

Amendments to Council Policy No. C09-014, Business Development Incentives

ISSUE

Various amendments to Council Policy No. C09-014, Business Development Incentives, are required to provide better clarity, for which City Council approval is required.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the proposed amendments to Council Policy No. C09-014, Business Development Incentives, be approved; and
2. That the City Clerk be requested to update Council Policy No. C09-014, Business Development Incentives, as outlined in the report of the Chief Financial Officer dated November 5, 2019.

BACKGROUND

Council Policy No. C09-014, Business Development Incentives, was created to make incentives available to businesses that meet the eligibility requirements listed within the policy. The policy was last updated on March 26, 2012, and since that time, the Incentives Review Sub-Committee (comprised of representatives from SREDA, City Council and the Administration) has identified several amendments that would provide further clarity on the nature of potential incentives, as well as the eligibility requirements applicants must adhere to.

At its meeting on June 25, 2018, when considering a report of the General Manager, Community Services Department, titled Vacant Lot and Adaptive Reuse Incentive Program – 201 1st Avenue South – Midtown Plaza, City Council resolved, in part:

- “1. That the Administration be directed to report back to Committee, prior to the end of 2018, following consultation with the Saskatoon Regional Economic Development Authority (SREDA) and a review of both the Vacant Lot and Adaptive Reuse Incentive Program Policy and the Business Development Incentives Policy for possible revision to the policies to include consideration of major retail projects and other projects.”

A comprehensive review of both policies was undertaken, which required internal and external stakeholder involvement. This, along with a desire to bring forward amendments to both policies at approximately the same time, has led to the delay in reporting back.

DISCUSSION/ANALYSIS

Proposed Changes to the Policy

As a result of the Incentives Review Sub-Committee's review, numerous areas within the Policy were identified that required updates in order to align with current practices and legislation. The significant proposed amendments are as follows:

- Both the Incentives Review Sub-Committee and City Council have historically approved applications made by non-incorporated businesses (e.g. limited partnerships); however, current Policy only refers to incorporated businesses and organizations being eligible. The recommended amendments update the language to allow both incorporated and non-incorporated businesses to be eligible for incentives and also align with current practice.
- Provincial legislation currently requires provincial government approval for any education tax abatement over \$25,000. The current Policy does not provide any reference to this, therefore, the proposed amendment provides additional information alerting applicants that the education portion of the abatement is governed by Saskatchewan's *Education Property Tax Act*.
- Successful applicants for an incentive must demonstrate that a minimum amount of full time equivalent (FTE) positions will be created within a certain timeframe. It is recommended that this timeline be amended to insist that the creation of the new FTEs occur within one year of the application being received by SREDA, instead of within one year of the application being approved by City Council. Shortening this timeframe will help to ensure that prospective applicants have solid plans to create the new positions, and will also prevent delays to the applicant's expansion strategy.
- The current Policy allows very little flexibility in regard to considering applicants that may have unique characteristics that hinder their ability to meet the eligibility requirements. However, past practice has been to consider these types of unique applicants, even if they do not meet all eligibility requirements. Because of this, it is recommended that a statement be included to allow for an incentive application to be considered and approved by City Council even if certain eligibility requirements are not met (i.e. an application made on behalf of a retail organization may still be considered, even though such an organization would not typically meet the stated eligibility requirements).
- Amendments were also made to ensure that should an applicant not comply with the Policy, they may be required to repay the City for the full amount of the incentive. Prior to this change, only abated tax incentives were eligible for recovery.

In addition to these amendments, the Incentives Review Sub-Committee is also recommending several housekeeping updates, including position titles and clarification of committee membership, as well as other minor changes.

Appendix 1 provides a comprehensive overview of the recommended amendments to the Policy.

It should also be noted that a report from the General Manager, Community Services Department, will be forthcoming regarding amendments to Council Policy No. C09-035, Vacant Lot and Adaptive Reuse Incentive Program.

IMPLICATIONS

Over the past five years, the average annual abatements for all properties receiving this incentive has been \$259,382. Although it is difficult to predict how these policy amendments will impact its use, given that the revisions are not making significant changes to eligibility and criteria, the additional clarity provided by the changes may lead to an increase in approved applications. This may result in larger amounts abated each year. For example, an optimistic increase of 50% more abatements would increase the average annual impact to \$389,073. Despite the potential short-term negative impact on tax revenue, the long-term positive benefits of incentivizing investment combined with the resultant long-term increases to the City's tax revenues will outweigh the short-term impacts.

There are no legal, social or environmental implications.

NEXT STEPS

Pending City Council approval, Council Policy No. C09-014 will be amended.

APPENDICES

1. Proposed Amendments – Council Policy No. C09-014, Business Development Incentives

REPORT APPROVAL

Written by: Mike Voth, Director of Corporate Revenue
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Approved by: Jeff Jorgenson, City Manager

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