

Streamlining Downtown Development – Boundary Options for Interim Exemption of Offsite Levies

ISSUE

The City of Saskatoon has been working to encourage infill development as part of its Growth Plan. The Streamlining Downtown Development program was introduced in 2018 as a suite of measures to encourage growth in the Downtown specifically, which included the waiver of prepaid offsite servicing fees (commonly called and referred to hereinafter as “offsite levies”). While City Council has resolved to not expand the geographic focus of the entire program, direction has been provided that expanding the offsite levies exemption on an interim basis warrants separate consideration. What are the implications of expanding this exemption to areas beyond the Downtown?

BACKGROUND

History

At its meeting on May 27, 2019, City Council considered a report regarding the potential to expand the Streamlining Downtown Development program to areas immediately adjacent to the Downtown. While the recommendation to maintain the program’s strategic focus on the Downtown was supported, City Council further resolved:

“That the Administration report back in Q3 2019 with an appropriate and meaningful boundary to guide an interim expansion to the offsite levy exemption. That this boundary support City infill goals and surround City Centre areas, particularly Riversdale and Broadway. That this boundary be drafted in consultation with appropriate stakeholders.”

Current Status

Offsite levies are charges paid by new development to reflect capital costs required to increase service capacity to accommodate said development. A large portion of these levies are for water, wastewater and storm sewer servicing. Payment of levies is triggered by subdivision of property, which includes both land and condominium subdivision.

Offsite levies are charged city wide and are most commonly collected in greenfield development areas. However, levies are payable in infill locations where a given property was first developed prior to the levies system being in place. If levies were not previously collected for these properties, they are considered to still be owing.

At present, offsite levies are exempted within the Downtown as part of the Streamlining Downtown Development program. While this is the only area where they are exempted outright, other programs provide partial exemptions for certain types of projects:

- A rebate of up to 75% of levies owing for the conversion of a former commercial or industrial building space located within the City Centre to residential, under the Vacant Lot and Adaptive Reuse Incentive Program; and
- Waiver of levies for qualifying affordable housing projects under the Innovative Housing Incentives Policy.

An independent review of the City of Saskatoon's system of development levies is currently underway. This report does not seek to address any of the issues or objectives of that review and responds only to the above-referenced resolution of City Council.

OPTIONS

Five boundary options for the interim offsite levies exemption are discussed in this section. The most objective approach with these options has been to consider pre-existing boundaries formalized through a previous process and established rationale. Creating new boundaries not underpinned by previous work could be problematic when considering the expansion of a development incentive given the multiple property interests that are potentially impacted.

Option 1 – Status Quo (Exempt Offsite Levies in the Downtown Only)

This option would maintain the boundaries of the Downtown as the area within which offsite levies are exempted. A map is included as Appendix 1.

Advantages

1. Retains a strategic focus on encouraging development of the Downtown, which aligns with City Council's strategic priority of Downtown Development and the intent of the Streamlining Downtown Development program.
2. Affirms Downtown's unique role in being the heart of the city and its continued precedence within the city, supported by policies in the Official Community Plan.
3. Aligns with objectives of the Growth Plan and City Centre Plan to encourage significant new population growth in this area over time. A total of 15,000 additional residents in the Downtown is targeted.
4. Because levies are commonly triggered in infill areas by condominium subdivision, a Downtown-only exemption creates differentiation in favour of an area that has ongoing challenges in attracting residential growth.
5. Appropriate zoning is in place that facilitates desired forms of development that align with the City Centre Plan and Growth Plan.
6. Downtown continues to have a significant inventory of development sites.
7. Downtown has clear, well-established boundaries.

Disadvantages

1. This option excludes adjacent areas that are consistent with the Downtown's built form and mix of uses where infill development can still contribute positively to objectives for infill and the health and vitality of Downtown.

2. The Downtown boundary follows the centreline of 25th Street and Idylwyld Drive. This results in properties on one side of the street being included while properties on the opposite side are excluded.
3. The exemption has been in place in this area since February 2018, and it is not evident the measure has spurred any new development to date. Large scale projects typical of the Downtown have a low per unit cost incurred by levies compared to lower density projects elsewhere. The cost savings from the waiver of levies may not be significant enough to affect demand for development in the Downtown at this time.

Option 2 – Expand Exemption to the City Centre

This option would expand the exemption to the approved City Centre boundary, which includes the Downtown and adjacent areas including City Park (south of Queen Street) and sites generally limited to those fronting Queen Street, College Drive, Broadway Avenue and 20th Street West. A map is included as Appendix 2.

