

## Downtown Grocery Store

### ISSUE

Arbutus Properties has requested the support of the City of Saskatoon in the development of a Pitchfork Market + Kitchen store in the Midtown Plaza (Appendix 1). Specifically, the following was requested of the City of Saskatoon:

1. A tax abatement from the City for the space in Midtown Plaza.
2. Upgrade the Idylwyld Drive/Auditorium Drive intersection to a fully signalized intersection.

### BACKGROUND

#### Tax Abatement Request

Attracting a grocery store has long been part of the conversation around encouraging development of the Downtown and in particular, attracting the significant residential growth that is envisioned for the area. Incentives in place under the Vacant Lot and Adaptive Reuse Incentive (VLAR) Program have focused on the demand side of the grocery store equation to encourage residential, commercial, and mixed-use development to grow the customer base and therefore the long-term viability of a grocery store rather than offering incentives specific to grocery stores themselves.

Under the VLAR Program, new developments in the program area are typically eligible for a five-year tax abatement for any incremental tax increase resulting from capital improvements. If there is no tax increment resulting from the improvements, a one-year abatement of the full property tax can be offered under the program. Given the need for a grocery store in the Downtown, Administration has indicated in the past that applications for a full grocery store format (as opposed to a convenience store format) would be considered for support as an exception to policy and brought to City Council for consideration.

At its Regular Business Meeting held on June 25, 2018, City Council received the Vacant Lot and Adaptive Reuse Incentive Program – 201 1<sup>st</sup> Avenue South – Midtown Plaza, and resolved, in part:

- “2. That the incentives outlined in the June 13, 2018 report of the General Manager, Community Services Department be approved as an exception to the Vacant Lot and Adaptive Incentive Program Policy.”

The report included the following (noting these are 2018-dollar values):

“The applicant is applying for a five-year tax abatement of the incremental property taxes for the development of the former Sears building and food court area through the Incentive Program. The Corporate Revenue Division estimates that this redevelopment is expected to result in an increased value for the Midtown Plaza of approximately \$38 million. The value of a five-year incremental tax abatement would be approximately

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\$565,000 annually, for a total amount of \$2,825,000 in foregone tax revenue. This amount includes the City abatement, as well as the Province of Saskatchewan (Province) share. Broken down, the abatement would include foregone tax revenue of \$320,000 to the City, and \$245,000 to the Province. This is an estimate based on the plans submitted as part of the application. The final amount would not be determined until the work was completed.”

In June 2018, City Council approved an abatement for the incremental taxes on the Midtown Plaza site in recognition of the extensive renovation and investment in the building made by the property owners. With that abatement in place, any tax increases resulting from capital improvements on that site will result in an abatement to the property owner. As the abatement has not yet been started, any renovations completed on the site to provide for the grocery store will be included in the abatement that will flow to the Midtown Plaza ownership group. As the property tax abatement has already been approved for the property owner, no further abatement can be provided to the tenant under current policies.

In recognition of the long-standing goal of bringing a full grocery store to the Downtown, in addition to the tax abatement already approved for the Midtown, if directed to do so, Administration could explore a one-time grant for this project as an alternative. However, no current funding source exists for this grant, so would require consideration during future budget deliberations. Further, there are no policy provisions that currently provide for a grant of this type, so if directed to proceed, would require City Council approval as an exception to policy. Also, it would need to be clarified if the grant recipient would be the landlord or the operator of the grocery store.

### Full Traffic Signals Request

At its Regular Business Meeting held on February 26, 2018, City Council received the Streamlining the Downtown Development Process (aka “Cut the Red Tape” Initiative) report, and resolved, in part:

- “2. That the Transportation & Utilities Department significantly reduce the scope for developers to complete a Traffic Impact Study within Downtown with required information limited to basic access and egress considerations;”

At its meeting held on June 11, 2018, the Standing Policy Committee on Transportation received for information the Imagine Idylwyld Corridor report. Report highlights included:

1. The purpose of the Imagine Idylwyld Corridor Plan is to develop a conceptual plan to improve the function, safety, connectivity, and quality of the public realm along Idylwyld Drive, from 20<sup>th</sup> Street East to 25<sup>th</sup> Street East.
2. Key elements include reducing conflicting vehicular movements and improving signal timing coordination, reducing pedestrian crossing distances and wait times, inclusion of an All Ages and Abilities (AAA) cycling facility, gateway

treatments at key intersections, introduction of streetscaping, and public art opportunities within the corridor right-of-way.

Relevant features of the Imagine Idylwyld Corridor report to the intersection of Idylwyld Drive and Auditorium Avenue are as follows:

- Inclusion of traffic signals at the intersection.
- Removal of the Idylwyld Drive median separating north and south traffic between Auditorium Avenue and the driveway to the Fire Station No.1.
- Construction of an island at the intersection of 21<sup>st</sup> Street East and Idylwyld Drive that enables right-in and right-out traffic only. The removal of the median would allow eastbound left turns, thus requiring the new island.

