Potential Revenue Tools Analysis

Downtown Event & Entertainment District

City of Saskatoon

Confidential

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May 2023

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Executive Summary

Background & Context

The City of Saskatoon (the "**City**" or "**Saskatoon**") is currently in the preliminary planning stages for the development of a Downtown Event and Entertainment District ("**DEED**"), including a new arena, new or expanded convention centre, public realm improvements, and parking facilities (the "**Project**"). City Council asked City Administration to work with stakeholders and other levels of government to prepare a funding plan, with a goal of developing the DEED without the need for an increase in property taxes to the extent possible.

In response to Council's direction, the City engaged KPMG LLP ("**KPMG**") to provide financial advisory services related to the evaluation of potential revenue tools that could be considered for funding the Project. This includes a review of revenue tools permitted under existing legislation and revenue tools that the City does not currently have legislative authority to implement to provide a broad perspective of potential options. Revenue tools analyzed within this report (**"Report")** were collaboratively identified by the City, with the City confirming the list of tools to be considered. A total of 19 potential revenue tools were initially under consideration, but the five revenue tools that were ultimately selected by the City for analysis include an Accommodations Tax, Facility Fees, Tax Increment Financing, a Vehicle Rental Tax, and Parking Fee Adjustments.[1]

The revenue potential estimates presented in this Report are based on publicly available information and data provided by the City. KPMG has not independently audited or validated the data. Therefore, the findings and estimates are subject to change with the availability of new or more comprehensive information. The financial information provided is intended for preliminary analysis purposes only, offering a high-level estimate based on noted information and assumptions. It is essential to consider the significant assumptions outlined in this Report to interpret the presented information. Projections of future financial outcomes are inherently different from actual results, and these differences may be significant.

Based on the findings in this Report, it is anticipated that the City will continue to engage with key stakeholders and perform their own analyses and contemplate the trade-offs associated with each option. While these tools have been identified for this analysis, the City may pursue other revenue options in the future, beyond those discussed in this Report, such as infrastructure funding support from other levels of government and/or different taxes or fees.

Revenue Tools Summary

The following section includes a summarized overview of each of revenue tool.

1. **Accommodations Tax**

   An accommodations tax is a revenue tool that charges individuals staying at commercial accommodations, including hotels, motels, or other short-term rentals (e.g., Airbnb and Vrbo). This tax is common in Canada, with examples found in most provinces, including Manitoba, Alberta, and Ontario. The tax is typically implemented on a percentage basis (e.g., 5% in Winnipeg, 4% in Alberta), and in many cases, certain types of travelers, such as medical patients, are exempt.

   While Saskatoon currently has an optional Destination Marketing Fee (by participation only, and administered by Discover Saskatoon), legislative changes would be required to enable a municipal-level sales tax.

   To estimate the revenue potential, incremental tax rates ranging from 1-3% were analyzed (assuming the Destination Marketing Fee would continue for a total municipal rate of 4-6%). Based on these rates and estimated revenue across the sector, it is estimated that the City could generate $1.6M to $4.7M per year.

2. **Facility Fees**

   A facility fee is a revenue tool that allows a municipality to pass on a portion of the capital and/or operating costs directly to those who use the new facilities. For example, the New Mosaic Stadium in Regina charges $12 per ticket to Saskatchewan Roughrider games, and these funds are used to repay debt

[1] The qualitative factors that were used by the City to determine which five would be analyzed included ease of implementation, public acceptability, revenue potential, economic competitiveness implications, revenue stability, cost / benefit alignment, equitable distribution, administrative simplicity, and transparency and control.

associated with a $100M loan that the City of Regina borrowed from the Government of Saskatchewan.

