

Financial and Operating Sustainability of Saskatoon Curling Organizations

ISSUE

City Council, at its Regular Business Meeting, held on January 25, 2021, directed Administration to meet with Saskatoon curling organizations to discuss potential policy options to ensure the long-term financial and operating sustainability of these organizations, and to report back to the appropriate Standing Policy Committee no later than the second quarter of 2021. This report addresses these requests.

BACKGROUND

History

At its May 7, 2018 the Standing Policy Committee on Planning, Development and Community Services received communications from Mr. Kory Kohuch, Board of Directors, Curl Saskatoon. Mr. Kohuch addressed the Committee on behalf of the four curling rinks asking that the City partner with the curling clubs either through full property tax abatements for their facilities or through a grant so that the clubs can redirect this money to the upkeep and modernization of their facilities. The matter was referred to the Administration for a report on alternative options.

The following Notice of Motion was approved by City Council, at its Regular Business Meeting, held on January 25, 2021.

“Whereas, curling is a sport with a long and storied history in our City and Province that has produced many national and international champions;

Whereas, curling organizations in Saskatoon also provide important community, cultural, and recreational activities that brings people of all ages and abilities together to enhance their quality of life;

Therefore, be it resolved that the Administration meet with Saskatoon curling organizations to discuss potential policy options to ensure the long term financial and operating sustainability of these organizations;

Be it further resolved that the Administration report back to the appropriate Standing Policy Committee no later than the second quarter of 2021.”

Current Status

The four curling clubs in Saskatoon each own their land, buildings and are registered not for profit corporations. Over the years, the sport of curling in Saskatoon has experienced increased competition from other sports, declining participation and increased costs. In addition, supplementary revenue sources such as food and beverage have declined, while fixed overhead expenses such as insurance, utilities, and taxes continue to increase. Property taxes for the four local curling clubs represent between 3% and 8% of their annual operating budgets.

Zoning

The Nutana Curling Club located at 2002 Arlington Avenue and CN Curling Club located at 1602 Chappell Drive are zoned M3 - General Institutional Service District under Bylaw No 8770, Zoning Bylaw, 2009. The purpose of the M3 District is to facilitate a range of institutional and community activities, as well as medium and high-density residential uses. The opportunities to accommodate interim uses within these two curling clubs are limited to uses which are permitted within the M3 District. Rezoning the properties to provide for a wider range of uses than already permitted in the M3 District would be challenging due to their locations and adjacent land uses.

The Granite Curling Club located at 480 1st Avenue North and Sutherland Curling Club located at 141 Jessop Avenue are zoned IL1 - General Light Industrial District under Bylaw No 8770, Zoning Bylaw, 2009. The purpose of the IL1 District is to facilitate a wide variety of light industrial activities and related businesses, which do not create land use conflicts or nuisance conditions during the normal course of operations. As the IL1 District does provide for a wide range of uses, the Granite and Sutherland Curling Clubs have the option to accommodate a wide range of interim uses.

Property owners may apply to rezone a property. When an application is received, an internal review is completed to evaluate technical items (such as water and sewer services and transportation) to determine how or if the proposal aligns with policies contained in the Official Community Plan and other relevant planning studies. Once the internal review is completed, public consultation is undertaken. Upon completion of the internal review and public consultation, the Planning and Development Department will prepare a report containing a recommendation for review by the Municipal Planning Commission and consideration by City Council at a Public Hearing. The time frame for review of a rezoning application is typically 8 to 10 months. The fee depends on the type of application and amendments required.

The curling clubs zoned M3 have cited zoning as a barrier for alternative uses and revenue generation. No matter the zoning designation, future use of the sites or interim uses are subject to the building meeting applicable development standards and Building Code requirements. In order to meet applicable development standards and Building Code requirements for alternative uses would require a significant capital investment into their facilities.

Local Consultation

Administration consulted with the local curling clubs to discuss their challenges and operations, both pre-COVID and during the pandemic. Input received from these meetings has been used to determine options included in this report. The clubs all prefer the options of property tax abatement, or an annual operating grant from the City of Saskatoon (City), equivalent to property taxes. The clubs would then invest these savings into their aging facilities.