Some of these features are illustrated in Appendix 2.

Existing conditions are summarized as follows:

- Pedestrian actuated signals are in place at the intersection of Idylwyld Drive and Auditorium Avenue. The signals always show 'green' to the north and south traffic unless a pedestrian actuates the signals, stopping north and south traffic, permitting a pedestrian to cross.
- A dedicated southbound left turn lane, with about 30 metres of storage, exists at Idylwyld Drive permitting south to east movement. The width of the left turn lane is approximately 2.5 metres wide, less than the standard minimum 3.5 metres.
- Auditorium Avenue is aligned east from Idylwyld Drive and then bends 90 degrees to the north and intersects 22<sup>nd</sup> Street East at traffic signals.
- The north-south segment of Auditorium Avenue is one-way in the north direction. The east-west segment of Auditorium Avenue is mostly one-way in the east direction, with a small segment close to Idylwyld Drive permitting two-way traffic.
- A median separating north and south traffic on Idylwyld Drive between Auditorium Avenue and Fire Station No.1.
- Signals at Fire Station No.1 are inter-connected to the traffic signals at Idylwyld Drive and 22<sup>nd</sup> Street East. When the signal at the fire station is activated, the north and south traffic at 22<sup>nd</sup> Street East is shown a red light.

Some of the existing conditions are illustrated in Appendix 3.

Access to the west side of Midtown Mall is provided via:

- The Auditorium Avenue and Idylwyld Drive intersection, unsignalized, but permitting all movements.
- The Auditorium Avenue and 22<sup>nd</sup> Street East intersection, signalized, permits all movements with the exception of the eastbound right turn, westbound left turn, and southbound through.

## **OPTIONS**

### **A. Tax Abatement Request**

As per City Council direction in 2018, a tax abatement incentive is already in place for the Midtown Plaza, that will flow to the Midtown Plaza ownership group.

#### **Option A1 – Status Quo**

As per City Council direction in 2018, a tax abatement is already in place for the Midtown Plaza. This incentive is provided to the owner of Midtown Plaza and not to Arbutus Properties or the grocery store.

Advantages:

- Adheres to incentive programs in place and is approved by City Council.

Disadvantages:

- Does not provide additional City of Saskatoon funding or incentives for Arbutus's requested development.

#### **Option A2 – One-Time Grant**

This option would result in a financial incentive being provided to the grocery store/Arbutus Properties through a one-time grant (the appropriate recipient of the financial incentive would need to be clarified; incentives typically go to the party that bears the costs of the development). The amount of a grant would require consideration or direction.

Advantages:

- Provides an additional incentive for the requested development.

Disadvantages:

- Providing direct grants/subsidies to businesses outside of policy may create an expectation where other developments or business owners request a one-time direct subsidy as an exception to policy, or where other developments use the strategy of not developing unless a one-time subsidy is provided. Research shows that direct grants/subsidies to incentivize business development is not a determining factor in driving business growth. Thus, the City strives to provide a competitive investment climate for businesses through various policy measures such as maintaining a low business tax burden, investing in public infrastructure, and offering a stable political environment and governance system.
- No funding source has been identified to pay for the grant.

### **B. Full Traffic Signals Request**

The upgrading of the pedestrian actuated signal to traffic signals at the intersection of Idylwyld Drive and Auditorium Avenue is feasible. Specific comments are as follows:

- The inclusion of traffic signals aligns with the Imagine Idylwyld Corridor plan.

- Upgrading to traffic signals requires the removal of the median on Idylwyld Drive between Auditorium Avenue and Fire Station No.1, and the construction of a new island at the intersection 21st Street East and Idylwyld Drive.
- The removal of the Idylwyld Drive median will permit the inclusion of a minimum 3.5-metre-wide southbound left turn lane, which is a safety improvement for all users of the intersection.
- The new traffic signals would require inter-connection to the signals at Fire Station No. 1.
- This traffic signal installation was not identified in the 2022-2023 Business Plan and Budget, as two other locations in the City have been prioritized for traffic signal installation based on analysis.

### **Option B1 - Defer Installation Until Significant Idylwyld Drive Rehabilitation is Completed**

This option would result in the full traffic signals at the intersection of Idylwyld Drive and Auditorium Drive being installed as part of the Imagine Idylwyld project. This project is unfunded, and a construction timeframe is not known.

#### Advantages:

- No immediate additional investment is required.
- Consistent with the City's current prioritization process, where the most warranted signals are installed first.

#### Disadvantages:

- Arbutus has indicated that the traffic signal, and the resultant improved access to their site, is critical for the store's success.