Facility fees are very common at stadiums across Canada, ranging from $2.00 (e.g., Canada Life Centre in Winnipeg or Tim Hortons Field in Hamilton) to as high as $8.60 (Avenir Centre in Moncton) or $12 (New Mosaic Stadium in Regina). Other examples include BC Place (Vancouver, $6.00), TD Place (Ottawa, $2.30), Videotron Centre (Quebec City, $6.17), Rogers Arena (Vancouver, $6.50), Bell Centre (Montreal, $4.00), and FirstOntario Centre (Hamilton, $3.75). While the facility fees are not always directly used to fund initial capital costs (or associated financing) for facilities, Edmonton's Rogers Place applies a 9.5% surcharge to cover $125M in capital costs.

The Cities Act gives municipalities the authority to target a specific venue with a fixed fee or a percentage, and it is possible for cities in Saskatchewan to apply a surcharge for certain events at a particular facility (e.g., Regina's New Mosaic Stadium).

To estimate the revenue potential, facility fees ranging from $4.50 to $7.50 were analyzed. Based on these rates and estimated ticket sales, it is estimated that the City could generate $2.3M to $3.7M per year.

3. **Tax Increment Financing**

Tax increment financing ("**TIF**") leverages future tax revenue increases to finance infrastructure projects through the dedication of the incremental tax revenue between the current value assessment ("**CVA**") of designated areas prior to the development and its assessed value after the developments are complete. A city typically borrows money to pay for the construction of projects. Once complete, the projects funded by the TIF spark new developments, and property values rise on existing developments. The City then uses the growth in tax revenue from new developments and increased property values to pay back the borrowed funds for the TIF projects. Only the tax growth within the TIF boundary is dedicated, and taxes from other areas of the city are not directly affected.

TIF use is common in the United States and has been gaining traction in Canada. For example, Edmonton currently has three active TIFs (referred to in Alberta as 'Community Revitalization Levies' or "**CRL**"), including a 'Capital City Downtown CRL' used to fund a number of projects intended to transform the core into a vibrant, accessible, and sustainable community, with a portion of the CRL being used to partially fund an arena and related infrastructure; Calgary has a Rivers District CRL to fund infrastructure programs that facilitate the reclamation, redevelopment, and revitalization of an underdeveloped inner-city area that had been stagnant for decades; and Winnipeg established a TIF zone in 2012 to fund improvements to its Sports Hospitality Entertainment District (SHED) with custom street lighting, signage to create a vibrant atmosphere, a wayfinding system, wider sidewalks, reduced drive lanes to slow cars, and cafes and shops lining the street.

TIF is a complex mechanism with many important considerations. This includes: the TIF boundary / area, structuring of the CVA, debt instrument(s) and access to capital, timing of the baseline assessment and TIF duration, exemptions, project phasing, reserve funds, projects and improvements considered in-scope, engagement with developers, continual forecasting updates as macroeconomic conditions evolve, regular monitoring and reporting, creation of a special-purpose vehicle (for administration, project management, and oversight); and potentially negotiating the inclusion of the provincial Education component of taxes.

To estimate the revenue potential, a 51.6 hectare zone is preliminarily being considered by the City. A 25-year assessment period has been assumed for the purposes of the analysis, with various inclusions / exclusions being considered related to the education and library tax components. The revenue potential for TIF ranges from as low as $69.6M in nominal dollars over 25 years ($1.2M annualized and discounted), with a low / pessimistic growth rate of 2.7% per year and no Education or Library components, to as high as $558.4M in nominal dollars over 25 years ($9.0M annualized and discounted), with a high / optimistic growth rate of 8.1% per year and the inclusion of the Education and Library components. In all cases, the anticipated revenues are highly backloaded (i.e., relatively low revenues in the initial years, followed by significant revenues toward the end of the 25-year period) given it is based on compounded growth.

In Saskatchewan, *The Cities Act* gives cities the authority to establish a TIF program through a bylaw, and an arena and convention centre would qualify. However, Alberta has approved the reallocation of the Education portion of property taxes to its cities' projects, while Saskatchewan's legislation currently limits the taxes levied to only the municipal portion. Therefore, a legislative amendment would be required to include the Education portion in the TIF revenues if this is desired by the City of Saskatoon.

