

Property Tax Uplift Primer for better understanding the Lansdowne 2.0 Sustainability Plan

The Lansdowne Partnership Sustainability Plan and Implementation Report (ACS2022-PIE-GEN-0003) to FEDCO on May 6 2022 and Council on June 8 2022 identifies “property tax uplift” as an important source of debt repayment.¹ However, “property tax uplift” is a highly unusual municipal financing model. Due to the somewhat atypical nature of “property tax uplift” it may be helpful to unpack some of its proposed features in order to better understand and assess what is being proposed for Lansdowne 2.0.

“Lifting” and diverting a high-value property’s taxes

The property tax uplift model proposes to “freeze” 90% of the expected amount of property taxes from the point at which the residential towers (and retail podium) have been developed² and then divert this amount **annually** to debt repayment. The remaining 10%, and future budgetary tax increases over and above the set amount would continue to flow to city services.³ The Lansdowne 2.0 sustainability report projects that \$129.4 million of property taxes would be diverted from City services to Lansdowne 2.0 debt repayment.⁴

There is a significant opportunity cost embedded in the proposal: that is, the land in question is attractive to developers: air-rights could be sold, towers could be built, and a good property tax revenue stream could be generated directly towards City services. Instead, a high-value property located in the Glebe will have its tax revenue sequestered towards debt repayment for an event centre and stadium.⁵

Risks and Pressures embedded in the proposal

- Due to the atypical nature of property tax uplift, if implemented, it may garner significant attention from other municipalities in North America, and ultimately, from Ottawa taxpayers. Most importantly, Ottawa taxpayers will

¹ For examples see pg. 3, 15, 42, 69, 70, 72, 80 of the Lansdowne 2.0 report.

² Termed the “stabilization date”

³ See p. 70 of the Lansdowne sustainability report.

⁴ See p. 70 of the Lansdowne sustainability report.

⁵ The new event centre and stadium together are projected to lose \$87 million over the life of the partnership, see p. 61 of the sustainability report.

undoubtedly question whether there is sufficient value in the project to warrant the loss of property taxes over a 40 year period.

- Realized property taxes may be less than forecast: the real estate market, particularly in central Ottawa has become more uncertain after the pandemic. Currently the Lansdowne 2.0 proposal involves the addition of 1,200 residential units to an area that already experiences traffic congestion, and also involves the further loss of public park space at time when the development would bring a significant increase in the demand for public park space. If the development does not meet its expected tax revenue targets then the City will need to make up the shortfall to pay down its debt obligations.⁶
- If the amount of property taxes that the City is able to “uplift” falls short of its targets then the additional debt repayment contribution that it would be required to make would be accounted for as an additional equity contribution.⁷ In order for the increased equity contribution to generate a return to the City, the other components of the project: Redblacks, and most especially the Retail space will need to generate **even more** revenue than originally forecast. However, in this scenario, the residential component would already be underperforming.
- Already in decline prior to the pandemic, the further decline in profitability of “bricks and mortar” retail is accelerating. On March 2, 2023, the major retailer Nordstrom announced its withdrawal from the Canadian market. The financial success of Lansdowne 2.0 is significantly dependent upon the financial success of the retail component.⁸

⁶ By way of example of the current uncertain economic climate for new residential development: in Sept. 2022 Claridge cancelled its residential tower project in Hintonburg citing an unfavourable economic climate See <https://ottawa.ctvnews.ca/claridge-cancels-planned-hintonburg-highrise-1.6052304>

⁷ See p. 66 of the sustainability report.

⁸ See p. 61-62 of the sustainability report.