

Vacant Lot and Adaptive Reuse Incentive Program – 639 Main Street

ISSUE

639 Main Street Holdings Ltd. (WestCliff Properties) applied for a five-year tax abatement of the incremental property taxes for the development of 639 Main Street, 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:

1. That a five-year tax abatement, equivalent to 100% of the incremental municipal and library taxes for the development of 639 Main Street, be approved;
2. That 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 639 Main Street;
3. That 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. That the five-year tax abatement on the incremental taxes be applied to the subject property, commencing the next taxation year following 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 portion 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 that earn less than 100% will be redirected into the Vacant Lot and Adaptive

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 639 Main Street

Neighbourhood Planning received an application under the VLAR Program from 639 Main Street Holdings Ltd. (WestCliff Properties) for the development of 639 Main Street, located in the Nutana neighbourhood (see Appendix 1). This development is within the City Centre eligibility boundary under the VLAR Program.

The development is a 15-storey, mixed-use building, with approximately 6,000 sq. ft. of commercial retail space and 106 rental residential units that will be a mix of one-bedroom, two-bedroom and three-bedroom layouts. The project includes at-grade parking and three additional levels of above-grade parking, totaling 119 stalls. The applicant has indicated the estimated investment in the project is approximately \$29,000,000 (see Appendix 2).

The site is zoned B5B – Broadway Commercial District and located within the Architectural Control District 2 – B5B Architectural Overlay District. Following a design review and recommendation to approve the proposed development by the Architectural Control District Committee, the Planning and Development Department approved the Architectural Control District application for this project in July 2021. This approval requires the final plans submitted for development and building permits to be in substantial conformance with the plans reviewed by the Architectural Control District Committee.

Estimated Incremental Property Tax Abatement

The application was reviewed using the VLAR Program's evaluation system. The project received a total of 119 points, resulting in an earned incentive of 100% of the maximum incentive amount (see Appendix 3).

The applicant is applying for a five-year tax abatement of the incremental property taxes for the development of 639 Main Street. According to the Corporate Financial Services, the incremental increase in annual property taxes (municipal, library and education portions) for the project is estimated to be \$212,965; therefore, the estimated maximum incentive amount over five years would total \$1,064,825, which includes \$134,801 in municipal and library property taxes and \$78,164 in education property taxes annually. The calculations are based on the 2021 tax rates and would change with any alterations to the design plans and 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 Non-Profit/Community-Based Organizations.

The incremental increase in annual education property taxes for the project is estimated to be \$78,164, based on the 2021 tax year. As the incremental annual education property tax abatement for 639 Main Street 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 of Saskatoon (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 639 Main Street.

Administration Recommendation

After review of this application, Administration has concluded this project is consistent with the intent of Policy 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 639 Main Street is forgone revenue and will not require funding from the Reserve. The City will forgo an estimated total of \$674,005 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 639 Main Street is currently underway and 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. Project Renderings – 639 Main Street
3. VLAR Project Evaluation – 639 Main Street

REPORT APPROVAL

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Approved by: Lynne Lacroix, General Manager, Community Services