### **Option B2 - Install in 2022 Through Funding Provided Internally by the City**

This option would result in the traffic signals being installed in the summer of 2022 through funding provided internally by the City.

#### Advantages:

- Traffic will have easier access into Midtown Plaza.
- The removal of the median on Idylwyld Drive creating more space for southbound vehicles turning left onto Auditorium Drive will increase the level of safety.
- Arbutus Properties' request would be supported.

#### Disadvantages:

- Through traffic on Idylwyld Drive may experience a slight decrease in level of service, although this decrease would be minor.

- Funding is not available in the currently approved 2022-2023 Business Plan and Budget, so funding would be required internally within the City from other sources such as Reserve for Capital Expenditures (RCE).

### **Option B3 – Install in 2022 Through Shared Funding**

This option would require 50% of the funding provided internally by the City, and 50% by adjacent businesses. City Council could consider and approve any other proportion of cost sharing. City Council could direct the Administration through a resolution to approach the adjacent businesses and advise that if they participate in the funding (for example a 50% contribution), the City will proceed with the traffic signal installation.

#### Advantages:

- If the businesses participate in funding, and the signal system is installed, traffic will have easier access into Midtown Plaza.
- Arbutus Properties' request would be supported.

#### Disadvantages:

- Through traffic on Idylwyld Drive may experience a slight decrease in level of service, although this decrease would be minor.
- Funding is not available in the currently approved 2022-2023 Business Plan and Budget, so funding would be required internally within the City from other sources (such as RCE) to provide the 50% City portion.
- An agreement would be required with the adjacent businesses to fund their 50% cost share.

### **Option B4 - Install in 2024**

This option would result in the traffic signals being installed in the summer of 2024 through funding requested and approved during the 2024-2025 Business Plan and Budget process.

#### Advantages:

- Traffic may have easier access into Midtown Plaza.
- Funding would be provided through the budget process.

#### Disadvantages:

- Through traffic on Idylwyld Drive may experience a slight decrease in level of service, although this decrease would be minor.
- Although the prioritization of traffic signal installations for 2024-2025 has not occurred yet, from a traffic operations perspective, it is most likely that this location would not be the highest priority location in the City.

**RECOMMENDATION**

That the Standing Policy Committee on Transportation recommend to City Council:

1. That the Administration and Arbutus Properties identify a build-out percent complete threshold that will provide certainty of a Downtown grocery store opening in the Midtown Plaza; and
2. Once that threshold has been met by Arbutus Properties, that the improvements at the Idylwyld Drive/Auditorium Drive intersection and on Idylwyld Drive identified in this report be implemented and be funded through RCE in the amount of \$220,000 (Option B2).

**RATIONALE**

The rationale was identified through consideration of the following:

- A tax abatement incentive is already in place for the Midtown Plaza.
- The long-held desire to have a grocery store in the Downtown.
- Willing development and property owner partners.
- A grocery store business willing to build in the Downtown.

This is a unique situation, and the City needs to resolve how to respond to Arbutus' request. All options presented are viable. The Administration's recommendation is largely based on the premise that a Downtown grocery store is consistent with the City's vision of Downtown and will support many of the City's strategic priorities. Although a traffic signal is an atypical way to incentivize such a venture, the proponent has made it clear that they believe the viability of the grocery store is contingent on the traffic signal. If a grant were instead to be considered, the estimated \$220,000 investment by the City would be equivalent to a grant structure worth \$44,000 per year for five years.

Further benefits are that mall access at this location will be improved for all people accessing the mall and Auditorium Avenue, and the island to be constructed at 21<sup>st</sup> Street and Idylwyld Drive is expected to be retained in the long term.

**FINANCIAL IMPLICATIONS**

As per the 2018 report to City Council regarding the approved tax abatement incentive for the Midtown Plaza, the City would forego about \$1,600,000 of incremental taxes over a five-year period; the Province would forego about \$1,225,000 spread over a five-year period. It is not known how much the specific area the grocery store in the Midtown Plaza would make up of the greater totals. Once the development is completed and Midtown Plaza requests a tax assessment, the abatement calculation would take place.

The estimate for the conversion of the pedestrian actuated signal to full signals, and the removal of the median and construction of the new island is \$220,000. The existing signal infrastructure was recently inspected in late February 2022 and not much can be salvaged.

There is no existing funding available within Transportation capital and operating budgets to undertake this work in 2022. If the option to install the traffic signals in 2022 is desired by City Council, an option to fund this work is through RCE funding.

**ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

There are no privacy, legal, social, or environmental implications identified.

**COMMUNICATION ACTIVITIES**

Pending the outcome of this decision report, a discussion with Arbutus Properties will occur on next steps.

**APPENDICES**

1. Letter from Arbutus Properties dated April 18, 2022
2. Imagine Idylwyld Corridor Plan Features
3. Existing Conditions

**Report Approval**

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