

Inquiry – Councillor Z. Jeffries Land Lease Program for Community, Religious Groups or Not-For-Profits.

This report provides information regarding the City of Saskatoon’s current Industrial land lease program, the current approach used to consider requests to lease city owned land and the opportunity to create a land lease program for not-for-profit groups (Non-Profit groups) to construct new facilities that create spaces for the benefit of the community.

BACKGROUND

At its [meeting held on February 26, 2018](#), City Council resolved:

“That the Administration report back about the opportunity to create a land lease program for community or religious groups to construct new facilities. This could be modeled on the industrial land lease program currently available through Saskatoon Land or work done in other cities to help not-for-profit organizations create new spaces that benefit the community.”

The Industrial Land Incentives Program (ILIP) was created in 1988 with the objective to attract new industry and to encourage the expansion of existing industry, thereby creating new employment opportunities for local residents. The program defers the cost of land by offering a long-term lease at a monthly rate. Lease terms are 15 years with an option to renew for an additional five years. The rate is based on the City of Saskatoon’s cost of borrowing plus 1% and is locked in for 10 years and adjusted every five years afterwards. Qualified lessees have the option of purchasing the land at the market value or list price in effect at the time of entering into the lease agreement.

Under the current ILIP, lessees are obligated to execute the purchase option within the lease before the end of the lease terms i.e., within a maximum twenty-year term. The purchase option can be executed by the Lessee at any time during the lease term. Revenue collected through annual lease payments is credited to the City General Revenue Account. Further details of the program can be found in Appendix 1 (Industrial Land Incentives Program). Over time, the ILIP has provided the following benefits to the City:

- Provided the means to encourage improvements on industrial lands that would have otherwise remained vacant.
- Increased the potential for property tax revenue growth as resulting industrial building improvements are completed on formerly vacant parcels; and
- Served as an effective tool for facilitating business attraction, employment growth, and economic development within Saskatoon.

CURRENT STATUS

In review of the current ILIP policy it was determined that if a Non-Profit Group met the qualifying business plan application requirements and they were compliant with land

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use requirements under [Zoning Bylaw 8770](#), it is feasible the existing ILIP could be used to lease City owned industrial land with the objective to construct new facilities. To qualify for the ILIP, the City-owned lands must have an Industrial zoning designation and, in the case of Heavy Industrial, may be subject to discretionary use approval depending on land use desired. In considering applications received under the ILIP, Administration requests a business plan be provided which outlines the following:

- Historical background information on the company or groups;
- Employment growth prospects for the applicant (including current employees and future expected employees);
- Potential future expansion plans;
- Financing plan for improvements on the land, including lending institution approval;
- Preliminary site and building elevation plans of the building;
- Estimated build timeline; and
- Projected plan to exercise the option to purchase under the lease.

The current ILIP does not apply to other land use categories (Residential, Institutional, and Commercial), therefore, use of the ILIP by Non-Profit Groups for potential new community facilities in areas such as Kensington, Evergreen, or Aspen Ridge would not be possible as these neighbourhoods have no Industrial zoning within their boundaries.

Civic Land Leasing Policy

Requirements for leasing City land not covered by the ILIP is outlined in [City Council Policy C09-012 - Administration of Civic Properties](#). The purpose of this policy is to ensure that all City-owned property bring maximum economic benefit to the City. Policy C09-012 would permit the lease of City-owned land parcels to Non-Profit Groups, assuming the lease rate charged is deemed to be market value and the land is not required for present or future civic purposes.

The policy does not specifically state that improvements (new buildings) are allowed as part of the lease. The current practice used by the Administration in considering City-owned land lease requests from Non-Profit Groups is to receive and review inquiries on a case-by-case basis and weigh the request against Council Policy and Bylaws. If the desired City-owned parcels are surplus to the City's current or future needs a report is provided to the appropriate Committee or City Council for approval of the negotiated lease terms. Some past examples of the City leasing surplus City-owned land to Non-Profit groups for community benefit projects include:

- Western Development Museum – 2610 Lorne Ave.
- Saskatoon Senior Citizens Service Association – 614 11th Street East.
- St Georges Senior Citizens Club – 5, 1235-20th Street West.
- Canadian Food for the Hungry International- 1220 Avenue X South (not a current lease).

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There are also several examples of land leases to Non-Profit sports groups such as:

- The Saskatoon Soccer Centre Inc – 219 Primrose Drive.
- Gordon Howe Sports Complex Management Inc -1301 Avenue P South.
North Saskatchewan Rugby Union Inc- 134 English Crescent.

Lands marketed for sale through Saskatoon Land in City development areas (such as Kensington or Aspen Ridge) are not typically available for lease as they have specific return on investment objectives that require a sale to meet set land proforma targets. Leasing City-owned lands in Saskatoon Land development areas for less than market value is not within the current operational mandate for Saskatoon Land, nor is it permitted without public notice first taking place as per City Council Policy and [Bylaw 8171 - Public Notice Policy Bylaw](#).

DISCUSSION/ANALYSIS

As noted above, the City has past practice and policies in place to consider lease requests from Non-Profit Groups on a case-by-case basis. Expanding the current ILIP to other land use categories or developing a new land lease policy specific for Non-Profit Groups could be pursued by the Administration. In consideration of this objective, the Administration has reviewed the following opportunities and challenges.

