
SREDA – Business Incentives – 2019 Tax Abatements

Recommendation

That the Standing Policy Committee on Finance recommend to City Council that the 2019 incentive abatements as determined by the Saskatoon Regional Economic Development Authority be approved.

Topic and Purpose

The purpose of this report is to receive City Council approval to process property tax abatements to businesses, as approved under Council Policy No. C09-014, Business Development Incentives.

Report Highlights

1. The Saskatoon Regional Economic Development Authority (SREDA) has confirmed that ten eligible businesses have fulfilled the agreed upon terms and conditions to receive their 2019 tax incentive abatements. The total tax abatement amount is \$570,869.
2. The ten eligible businesses have increased their staffing levels and expanded their facilities, which have led to a permanent increase in their assessed value.
3. To facilitate better processing of the abatements, SREDA and the Administration have reviewed and revised the approval process.

Strategic Goal

This report supports the Strategic Goal of Economic Diversity and Prosperity by working collaboratively with economic development authorities to promote Saskatoon's regional economy to grow and diversify, demonstrating long-term sustainability.

Background

Council Policy No. C09-014, Business Development Incentives, makes incentives available to businesses meeting the eligibility requirements. Throughout the year as applications are received, 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, staff from SREDA meet with each company to ensure that all of the requirements are being fulfilled.

Report

SREDA staff have met with each of the businesses eligible to receive a tax abatement for 2019. Reviews were conducted to determine if the terms and conditions outlined in the individual agreements have been met. Attachment 1 is a letter from SREDA with the results of its 2019 audit. The letter identifies those companies that have met all conditions of their incentive agreements for 2019.

Business incentives are meant to drive investment and encourage growth in Saskatoon. SREDA's audit results of the eligible businesses showed an increase of 30 full-time equivalent positions since 2018. In addition, these eligible businesses have expanded their facilities which has led to an increase in their properties' assessed value totalling \$17,534,100. Using 2019 tax rates, the amount of increased total tax due to the increase in assessed value is \$662,326; however, due to the various incentive agreements, \$570,869 will be abated in 2019. This total tax increase will be fully realized by 2022 when all current incentive agreements expire.

To facilitate better processing of the abatements and to provide more accurate tax billing information and improve customer service, SREDA and the Administration have agreed to revise the timeline of the audit approval process. Audits will now be conducted prior to tax billing rather than after, allowing the approved abatements to be applied before tax billing.

Options to the Recommendation

There are no options to the recommendation as the incentives are identified within the agreements between the City of Saskatoon and the applicable business.

Policy Implications

The recommendation is in accordance with Council Policy No. C09-014, Business Development Incentives.

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 decline over a five-year period.

Other Considerations/Implications

There are no environmental, privacy, or CPTED considerations or implications, and neither public and/or stakeholder involvement nor a communication plan is required.

Due Date for Follow-up and/or Project Completion

City Council approval to process tax abatements is required by the end of April in order to apply the abatement to the current tax year before tax billing at the beginning of May.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Letter from Joanne Baczuk, Director, Business Development and Economic Analysis, dated March 15, 2019.

Report Approval

Written by: Pamela Kilgour, Manager, Property Tax and Support
Reviewed by: Mike Voth, Director of Corporate Revenue
Approved by: Kerry Tarasoff, Chief Financial Officer

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