

## Vacant Lot and Adaptive Reuse Incentive Program – 317 4th Avenue South

### ISSUE

102074730 Saskatchewan Ltd. has applied for a five-year tax abatement of the incremental property taxes for the development of 317 4<sup>th</sup> Avenue South, 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 that:

1. A five-year tax abatement, equivalent to 67% of the incremental municipal and library taxes for the development of 317 4<sup>th</sup> Avenue South, be approved;
2. The Neighbourhood Planning Section be requested to submit an application under the Province of Saskatchewan's Education Property Tax Exemption/Abatement Program seeking approval for a five-year tax abatement, equivalent to 67% of the incremental education taxes, for the development of 317 4<sup>th</sup> Avenue South;
3. 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. The five-year tax abatement on the incremental taxes be applied to the subject property, commencing the next taxation year following the completion of the project.

### BACKGROUND

City Council, at its March 7, 2011 [meeting](#), approved the Vacant Lot and Adaptive Reuse Incentive Program, [Policy C09-035](#) (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 317 4<sup>th</sup> Avenue South

Neighbourhood Planning received an application under the VLAR Program from 102074730 Saskatchewan Ltd. for the adaptive reuse of 317 4<sup>th</sup> Avenue South, zoned B6 – Downtown Commercial District and located in the City Centre (see Appendix 1). Projects located within the City Centre boundary do not require a minimum vacancy period to qualify for development incentives under the VLAR Program.

Previously, a healthcare services agency operated at this location. The applicant is expanding the building to include new office space. The developer retained the original foundation along with the 2-storey exterior structure and is constructing an additional 4 storeys, for a total of 38,848 sq.ft. across the 6-storey building. The site originally had 20 at-grade parking stalls. The proposed plan repurposes the basement as a 12-stall underground parkade, along with providing 14 at-grade parking spaces. The applicant has indicated the estimated investment in the project is approximately \$8,000,000 (see Appendix 2).

### Estimated Incremental Property Tax Abatement

The application was reviewed using the VLAR Program's evaluation system. The project received a total of 67 points, resulting in an earned incentive of 67% of the maximum incentive amount (see Appendix 3).

For retaining the original foundation and exterior structure, the project received 10 out of 20 possible points for the adaptive reuse of a building. Points were also earned for a variety of design features, such as: adding an underground parkade, secured bicycle parking, upgraded insulation levels and an energy efficient HVAC system.

The applicant is applying for a five-year tax abatement of the incremental property taxes for the project at 317 4<sup>th</sup> Avenue South. According to Corporate Financial Services, the incremental increase in annual property taxes (municipal, library and education portions) for the project is estimated to be \$102,375.36. Therefore, the estimated maximum incentive amount over five years totals \$511,876.80.

The estimated actual abatement amount is \$342,957.45 over five years, which is 67% of the maximum incentive amount. This includes an estimated \$43,820.23 in municipal and library property taxes and \$24,771.26 in education property taxes annually, for five years. The calculations are based on 2022 tax rates and would change with any alterations to the design plans and annual mill rate adjustments.

Accurately estimating the post-construction assessment value of an adaptive reuse project is challenging, due to the mix of new construction and retained original structure. An actual assessment value will be determined upon final inspection of the completed project, which may vary significantly from the estimated post-construction value and would affect the actual incremental property taxes the abatement will be based upon.

### Education Property Tax Exemption/Abatement

As of January 1, 2018, approval from the Province of Saskatchewan (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 \$24,771.26, based on the 2022 tax year. As the estimated annual education property tax abatement for 317 4<sup>th</sup> Avenue South is very close to exceeding \$25,000, Administration is recommending to pursue approval from the Province.

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 317 4<sup>th</sup> Avenue South.

### Administration Recommendation

After review of this application, Administration has concluded this adaptive reuse project is consistent with the intent of the VLAR 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 317 4<sup>th</sup> Avenue South is forgone revenue and will not require funding from the Reserve. The City will forgo an estimated total of \$219,101.15 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**

Construction at 317 4<sup>th</sup> Avenue South 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 – 317 4<sup>th</sup> Avenue South
2. Project Rendering and Photo – 317 4<sup>th</sup> Avenue South
3. VLAR Project Evaluation – 317 4<sup>th</sup> Avenue South

**REPORT APPROVAL**

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Approved by: Lynne Lacroix, General Manager, Community Services

SP/2023/PDCS/PD/Vacant Lot and Adaptive Reuse Incentive Program – 317 4<sup>th</sup> Avenue South/kp