City of Saskatoon's Current Approach

Currently there are four curling clubs in Saskatoon:

- CN Curling Club;

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- Granite Curling Club;
- Nutana Curling Club; and
- Sutherland Curling Club.

All four clubs own the land and buildings and operate as non-profit businesses. The curling club's property tax is based on the assessed value of their property and commercial property class.

The City has and continues to provide support to the local curling community through annual funding support under the Youth Sports Subsidy Program (YSSP), however no adult sports programs are subsidized by the City. The table below shows the Youth Sport Subsidy grants provided to curling over the last five years.

YSSP Subsidy Year	Amount Received
2016-2017	\$11,409.75
2017-2018	\$11,511.00
2018-2019	\$11,576.25
2019-2020	\$7,864.88
2020-2021	\$13,153.50

In addition, the City has provided funding through the Major Special Event Grants program to curling events hosted in Saskatoon, see the table below.

Major Special Event Grants	Event Year	Grant Amount	Grant Paid To
Nokia Brier	2004	\$100,000	Curl Saskatoon
Masters of Curling	2008	\$22,500	Saskatoon Sport Tourism
Tim Hortons Brier	2012	\$150,000	Canadian Curling Association
Pinty's Grand Slam	2019	\$45,000	Curl Saskatoon
Roar of the Rings	2021*	\$350,000	Curl Saskatoon

* Note: \$262,500 paid out in 2019

Approaches in Other Jurisdictions

Administration has contacted municipalities in Saskatchewan, Alberta, Manitoba and British Columbia to determine the relationship with curling facilities and how other municipalities manage taxation of curling clubs.

There is no consistent approach to the relationships between municipalities and curling clubs. In smaller communities across western Canada, the majority of clubs are owned by the municipality or are located on municipal land. Regarding property tax exemptions in other municipalities, there is a mixture across Alberta, Saskatchewan, Manitoba and British Columbia. For example, in Alberta, if the club is operated as a non-profit, the curling club is exempt from property tax.

Some examples include:

- Burnaby, British Columbia - indicated they do not give grants or financial assistance to private owned sports/recreation clubs.
- Calgary, Alberta – has five curling clubs, which are registered non-profits and exempt through the Property Tax Exemptions in Alberta – section 362(1)(n)(ii)
- Edmonton, Alberta – The majority of curling facilities are non-profit and qualify for property tax exemption through Community Organization Property Tax Exemption Regulation (COPTER).
- Winnipeg, Manitoba – the St. Vital Curling Club is not exempt from taxes but as a non-profit is eligible for a reduced taxation.
- Regina, Saskatchewan – The Caledonian Curling Club is located on land owned by the City of Regina and has a 99-year lease. The lease requires the Caledonian curling club to pay all property taxes levied on the leased lands as well as those taxes levied on any buildings situated on the leased lands. The agreement also contains a lease back, to the City, of a portion of the Caledonian curling club's building, during a portion of each year, for 99 years, at a rate equal to the taxes levied on the Caledonian curling club. In essence, the Caledonian Club's property tax is wholly offset by rent revenue from the City of Regina. The Highland Club continues to operate independently and is not currently receiving property tax exemptions.

In Saskatchewan, most curling clubs located in small communities are owned and operated by the municipality. Privately owned and operated curling facilities such as the Highland Curling Club in Regina are charged property taxes similar to Saskatoon. Other examples include those located on city land, such as the Caledonian Curling Club in Regina, receive a tax exemption.

OPTIONS

Administration has identified four options for consideration with respect to the taxation of Saskatoon curling clubs.

Option 1 - Create a Property Class for Curling Clubs Similar to Privately Owned Aircraft Hangars

Section 254 of *The Cities Act* states

“that a Council may establish classes and sub-classes of property for the purpose of establishing tax rates, and that the City Assessor shall determine to which class or sub-class a property belongs.”

