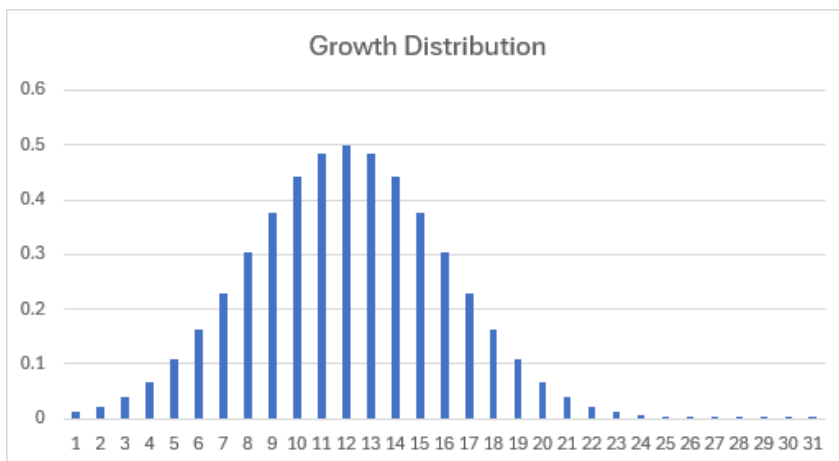
- Base Case Growth – What is the current rate of growth?
- Incentive Growth – What might be the rate of growth with the incentive in place?
- Peak Growth – When (in years) does the incentive reach saturation?
- Sigma – How distributed is the growth with an Economic Development incentive?
- Effectiveness – How effective is the Economic Development incentive?

Growth distribution looks different in each case

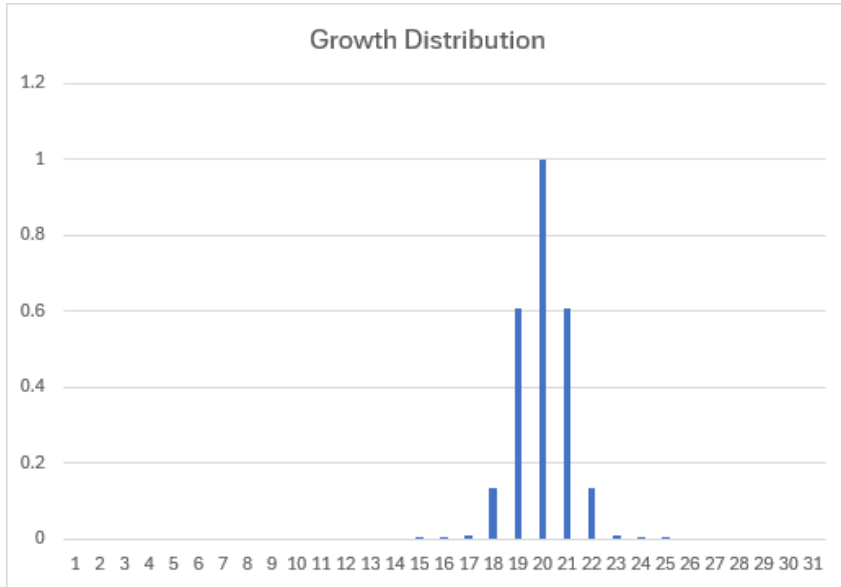
Base scenario: 1.5% Base Growth, 4% Incentive Growth, Peak at 8 years, normally distributed, and normally effective



Scenario 2: 1.5% Base Growth, 4% Incentive Growth, Peak at 12 years, concentrated distribution, and slightly less effective

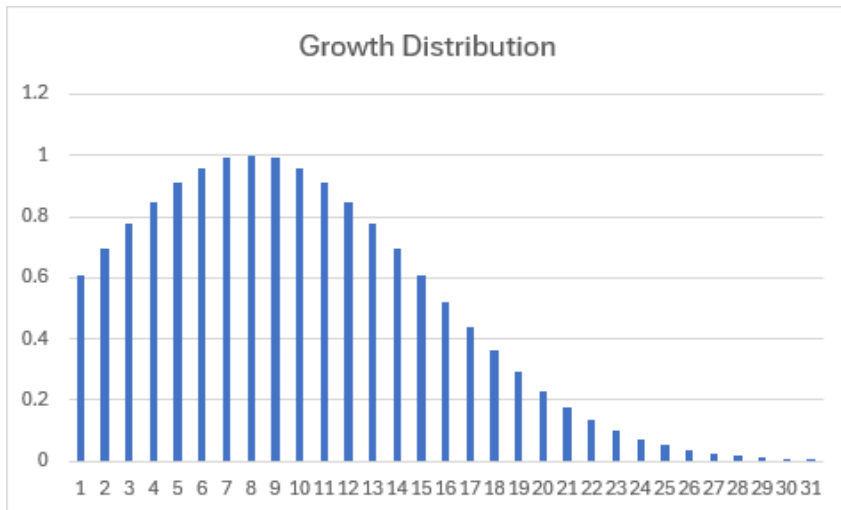


Scenario 3: 1.5% Base Growth, 4% Incentive Growth, Peak at 20 years, highly concentrated distribution, and normally effective

