

Vacant Lot and Adaptive Reuse Incentive Program – Projects Exceeding Completion Timeline

ISSUE

This report requests an extension to Vacant Lot and Adaptive Reuse Incentive Program applications previously approved by City Council, where the proposed project has exceeded the maximum timeline to complete the project as required in the program policy.

RECOMMENDATION

That the Standing Policy Committee on Planning Development and Community Services recommend to City Council that the previously approved Vacant Lot and Adaptive Reuse Incentive Program five-year incremental property tax abatement requests for proposed developments receive the following extensions:

- 1) That the project at 2400 Louise Street receive an extension to December 31, 2022 for project completion; and
- 2) That the projects at 309 22nd Street East, 545/549 4th Avenue North, and 604/610 Broadway Avenue be granted an extension to December 31, 2022 to obtain a building permit and 24 months to then complete construction.

BACKGROUND

During 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 chronically vacant sites and adaptive reuse of vacant buildings within Saskatoon's established neighbourhoods, as well as to support projects proposed to be built within the City Centre.

Applicants have the choice of a five-year tax abatement, approved by City Council, or a grant approved by the General Manager of the Community Services Division, with a maximum incentive amount calculated based on the increment between the existing municipal taxes and the taxes owing upon completion, multiplied by five years. Applications are scored against an evaluation system where points are awarded for features included in a project that meet a defined set of policy objectives. The total points scored for a project determines what proportion of the incentive amount it will receive, up to a maximum of 100% of the incentive amount. For projects which score 100 points or more, the incentive amount awarded is 100%. Any residual portion of the maximum incentive amount on projects that earn less than 100% is redirected into the Vacant Lot and Adaptive Reuse Reserve during the abatement period.

Regarding the timeline for completion of approved projects, Council Policy C09-035 Vacant Lot and Adaptive Reuse Incentive Program states:

“Completion of construction must occur within 24 months from the approval date. One additional year may be granted at the discretion of the General Manager, Community Services.”

DISCUSSION/ANALYSIS

VLAR Program Projects Exceeding Completion Timeline

Multiple VLAR Program applications for proposed projects that have been approved by City Council to receive a future five-year tax abatement have recently exceeded the maximum completion timeline that can be approved by Administration. Further extensions are being recommended as the construction industry is extremely competitive and directly impacted by office, commercial and residential supply/demand. Large-scale projects involve substantial investment by developers and require significant pre-planning, with detailed local market assessments to ensure it is the appropriate time to proceed with a project.

Below, is a list of projects which have been previously approved by City Council to receive future tax abatements. These projects are fully supported by Administration, located on eligible sites, meet Official Community Plan policies and provide important opportunities for office, commercial and residential development.

VLAR Program Project – Construction Substantially Complete

2400 Louise Street – Approval Date: February 26, 2018.

Developer: Caswell Developments Inc.

Formerly 2401 Preston Avenue South, construction of the two-building commercial retail development is substantially complete, with tenants moving into the first building in late-2020. Tenants are currently being secured for the second building that has been built to shell, which delays the beginning of the tax abatement scheduled to start no later than January 1, 2022, to avoid exceeding the maximum completion timeline. Once tenant fittings have been installed in the second building, associated building permits can be closed, and the project will be complete.

City Council approved this application to receive a five-year 67% incremental property tax abatement with an estimated annual value of \$40,206, which includes \$22,901 in municipal and library property taxes and \$17,305 in education property taxes, based on 2017 tax rates.

Administration recommends this project receive an extension to complete the project by December 31, 2022. In the event the project isn't completed on time, Administration recommends the tax abatement still begin January 1, 2023, with the calculation based upon the assessed value at that time.

VLAR Program Projects – Construction Yet to Begin

309 22nd Street East – Approval Date: October 23, 2017.

Developer: City Centre Tower 1 Ltd.

Submitted plans for the proposed nine-storey building include approximately 120,000 square feet of office/commercial space, multiple-level underground parking, lecture

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theatre and public amenities. The project is currently on hold and requires demolition of an existing building before construction begins.

City Council approved this application to receive a five-year 100% incremental property tax abatement with an estimated annual value of \$446,961, which includes \$254,590 in municipal and library property taxes and \$192,371 in education property taxes, based on 2017 tax rates.

545/549 4th Avenue North – Approval Date: March 26, 2018.

Developer: North Prairie Developments

Submitted plans for the proposed five-storey residential building include 40 condominium units and two levels of underground parking. Construction has not yet started, and the project is currently on hold.

City Council approved this application to receive a five-year 100% incremental property tax abatement with an estimated annual value of \$98,425, which includes \$60,137 in municipal and library property taxes and \$38,288 in education property taxes, based on 2017 tax rates.

604/610 Broadway Avenue – Approval Date: May 27, 2019.

Developer: Urban Capital (Broadway) Inc.

Submitted plans for the proposed 17-storey mixed-use project include 112 residential units, three and a half levels of underground parking, main floor retail and second level office/commercial. While this approved application has not yet exceeded the maximum timeline for completion, the developer has placed the project on hold. Given that construction has not yet started, development will not be completed within the maximum timeline.

City Council approved this application to receive a five-year 100% incremental property tax abatement with an estimated annual value of \$473,070, which includes \$288,188 in municipal and library property taxes and \$184,882 in education property taxes, based on 2018 tax rates.

Administrative Recommendation

Administration recommends that each of the above projects not be required to resubmit an application requesting the tax abatement if a building permit is obtained by December 31, 2022 and the project design remains in general conformance to the original submission. The new completion timeline will begin when the building permit is approved.

If a building permit is not obtained by December 31, 2022 or the project design includes substantial revisions, the developer will be required to submit a new application.

Education Property Tax Exemption/Abatement

As of January 1, 2018, approval from the Province is required to exempt or abate education property tax revenue which is \$25,000 or more for a single property or parcel

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of land in the tax year. Applications are submitted by the municipality and are considered under three main categories: Economic Development, Housing and Non-Profit/Community-based Organizations.

The Province previously approved the education property tax abatements for the proposed 545/549 4th Avenue North and 604/610 Broadway Avenue projects, while the proposed 309 22nd Street East project predated the new approval policy. Administration will work with the Province to determine the status of the education property tax abatement requests.

FINANCIAL IMPLICATIONS

Incremental property tax abatements provided by the VLAR Program do not require funding from the Vacant Lot and Adaptive Reuse Reserve. Tax abatements are considered forgone revenue.

OTHER IMPLICATIONS

There are no additional implications/considerations.

NEXT STEPS

Project developers of affected VLAR Program applications were notified a report was being submitted to City Council to address the issue of projects exceeding the completion timeline. Administration will communicate the decision of City Council to the project developers of affected applications.

The Planning and Development Department provides an annual report to City Council that includes an overview of approved and completed VLAR Program projects.

REPORT APPROVAL

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Approved by: Lynne Lacroix, General Manager, Community Services

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