At present, curling clubs have been determined to be in the commercial property class based on their zoning, use and construction type. This means they pay property tax at the commercial tax rates, which are calculated to achieve a 1.59 tax ratio and include the commercial appeal contingency.

Similar to the Privately Owned Aircraft Hangar sub-class, which are essentially taxed at the residential tax rate (excluding consideration for the Percentage of Value, which is

established through legislation and cannot be changed), City Council could choose to create a separate property tax sub-class for curling rinks. The separate tax sub-class would eliminate the higher tax rate caused by the City's tax ratio policy and commercial appeal contingencies. The tax impact of establishing a separate property sub-class is illustrated in the following table:

Curling Club	2021 Tax Dollars (\$)		
	Commercial Class	Separate Tax Sub-Class	Difference
Granite	\$47,200	\$35,900	(\$11,300)
Sutherland	\$16,700	\$12,700	(\$4,000)
CNCC	\$24,200	\$18,400	(\$5,800)
Nutana	\$75,100	\$57,100	(\$18,000)
Total	\$163,200	\$124,100	(\$39,100)

Advantages:

The primary advantage of this option is the curling clubs would have a direct reduction in their property tax as early as the 2022 tax year. In addition, the creation of a new property sub-class would provide a long-term benefit.

Disadvantages:

Three main disadvantages to this option are:

1. A separate tax class would create inequities amongst similar property types. Privately owned facilities such as skating rinks, dance halls, gyms or other recreational facilities would continue to pay a proportionately higher property tax as they would still fall under the commercial property tax class. Since there is no policy driven framework for establishing a property tax class for one type of facility, this would put City Council in a situation of providing benefit to one group over others.
2. The tax rate decrease would only partially address concerns raised by the curling clubs as the estimated savings equate to only 24% of their overall current property tax bills. The clubs are facing significant financial challenges and this option may not result in sufficient savings for them to operate sustainably into the future.
3. Lowering the property tax rate for curling clubs does not mean the City collects less tax revenue, but rather the property tax is re-distributed amongst other properties to pay. The City must still collect the budgeted revenue and therefore savings granted to one group must be offset by increased taxes to other property owners.

Option 2 - Provide a Temporary Tax Abatement (Suggested Two Years)

Section 263 of the *Cities Act* allows for City Council to exempt any property from taxation in whole or in part, with respect to a financial year. When exempting properties under this section of the Act, City Council may enter into an agreement with the owner or occupant of the property for the purpose of exempting that property from taxation for a period of no more than five years. Under section 244(1) of the *Cities Act*, City Council

may also abate any part of a tax, if it is determined to be in the opinion of Council that the abatement is in the best interests of the community.

Currently, the City abates properties under several different City Council approved incentive programs with targeted eligibility criteria, including:

- The Vacant Lot and Adaptive Reuse Incentive Program;
- Attainable Housing Strategy (Innovative Housing Incentives Policy);
- Business Development Incentive Program;
- Social & Cultural Grant Programs; and
- Municipal Heritage Property Designation Program.

These programs exist to ensure requests for tax abatements are treated in a fair, consistent and transparent manner.

At present, the curling clubs do not qualify under any City Council approved incentive programs; however, City Council does have authority to approve tax abatements outside of these programs, which are usually based on policy. This option, therefore, proposes the City provide a tax abatement to the four curling clubs. A short-term abatement such as two years would give the clubs time to review their operations and develop an operating plan complete with financial plans to improve the future sustainability of their facilities. The property tax abatement would apply to 100% of the property tax levied for all taxing authorities for suggested years 2022 and 2023. The City would need to obtain prior approval from the Province for any education property tax abatement greater than \$25,000, as this portion of the tax is subject to the rules contained in the *Education Property Tax Act*. If the Province did not approve, the curling clubs would still be responsible for the education tax portion.

The estimated annual cost to the city of providing a two-year tax abatement to the four clubs would be approximately \$109,000 per year (using 2021 tax rates). This abatement is not currently budgeted but would be added to the affected annual operating budgets if known in advance and be approved during the multi-year budget process. Indirectly, the cost of the abatements would shift the tax burden to other property owners through the annual mill rate budget increase.