The City Centre articulates an intermediate area with increased activity, mixed uses and densities that provide a transition from the Downtown proper to adjacent single-use residential areas. Its boundary was established as the study area for the multi-phase City Centre Plan project that commenced in 2010. The extent of the study area recognizes the linkages and interrelationships between the Downtown and its key connecting corridors and the importance of comprehensively planning for the whole.

Advantages

1. Aligns with objectives of the City Centre Plan to encourage significant new growth in this area. Approximately 35,000 additional residents in the City Centre are targeted.
2. The Growth Plan identifies the City Centre as part of the Strategic and Neighbourhood Infill areas, where 25% and 10% of future growth to a population of 500,000, respectively is targeted to occur.
3. Alignment with some areas identified for Corridor Growth is provided, including Broadway Avenue and College Drive.
4. A larger exemption area provides more opportunity for the development community.
5. Precedent exists for offering incentives in the City Centre not offered elsewhere, such as in the Vacant Lot and Adaptive Reuse Incentive Program.

Disadvantages

1. Inconsistent with City Council's strategic priority of Downtown Development and the intent of the Streamlining Downtown Development program. A larger exemption area dilutes the strategic focus on the Downtown.
2. Infill development spread over a larger area may diminish the associated momentum and cumulative benefits of new density that can result in a more concentrated area.

3. Portions of the City Centre have zoning in place that does not fit with long-term objectives of the Growth Plan and the City Centre Plan. Further incentivizing development in these areas, ahead of resolution of the identified zoning issues, risks development of undesirable outcomes.
4. The potential foregone revenue from levies is greater with a larger exemption area.

Option 3 – Expand Exemption to the City Centre and all BIDs

This option would expand the exemption to the City Centre as well as to all BID areas. The City Centre encompasses the Downtown and portions of the Broadway and Riversdale BIDs, but excludes the Sutherland and 33rd Street BID areas as they are located well outside the City Centre. Inclusion of the Riversdale BID within the City Centre boundary is mostly limited to the blocks fronting 20th Street West, while the BID's area encompasses the Riversdale neighbourhood and portions of Pleasant Hill and West Industrial. A map is included as Appendix 3.

Advantages

1. The areas within this boundary are identified by the Growth Plan as part of the Strategic and Neighbourhood Infill areas, where 25% and 10% of future growth to a population of 500,000, respectively, is targeted to occur.
2. A larger exemption area provides more opportunity for the development community.
3. Fairness is provided for all BIDs given the inclusion of all five districts and their respective areas

Disadvantages

1. Inconsistent with City Council's strategic priority of Downtown Development and the intent of the Streamlining Downtown Development program. A larger exemption area dilutes the strategic focus on the Downtown.
2. Infill development spread over a larger area may diminish the associated momentum and cumulative benefits of new density that can result in a more concentrated area.
3. Portions of these areas have zoning in place that does not fit with long-term objectives of the Growth Plan and City Centre Plan. Further incentivizing development in these areas ahead of resolution of the identified zoning issues risks development of undesirable outcomes.
4. The Riversdale BID includes a significant amount of property zoned for low density one and two-unit residential development within its boundary. While low density residential development does contribute to infill targets, development incentives such as waiving levies are more effectively focused on multiple-unit residential infill that contributes in a more substantial way. The potential foregone revenue from levies is greater with a larger exemption area.

Option 4 – Expand Exemption to the Established Neighbourhoods (Excluding University of Saskatchewan Lands)

This option would expand the exemption to the Established Neighbourhoods, defined by Zoning Bylaw No. 8770 and includes all areas inside Circle Drive, as well as Sutherland, Sutherland Industrial, Forest Grove and Montgomery Place. A map is included as Appendix 4.

University of Saskatchewan lands are excluded from this exemption area given these large undeveloped areas are more akin to new suburban development in terms of its infrastructure needs. Future development in these areas will have a significant draw on infrastructure with major cost implications for necessary upgrades that have not yet been quantified. It would not be prudent to exempt this area from offsite levies.

The Established Neighbourhoods boundary is the only pre-existing, neighbourhood-based boundary that is meaningful to this discussion as it represents the area within which the City's overall infill goals are targeted to occur. However, it must be emphasized that this option represents a significant expansion of geographic area beyond the other options, covering a large portion of the city.

Advantages

1. The areas within this boundary are identified by the Growth Plan as part of the Strategic and Neighbourhood Infill areas, where 25% and 10% of future growth to a population of 500,000, respectively, is targeted to occur. A large portion of the Corridor Growth areas, accounting for a further 15% of future growth targets, are also covered by this option.
2. A larger exemption area provides more opportunity for the development community. Selecting this option would effectively exempt all infill properties from the current requirement to pay levies deemed owing upon subdivision.

