

## **Vacant Lot and Adaptive Reuse Incentive Program – 410 and 420 5th Avenue North – Baydo Towers**

### **ISSUE**

Baydo Development Corporation has applied for a five-year tax abatement of the incremental property taxes for the development of Baydo Towers located at 410 and 420 5<sup>th</sup> Avenue North, under the Vacant Lot and Adaptive Reuse Incentive Program.

### **RECOMMENDATION**

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that:

1. A five-year tax abatement, equivalent to 100% of the incremental municipal and library taxes for the development of 410 and 420 5<sup>th</sup> Avenue North, be approved;
2. The Neighbourhood Planning Section be requested to submit an application under the Provincial Government's Education Property Tax Exemption/Abatement Program seeking approval for a five-year tax abatement, equivalent to 100% of the incremental education taxes, for the development of 410 and 420 5<sup>th</sup> Avenue North;
3. The City Solicitor be requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal; and
4. The five-year tax abatement on the incremental taxes be applied to the subject properties, commencing the next taxation year following the completion of the project.

### **BACKGROUND**

At its March 7, 2011 meeting, City Council approved the Vacant Lot and Adaptive Reuse Incentive Program (VLAR Program). The VLAR Program is designed to encourage infill development on vacant sites and the adaptive reuse of vacant buildings within established neighbourhoods in Saskatoon.

Applicants have an incentive choice of a five-year tax abatement or a cash grant. The maximum incentive amount is calculated based on the increment between the existing taxes and the taxes owing upon completion of the project, multiplied by five years. Applications are scored against an evaluation system where points are awarded for features included in a project which meet a defined set of policy objectives. The total points scored for the project determines what proportion of the incentive amount it will receive, up to a maximum of 100%. Projects scoring 100 points or more are eligible for 100% of the incentive. Any residual portion of the maximum incentive amount on projects which earn less than 100% will be redirected into the Vacant Lot and Adaptive

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Reuse Reserve (Reserve) during the abatement period. The residual portion redirected to the Reserve excludes the education portion of property taxes.

### **DISCUSSION/ANALYSIS**

#### Description of Development at 410 and 420 5<sup>th</sup> Avenue North

Neighbourhood Planning received an application under the VLAR Program from Baydo Development Corporation for the development of 410 and 420 5<sup>th</sup> Avenue North, known as Baydo Towers, which is located in the City Park neighbourhood (see Appendix 1). The site is currently addressed as 410 5<sup>th</sup> Avenue North, but each tower will have its own address, 410 and 420 5<sup>th</sup> Avenue North. This development is within the City Centre eligibility boundary under the VLAR Program.

The development is a 25-storey, two-tower mixed use project. Four levels of below-grade and three levels of above-grade parking will be included in both towers, totaling 501 enclosed parking spaces and eight surface parking spaces. Secure bike parking will be incorporated into the parkade design. Commercial space will be located on the main floor with 474 residential rental units that include a mix of studio, one-bedroom and two-bedroom layouts occupying the storeys above the parking levels.

The site is zoned B5 – Inner City Commercial Corridor. The site has been a long-standing surface parking lot within the City Centre. The applicant has indicated the estimated investment in the project is approximately \$100,000,000. See Appendix 2 for a proposed rendering of the project.

#### Estimated Incremental Property Tax Abatement

The application was reviewed using the VLAR Program's evaluation system. The project received a total of 120 points, resulting in an earned incentive amount of 100% of the maximum incentive amount. See Appendix 3 for project evaluation.

The applicant is applying for a five-year tax abatement of the incremental property taxes for the development of 410 and 420 5<sup>th</sup> Avenue North. According to the Corporate Financial Services Department, the incremental increase in property taxes (municipal, library and education portions) for the project is estimated to be \$722,724 per year, based on the 2020 tax year; therefore, the estimated maximum incentive amount over five years would total \$3,613,620, which includes \$459,016 in municipal and library property taxes and \$263,707 in education property taxes annually. The calculations are based on the 2020 tax rates and will change with any alterations to the design plans, the 2021 reassessment and the annual mill rate adjustments. An actual assessment value will be determined upon final inspection of the completed project.

#### Education Property Tax Exemption/Abatement

As of January 1, 2018, approval from the Provincial Government (Province) is required to exempt or abate education property tax revenue that is \$25,000 or more for a single property or parcel of land in the tax year. Applications are submitted by the municipality and considered under three main categories: Economic Development, Housing and

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Non-Profit/Community-Based Organizations. According to the application, the goal is to inform the municipality of the decision to approve/deny within 15 business days.

The incremental increase in annual education property taxes for the project is estimated to be \$263,707, based on the 2020 tax year. As the incremental annual education property tax abatement for 410 and 420 5<sup>th</sup> Avenue North will exceed \$25,000, approval from the Province will be required.

The Province has the option to deny an application to abate the incremental education property taxes. Should the Province deny an application, the City has the option to appeal the decision to the Minister, based on information from the original request. If the final decision is to deny the request, the property owner would be required to pay the education property tax calculated following completion of the project at 410 and 420 5<sup>th</sup> Avenue North.

### Administration Recommendation

After review of this application, Administration has concluded this project is consistent with the intent of Policy No. C09-035, Vacant Lot and Adaptive Reuse Incentive Program. Administration is recommending that City Council approve the five-year incremental municipal and library property tax abatement and request the Neighbourhood Planning Section apply to the Province for the five-year incremental education tax abatement, commencing in the next taxation year after completion of the project.

### **FINANCIAL IMPLICATIONS**

The incremental property tax abatement for the project at 410 and 420 5<sup>th</sup> Avenue North is forgone revenue and will not require funding from the Reserve. The City will forgo an estimated total of \$2,295,085 of tax revenue over five years, which will be abated to the owner. Abatement of the education property tax portion is subject to approval by the Province.

### **OTHER IMPLICATIONS**

There are no other implications.

### **NEXT STEPS**

Development of 410 and 420 5<sup>th</sup> Avenue North is expected to be completed in 2023. The incremental property tax abatement, if approved, will begin the calendar year following project completion and continue for five years.

### **APPENDICES**

1. Project Location
2. Baydo Towers Rendering (410 and 420 5<sup>th</sup> Avenue North)
3. VLAR Project Evaluation for 410 and 420 5<sup>th</sup> Avenue North

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### **REPORT APPROVAL**

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Reviewed by: Tyson McShane, Acting Director, Planning and Development  
Approved by: Lynne Lacroix, General Manager, Community Services

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