Advantages:

Similar to Option 1, the primary advantage of this option is the curling clubs would see a direct reduction to their property tax over the next two years, allowing them more financial flexibility, time to review and develop sustainable plans for their operations. This option is also only temporary in nature, meaning the cost to the City would only be for the two years.

Disadvantages:

The main disadvantages to this option are:

1. Providing a temporary property tax abatement outside of City Council approved programs puts City Council in a position of choosing to provide financial relief to

one group but not others. In other words, there is no policy driven framework for these abatements and puts City Council in a situation of potentially providing benefit to one group over others. This may result in feelings of inequity amongst owners of other types of facilities and groups, and creating potential for additional requests for temporary tax abatements outside of policy.

2. This option is temporary in nature and therefore does not necessarily achieve the goal of ensuring the long term financial and operating sustainability of these organizations.
3. The cost of the tax abatement is currently not included in the annual operating budget, as noted above.
4. This process was attempted in Regina and was not successful, as the curling clubs were not willing to implement the sustainable recommendations from a third-party consultant's report.

Option 3 - Policy/Program Approach

This option proposes Administration develop a Recreation and Sport Grant Program similar to the Culture Grant Program, which provides annual operating funding to major cultural organizations (Arts Institutions, Festivals and Heritage or Museum Institutions) in recognition of their contribution to the quality of life in Saskatoon and role in providing major cultural activities for Saskatoon residents and visitors. The Culture Grant Program provides financial support in the form of cash grants, tax abatements and in-kind civic services.

Administration would need to develop the program, application form and policy for a Recreation and Sport Grant Program, which could provide cash grants and/or tax abatements. Administration has reviewed similar programs from other municipalities and best practices, which would serve as a template for the City of Saskatoon policy. Some key components of other municipalities programs, which could be incorporated into the City's program include the following principles:

- 1) Compliance with Municipal Policies, Plans, Bylaws, Codes and Legislation;
- 2) Must be a Non-Profit Organization;
- 3) Must own the building and land;
- 4) Alignment with the City's Plans and Programs;
- 5) Accessible to the Public; and
- 6) Demonstrate Financial Need.

Advantages:

1. The primary advantage of this option is the curling clubs would have a direct benefit as early as the 2022 tax year.
2. Would allow other sport and recreation organizations, which meet the criteria to apply for the funding.

3. This option provides a long-term solution and once established the process for reporting and tracking would be easily sustainable by both the City and the curling clubs.
4. A policy based approach ensures requests for grant funding or tax abatements are treated in a fair, consistent and transparent manner.

Disadvantages:

The main disadvantage is it would result in an annual operating impact to the City equal to the funding required under the newly created Recreation and Sport Grant Program.

Option 4 – Maintain the Status Quo

Under this option, the City would continue to assess the curling clubs under the Commercial property class in calculating their property taxes and they would not receive any additional financial assistance from the City.

Advantages:

1. There would be no additional costs incurred by the City or redistribution of tax to other property owners.
2. The City would not have the annual cost of providing additional financial relief outside of the existing City Council approved grant/tax abatement programs.

Disadvantages:

The main disadvantage of Option 4 is without additional financial relief, the curling clubs may not be able to sustain their operations into the future under their current operating models. This option would not achieve the desired goal of providing support for the long-term financial and operating sustainability of these organizations in Saskatoon.

RECOMMENDATION

That the Standing Policy Committee on Planning Development and Community Services recommend to City Council approval of Option 3 – Administration to develop a Recreation and Sport Grant Program similar to the Culture Grant Program that provides annual operating funding to recreation and sport organizations through a combination of grant dollars and tax abatements, and report back to this committee in time for the 2022-2023 Multi-Year Business Plan and Budget deliberations.

RATIONALE

The purpose of the Recreation and Sport Grant Program would be to provide financial support in the form of cash grants, tax abatements and in-kind civic services, to qualifying organizations in recognition of their contribution to the quality of life in Saskatoon and their role in providing recreation and sport programs for Saskatoon residents.