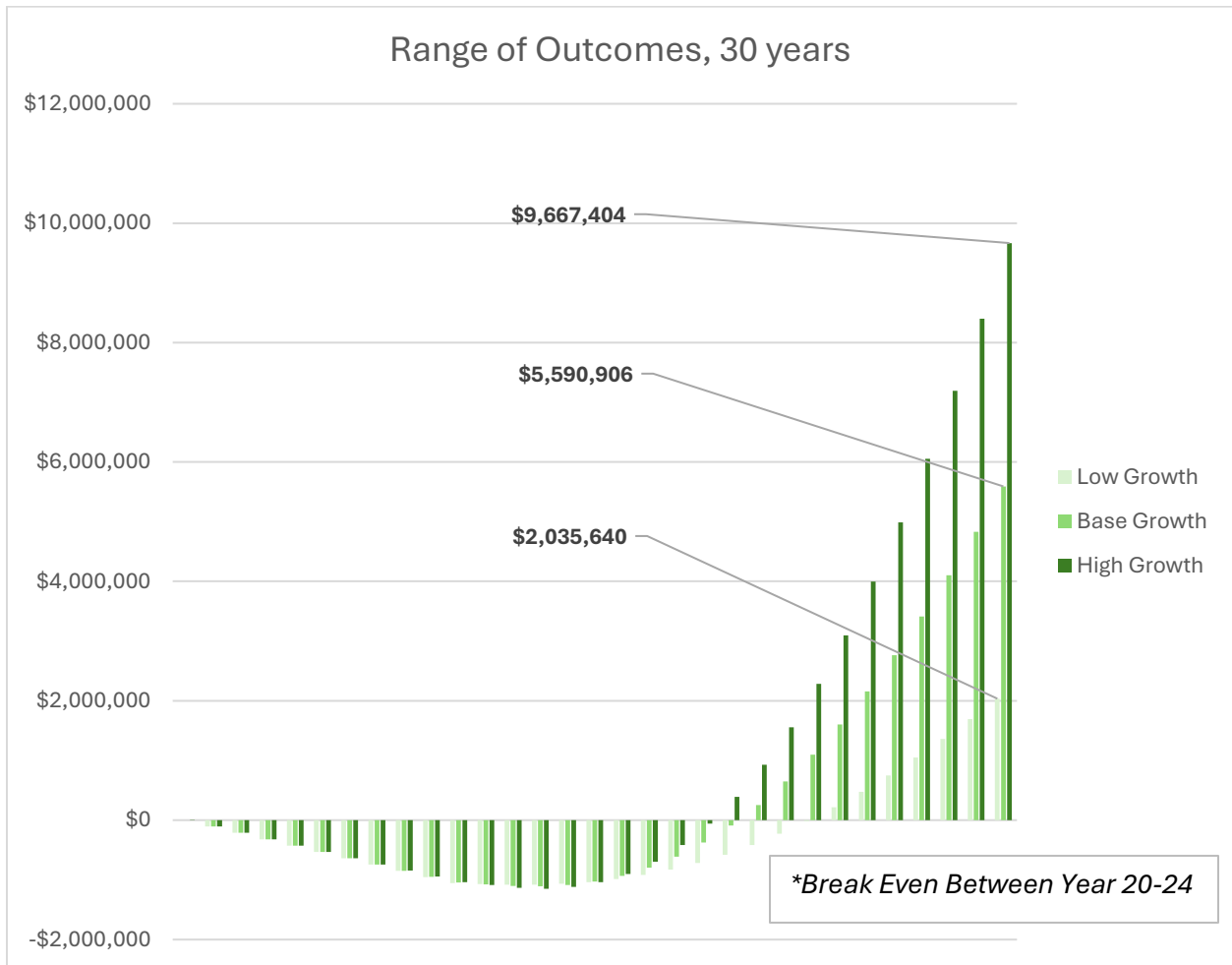


For the purposes of modeling the Base Scenario was chosen, which once again, represents the following over 30 years:

Base scenario: 1.5% Base Growth, 4% Incentive Growth, Peak at 8 years, normally distributed, and normally effective



From this base scenario and previous models, a range of outcomes over 30 years as well as the projected financial benefit to the City, assuming the mill levy remains unchanged.



The important interpretation of this chart is not the dollar figures, as those are heavily dependent on inputs which are, at best, educated guesswork. The point is the “sine wave” shape of the trend representing net benefit to the City in dollars.

There is the potential for low, or negative growth in Commercial Tax Revenue in the near term, with a higher upward trend in growth over the long term, and a break-even a couple decades ahead.

Economic Development Incentive – Residential Properties

Separately, for **residential properties** the proposed Economic Development Incentive provides similar benefits, albeit with significantly lower return in terms of dollars. It's possible that potential returns in dollars from additional tax revenue related to Economic Development investments in residential housing stock are spent on program administration whether it be staff time, direct program costs, and/or indirect program costs.