Disadvantages

1. Inconsistent with City Council's strategic priority of Downtown Development, far exceeding the original intent of the Streamlining Downtown Development program. The significantly larger exemption area dilutes the strategic focus on the Downtown.
2. Infill development spread over a larger area may diminish the associated momentum and cumulative benefits of new density that can result in a more concentrated area.
3. Large portions of this area has zoning in place that does not fit with long-term objectives of the Growth Plan and City Centre Plan. Further incentivizing development in these areas, ahead of resolution of the identified zoning issues, risks development of undesirable outcomes.
4. The Established Neighbourhoods includes areas where infill objectives do not apply (such as industrial areas).

5. There is a significant amount of property zoned for low density one and two-unit residential development. While low density residential development does contribute to infill targets, development incentives such as waiving levies are more effectively focused on multiple-unit residential infill that contributes in a more substantial way.
6. The potential foregone revenue from levies is significantly greater with a larger exemption area.

Of the options presented, this exemption area is of particular concern given its size. The identified policy and financial implications apply here across a significantly larger area than the preceding options.

If City Council should choose this option, Administration recommends it be limited to the select range of zoning districts identified by Option 5 below, to mitigate some of the risks and costs identified above, which would restrict the exemption to land zoned for multiple-unit residential or mixed-use development with a residential component. This would reduce the financial implications of selecting this option and target the incentive to forms of development that assist with meeting the Growth Plan's targets for infill growth. It would also mean the incentive would not be available to benefit land subdivision in industrial or single-use commercial areas (e.g. – subdivision of a B4 commercial site on 8th Street East). As raised in Option 5, an implication of this Option 4 is that it would create a non-contiguous exemption area with select zones and could increase demand to rezone land as a result. This would still be the most viable approach to an exemption area this large and with such a diversity of land uses.

Option 5 – Expand Exemption Based on Zoning

As noted, many of the areas discussed in previous options include zoning that does not fit with the long-term objectives of the Growth Plan and City Centre Plan and further incentivizing development in these areas risks supporting outcomes that do not contribute to infill targets. This option would extend the exemption only to properties with a zoning designation that is generally aligned with the objectives of the aforementioned plans by providing for multiple-unit residential and mixed-use development in a variety of densities.

The recommended zoning districts that this option would apply to are:

- Multiple-unit residential zones: Any zone with an “RM” prefix;
- Commercial zones: B4A, B5, B5A, B5B, B5C; and
- Mixed-use zones: M2, M3, MX1, MX2.

Low-density, one and two-unit residential zoning districts (such as R2) have been excluded from this list. Property with this zoning is present in Option 3 and increases dramatically in Option 4. While development in these zones does contribute to infill targets, development incentives such as waiving levies are more effectively focused on multiple-unit residential infill that contributes in a more substantial way. While it is recognized one and two-unit residential developments encounter the highest per unit cost from offsite levies, the need to specifically incentivize this form of development has

not been identified. City Council could choose to include low density residential zoning districts at its discretion.

If an approach to expanding the exemption based on zoning is chosen, City Council would need to decide whether to apply this option within the boundaries of Option 2, 3, or 4.

Advantages

1. The areas this option could apply to are identified by the Growth Plan as part of the Strategic and Neighbourhood Infill areas, where 25% and 10% of future growth to a population of 500,000, respectively is projected to occur. Portions of the Corridor Growth areas, accounting for a further 15% of future growth targets, are also covered by this option.
2. Targets the incentive to zoning districts that align with the City's long-term objectives.
3. A larger exemption area provides more opportunity for the development community.

Disadvantages

1. Contrary to City Council's strategic priority of Downtown Development and the intent of the Streamlining Downtown Development program.
2. A larger exemption area dilutes the strategic focus on the Downtown.
3. Infill development spread over a larger area may diminish the associated momentum and cumulative benefits of new density that can result in a more concentrated area.
4. Clear, contiguous program areas are typically established for development incentives, while this option would create a non-contiguous exemption area. Administration could not identify a precedent for this approach. It could be seen as confusing, arbitrary, and unfair.
5. Planning and Development could receive a significant number of rezoning applications to make properties eligible for the levies exemption, negatively impacting service levels.
6. The potential foregone revenue from levies is greater with a larger exemption area.

RECOMMENDATION

That Option 1 – Status Quo (Exempt Offsite Levies in the Downtown Only), be approved.