Using a grant program offers an allocation of civic funds to groups based on outlined criteria and the financial operations of each organization, while at the same time removing the City from making subjective judgements through an adjudication process. A policy based process ensures requests for grant funding or tax abatements are treated in a fair, consistent and transparent manner.

FINANCIAL IMPLICATIONS

The estimated financial implications are presented with each option and vary depending on which option is approved. The financial implications for both Option 2 and 3 do not have an existing funding source and subject to City Council approval, would be presented as an option for inclusion in the 2022/2023 Multi-Year Business Plan and Budget.

Option 1 - Create a Property Class for Curling Clubs Similar to Privately Owned Aircraft Hangars

There are no direct financial implications to the City under Option 1. The financial implications of this option are with individual property owners. The total property tax (excluding phase-in, BID and special charge levies) billed to all four curling rinks in 2021 was \$163,200 (taxed at the commercial rate). Under the proposed new sub-class, the total property tax would be \$124,100. The difference of \$39,100 would be redistributed to other property owners annually through the tax rate calculation.

Should City Council choose Option 1, the following actions would be required:

- a. Specific criteria would need to be developed by the City Assessor to define and categorize properties into the new sub-class;
- b. City Council would need to pass a resolution establishing the creation of a new property class for the purposes of taxation, commencing in 2022. This resolution would need to be passed no later than September 30, 2021, in order for the City Assessor to prepare the 2022 Preliminary Assessment Roll;
- c. This would also result in a bylaw amendment to the Saskatoon Property Tax Bylaw, which would see the addition of the new sub-class and corresponding tax rates; and
- d. The bylaw amendment would be required no later than April 2022, prior to tax billing and would be tabled with the Property Tax and Bid Levy report at that time.

Option 2 - Provide a Temporary Tax Abatement (Suggested Two Years)

As noted above, the financial implication to the City would be approximately \$109,000 annually for two years or \$218,000, based on approval of a 100% tax abatement for all four clubs. Currently, there is no identified funding source or provision for this cost in the operating budget. If City Council were to choose this option, the additional cost would need to be included in the 2022/2023 Multi-Year Business Plan and Budget.

Option 3 - Policy/Program Approach

Option 3 could result in financial implications greater than the support identified in the report for the four curling clubs. If all four curling clubs applied for the program and were approved at 100%, the total cost to the City would start at \$109,000 (city and library portion of property tax for all four curling clubs taxed at the commercial rate). Other recreation and sport organizations could apply for financial support, subject to meeting the eligibility requirements of the new program. The Province and/or the Local School Divisions would incur the cost of the abated education portion of the property tax, subject to approval. A grant program could be based on any dollar amount City

Council chooses by providing cash grants, tax abatements or any combination of these. An option could be to phase in a program, starting with any amount and building to a level City Council believes will meet the objectives of providing longer term support and sustainability for all local and privately owned sports and recreation non-profit organizations who own their own facilities.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

There are no environmental, privacy, or CPTED implications or considerations. A Communication Plan is not required at this time.

This newly proposed Recreation and Sport Grant Program would be targeted to groups that own their own facilities and would be in addition to the already existing sport related grant, the Youth Sport Subsidy Program. This grant targets funding to support youth ages 18 and younger, participating in sport, by subsidizing the rental rates paid by sporting organizations for their games/activities.

COMMUNICATION ACTIVITIES

Subject to City Council Approval, Administration would develop the Recreation and Sport Grant Program, including eligibility criteria and application process, financial implications and phase in options for funding in time for presentation for 2022-2023 budget deliberations. Administration will advise the curling clubs of the process going forward.

APPENDICES

1. Four Year Property Tax Summary of Saskatoon Curling Clubs

REPORT APPROVAL

Written by: Bryce Trew, City Assessor, Corporate Revenue
Stephanie Green, Property Tax and Accounting Control Manager
Mike Libke, Manager, Special Use Facilities and Capital Planning
Reviewed by: Andrew Roberts, Director of Recreation and Community Services
Approved by: Lynne Lacroix, General Manager, Community Services

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