

SREDA – Business Incentives – 2022 Tax Abatements

ISSUE

Each year, City Council approval is required in order for Administration to process property tax abatements for 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, the Saskatoon Regional Economic Development Authority (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 all the requirements are being fulfilled.

DISCUSSION/ANALYSIS

SREDA staff have met with each of the businesses eligible to receive a tax abatement for 2022. 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 2022 audit. The letter identifies the companies that have met all conditions of their incentive agreements for 2022. The total estimated tax abatements for the municipal and library portions are a combined \$317,136. Appendix 2 provides further details regarding each business' estimated abatement.

Business incentives are meant to drive investment and encourage growth in Saskatoon. SREDA's audit results of the eligible businesses showed an increase of 79 full-time equivalent positions during 2021. In addition, these eligible businesses have expanded their facilities which has led to an increase in their properties' assessed value totalling \$36,158,400. Using 2022 tax rates, the amount of increased total municipal and library tax due to the increase in assessed value is \$478,841; however, due to the various incentive agreements, only \$317,136 will be abated in 2022. This total tax increase will be fully realized by 2026 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 typically 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 Terra Penner, Manager of Operations for SREDA dated March 14, 2022
2. 2022 Estimated Economic Incentives

REPORT APPROVAL

Written by: Mike Voth, Director of Corporate Revenue
Approved by: Clae Hack, Chief Financial Officer

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