RATIONALE

Of the options presented, the policy direction for prioritizing development of the Downtown through specific incentives, such as waiving offsite levies, is the strongest. Downtown Development is identified as one of the specific priorities of City Council. A

strong and growing Downtown is central to objectives of the Growth Plan and the City Centre Plan.

New growth throughout all infill areas is important to meeting the Growth Plan's targets and the Administration continues to work to advance objectives for infill development overall. However, the original intent of the offsite levies exemption was to encourage development of the Downtown specifically, and this imperative remains.

There is a great deal of planning work yet to be completed in infill areas as part of the Growth Plan's implementation and related initiatives. In the meantime, many areas are not properly zoned for the densities, mix of uses, and forms of development that are desired. As a result, expansion of this incentive at this time could be considered premature.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

Stakeholder Engagement

Members of the Developers Liaison Committee, including both the infill and land development subcommittees, as well as the five BIDs, were consulted during preparation of this report. Consensus does not exist among the stakeholders' positions, although the current policy to exempt the Downtown was generally accepted.

Feedback received in favour of expanding the exemption area or advocating for a particular option can be summarized as follows:

- Some support for expanding to the City Centre and BID areas and acknowledgement that development in these areas can still benefit the Downtown; and
- Some support for expanding to the Established Neighbourhoods for various reasons:
 - Includes areas that could benefit most from the incentive (low density zoning where the per unit cost from levies is highest);
 - Areas with redevelopment potential, such as South Caswell, are included;
 - Has a simpler and less complicated boundary than the other options; and
 - Does not pick "winners and losers" as the more constrained options do.

Feedback received expressing concern can be summarized as follows:

- Any expanded exemption should not come at the expense of greenfield development, and cannot become an "infill vs. greenfield" proposition;
- BIDs are the wrong boundaries to use; boundaries should be neighbourhood-based;
- Timing in which this is being considered may not be appropriate;

- Without market demand for living in a certain area, incentives will not deliver the desired result;
- Levies are considered a minor impediment to development in the Downtown due to the scale of projects making the per unit cost low (the cost is higher for lower density development); and
- Increased property taxes collected from infill development in perpetuity should be part of this discussion and not just the one-time foregone revenue to the City from levies in an exemption scenario.

A formal submission from the Broadway Business Improvement District is included as Appendix 5.

Financial Implications

The collection of offsite levies is necessary to fund new infrastructure that accommodates continued growth. Past investments funded by offsite levies have benefited some infill areas by improving infrastructure serving those areas and increasing servicing capacities to accommodate infill growth.

The trade-off in exempting select areas is that with expansion of the exemption area there is a correspondingly smaller area and fewer properties paying offsite levies. The ability to raise funds necessary for critical new infrastructure could be impacted as a result.

The financial impact of any given exemption area cannot be accurately predicted, because it cannot be anticipated what revenue from infill development will be collected over a period of time due to uneven and fluctuating development activity.

For reference only, approximately \$1.26 million in offsite levies has been collected within the areas of the Downtown, City Centre and all Business Improvement District areas since 2006. Approximately \$650,000 was collected in the Downtown specifically. The amount of levies collected within the Established Neighbourhoods within this timeframe is not available at the time of report-writing.

Based on the major infill projects in the City Centre and adjacent areas that Administration is aware of that are expected to incur offsite levies if they proceed, approximately \$650,000 in foregone revenue could be expected in the next two to three years if levies were waived for these projects. It should be noted that these projects are not guaranteed to proceed and this figure is provided for reference only and not as a precise estimate. Other smaller scale infill projects can also be expected to incur levies within this same timeframe.

Other Considerations

If City Council chooses to expand the exemption area on an interim basis, the Administration recommends the following be included in a motion to that effect:

- That a two year limit to the exemption be set (excepting the Downtown) with a review and reporting to be undertaken at the end of the period; and
- That eligibility of projects be tied to a subdivision application or building permit application being received within the exemption timeframe.

Further to the second point, payment of offsite levies for many infill projects is triggered by a condominium application submitted years after a building permit for the project is received. If a development project proceeds on the basis of the levies being waived, eligibility being tied to the permit submission date provides certainty that the incentive will be available to the project even if the exemption ends during its construction period.

COMMUNICATION ACTIVITIES

The decision of City Council will be communicated to stakeholders, including the development industry.

APPENDICES

1. Option 1 - Status Quo
2. Option 2 - Expand Exemption to the City Centre
3. Option 3 - Expand Exemption to the City Centre and all BIDS
4. Option 4 - Expand Exemption to the Established Neighbourhoods
5. Letter from the Broadway Business Improvement District

REPORT APPROVAL

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