

## **SREDA – Business Incentives – 2023 Tax Abatements**

### **ISSUE**

Each year, City Council approval is required 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 2023. 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 2023 audit. The letter identifies the companies that have met all conditions of their incentive agreements for 2023. While one company is short of the minimum requirement for additional FTE's, the policy allows for the abatement to continue, provided the shortfall is remedied within 9 months. It is expected this shortfall will be handled within the next month.

The total estimated tax abatements for the municipal and library portions are a combined \$9,871.14. 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 40.6 full-time equivalent positions during 2022. In addition, these eligible businesses have expanded their facilities which has led to an increase in their properties' assessed value totalling \$12,826,600. Using 2022 tax rates, the amount of increased total municipal and library tax due to the increase in assessed value is \$132,306; however, due to the various incentive agreements, only \$105,700 will be abated in 2023. This total tax increase will be fully realized by 2027 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, Director of Operations for SREDA dated February 28, 2023
2. 2023 Estimated Economic Incentives

**REPORT APPROVAL**

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

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