Unknown Demand and Land Supply

The Administration is not aware of the specific level of demand or interest that exists within the Non-profit sector to lease lands from the City. On occasion, the Administration is approached by Non-Profit Groups regarding land availability for new community facilities. In the past, a number of requests for land have been accommodated through outright purchases. Some examples of past land purchases for new places of worship include, but are not limited to:

- Elim Tabernacle Church- 419 Slimmon Road Lakewood Suburban Centre;
- New Apostolic Church Canada- 325 Camponi Place, Confederation Suburban Centre, and
- The Sikh Society of Saskatchewan Inc- 331 Lowe Road, University Heights.

These transactions all involved the purchase of the land at fair market value. It is unknown whether a land lease program would have been desired in these transactions and the purchasers never requested a lease option preferring instead to have full control of the land and improvements through ownership of their new facilities.

In creating a new lease program for Non-Profit Groups predicting the size and specific parcel characteristics of the lands required for new facilities would be challenging given the wide variety of requests that could be entertained by Administration. If a new lease program was put in place there would be some responsibility placed on Administration to predict demand and ensure the right sized parcels and zoning are in place.

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Given the uncertainty in demand for land leases by Non-Profit Groups, providing an ongoing land supply for potential leases may also be challenging. In the past, Saskatoon Land has been able to make parcels available for purchase with Institutional zoning in Urban Centres and District Villages in City developments. Institutional zoning typically provides the most flexibility for community-oriented land uses, however, use of this zoning district is limited within new development areas. A recent Zoning Bylaw amendment to the RMTN and RMTN1 zoning districts now permits Places of worship use with discretionary use approval. This has increased the amount of land parcels potentially available for use by faith-based organizations for new facilities where these zoning districts are in place.

If creation of a new or expanded lease program was desired, an open and transparent process to weigh interest for potential lessees would be required in the event demand exceeds limited land availability.

Financial Considerations Risks

In considering the opportunity to create a land lease program for Non-Profit Groups Administration reviewed potential financial implications that may occur.

The notable financial implications identified by administration assuming a lease program would be used within Saskatoon Land development areas include:

- Delayed cash flow from a lease over a sale resulting in a delay of up to 15 years to pay back the up-front servicing costs for the land parcel.
- Potential tax exemption, if the Non-Profit Group is eligible, resulting in no property tax revenue collected over the lease term.
- Extended time period to realize return on investment due to receiving lease payments over extended time periods. Land leases with improvements (buildings) typically exceed 20 years or more which would result in significant delays for allocating land dividend proceeds applicable to those parcels.

The full extent of the total financial implications would be difficult to predict, however, the more parcels entertained for leases the more pronounced the impacts would be. It should also be noted that leasing land to Non-Profit Groups may result in overall community benefits that would be difficult to measure.

Potential Options for consideration

The Administration does not see an immediate need to create a new land lease program specifically for Non profit groups as current Council policies do allow the opportunity for land leases under the circumstances noted in this report. However, there are improvements that can made to current policy to clarify the current process for Administration in considering requests and Non-Profit Groups looking for land options to construct new facilities.

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The following options could be considered by Administration and City Council to address the challenges and opportunities noted:

- Revise or replace existing Administration of Civic Lands Policy to provide more clarity for Administration in considering lease requests for lands deemed surplus to the City's needs. Requests to lease land under this policy would continue to be considered on a case-by-case basis, with Standing Policy Committee or Council approval required to weigh community benefit.
- Consider expanding land lease options to select land parcels in Saskatoon Land development areas that have remained in inventory for several years after initial release. Under this option, a transparent evaluation criterion to weigh community benefit would need to be developed to ensure fairness for all interested parties. The lease terms would require market rents to comply with current City Council Policy.
- Identify underutilized municipal reserve or other surplus City-owned parcels for land lease that may provide additional opportunities. Use of dedicated lands such as Municipal Reserve would need to be done within the legislative requirements outlined in the Cities Act and Planning and Development Act for leasing Municipal Reserve lands.
- Explore the use of more Institutional zoning in city owned development areas to provide further options for sale or lease to non profits groups as this type of zoning, in the right location, provides the best opportunity for community-oriented land uses in new development areas.

Review of Other Jurisdictions

In 2019, the City of Vancouver requested the City of Saskatoon respond to a “Non-profit Lease Management Survey” they were completing to determine best practices of municipalities across Canada. In 2020, the City of Vancouver produced a 90-page report summarizing the responses of the municipalities contacted. The report concluded there is no set of “overarching findings” and that “there is much variation across the country in the way municipal leases are administered, the availability of guiding policies, the level of monitoring, and so forth.” Although the Vancouver survey did not find a set of overarching findings across municipalities, it was useful as it provided a comprehensive review of how peer municipalities approach the matter and included links to each municipality’s relevant bylaws, policies, and/or guidelines. In a cursory review of some of these Lease Policies, the Administration did not identify any Land Lease programs for Non-Profit Groups similar to the ILIP used in Saskatoon for industrial lands, and the policies varied widely across Canada.

A summary of the other municipalities’ policies reviewed by the Administration can be found in Appendix 2

FINANCIAL IMPLICATIONS

Financial implications have been outlined in the Discussion Analysis section of the report.

NEXT STEPS

Throughout 2023, the Administration intends to continue work on updating current land lease and acquisition policies with proposed amendments ready for Committee and Council consideration by the spring/summer of 2023.

APPENDICES

1. City Council Policy C09-009 - Industrial Land Incentives Program
2. Review of Other Municipalities Policies

REPORT APPROVAL

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