

SREDA – Business Incentives – 2020 Tax Abatements

ISSUE

City Council approval is required to process the 2020 property tax abatements to businesses, as approved under Council Policy No. C09-014 – Business Development Incentives.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that the incentive abatements as determined by the Saskatoon Regional Economic Development Authority be approved.

BACKGROUND

The Business Development Incentives Policy makes incentives available to businesses meeting the eligibility requirements. Throughout the year, as applications are received, SREDA requests City Council to approve tax abatements for business incentive purposes. The incentives are based on the value of new construction, the creation of a specified number of jobs, and the maintenance of certain financial requirements. On an annual basis following the approval of the incentive, SREDA staff meet with each company to ensure that all of the requirements are being fulfilled.

DISCUSSION/ANALYSIS

SREDA staff have met with each of the businesses eligible to receive a tax abatement for 2020. Reviews were conducted to determine if the terms and conditions outlined in the individual agreements were met. Appendix 1 is a letter from SREDA with the results of its 2020 audit. The letter identifies those companies (ten in total) that have met all conditions of their incentive agreements for 2020. The total tax abatement amount is \$582,534.

Business incentives are meant to drive investment and encourage growth in Saskatoon. SREDA's audit results of the eligible businesses showed an increase of 71 full-time equivalent positions during 2019. In addition, these eligible businesses have expanded their facilities which has led to an increase in their properties' assessed value totalling \$44,168,200. Using 2020 tax rates, the amount of increased total tax due to the increase in assessed value is \$700,365; however, due to the various incentive agreements, \$582,534 will be abated in 2020. This total tax increase will be fully realized by 2024 when all current incentive agreements expire.

FINANCIAL IMPLICATIONS

Property tax abatements approved under Council Policy No. C09-014 result in the deferral of the increased taxes that the new construction creates. As a result, there is no immediate impact other than deferral. The abatements decline over a five-year period.

OTHER IMPLICATIONS

There are no privacy, legal, social or environmental implications identified.

NEXT STEPS

City Council approval to process tax abatements is required by the end of April in order to apply the abatements to the current tax year before tax billing at the beginning of May.

APPENDICES

1. Letter from Joanne Baczuk, Director, Business Development and Economic Analysis, dated February 24, 2020

REPORT APPROVAL

Written by: Stephanie Green, Property Tax and Accounting Control Manager

Reviewed by: Mike Voth, Director of Corporate Revenue

Approved by: Kerry Tarasoff, Chief Financial Officer

Admin Report – SREDA 2020 Tax Abatements.docx