4. **Vehicle Rental Tax**

Vehicle rentals are often subject to an extensive list of taxes and fees. In Saskatoon, the following are currently applied: concession recovery fee (applicable to rentals from the airport) of 14.94%, a vehicle license fee / air condition recovery fee of approximately $1.25 per day, the Goods and Services Tax (GST) of 5.0%, and the Provincial Sales Tax (PST) of 6.0%.

Some jurisdictions in Canada and the United States also impose municipal or state / provincial vehicle rental taxes, but it is less common in Canada than it is in the United States. Based on publicly available information, the province of British Columbia appears to be the only jurisdiction in Canada with a dedicated vehicle rental tax. In 2013, the Province implemented a Passenger Vehicle Rental Tax, applicable to all rented vehicles and car sharing services, at a rate of $1.50 per day. However, vehicle rental taxes are ubiquitous in the United States. Almost every state has a state-wide surcharge or gives localities the authority to levy their own. Some states even have levies dedicated to infrastructure projects, such as a $10 fee per rental contract in Massachusetts to help fund various convention centres, or a 2% tax in Detroit to help fund a stadium.

Legislative changes would be required in Saskatchewan to implement this tax, as municipalities cannot charge an indirect tax unless the particular type of tax is permitted within *The Cities Act*. To estimate the revenue potential, vehicle rental taxes ranging from 5% to 15% were considered. Based on these tax ranges, applied to an estimated total market size of $10.9M in Saskatoon, the estimated revenue potential ranges from $0.5M to $1.6M per year.

5. **Parking Fee Adjustments**

The parking fee adjustments are anticipated to include potential adjustments to the City's parking operations, related to the hours of applicability, hourly rates, and neighbourhoods under consideration. The key considerations related to this revenue tool include: the structure (i.e., whether the adjustment is applied as a fixed fee or on a percentage basis), the rates, the timing (i.e., whether the fee will apply at certain times of day or on certain days of the week), the area (e.g., including Riversdale or only Downtown), applicability (types of vehicles, durations, or potential exemptions), and maintenance (i.e., the schedule and method for adjusting these considerations over time).

In Vancouver, a parking tax rate of 24% is applied on the purchase price of parking rights, including hourly, monthly, yearly, or any other timeframe, and through ticket vending machines. This tax is used to fund road and transit operations in the region. While the City of Saskatoon is not contemplating a sales tax, this example demonstrates that a jurisdiction in Canada has used parking-related activities to generate funds for the public infrastructure, such as road and transit operations in Vancouver's case. Another example of a parking levy dedicated to infrastructure is the State of Massachusetts. Any vehicle that parks in any parking facility in Boston, Springfield, or Worcester, is subject to a $2 daily surcharge. These funds are then used to help pay for convention centres in five Massachusetts cities.

The City is contemplating an extension to its hours of applicability per day (extending from 9:00 AM to 9:00 PM, instead of 6:00 PM), days of applicability (including Sunday, instead of only Monday through Saturday), and changes to the hourly rate (increasing to $2.50 or $3.00, instead of $2.00). To minimize the potential impact on businesses in the area(s), the adjustments could be gradually introduced over time. Based on these adjustments, it is estimated that the City could generate as little as $0.3M per year, if only implementing the least effective measure (extending paid hours to include Sundays in the downtown area only) to as high as $2.4M per year, if implementing multiple measures (extending paid hours to 9:00 PM, including Sundays, and increasing rates to $3.00 per hour in both Downtown and Riversdale).

While legislative changes would be required in order to implement a parking sales tax on private operators, the adjustments being contemplated to the hours of applicability, days of applicability, and hourly rates, are not anticipated to require legislative change. Depending on the structure of the adjustments, however, a bylaw amendment may be required, along with Council approval.

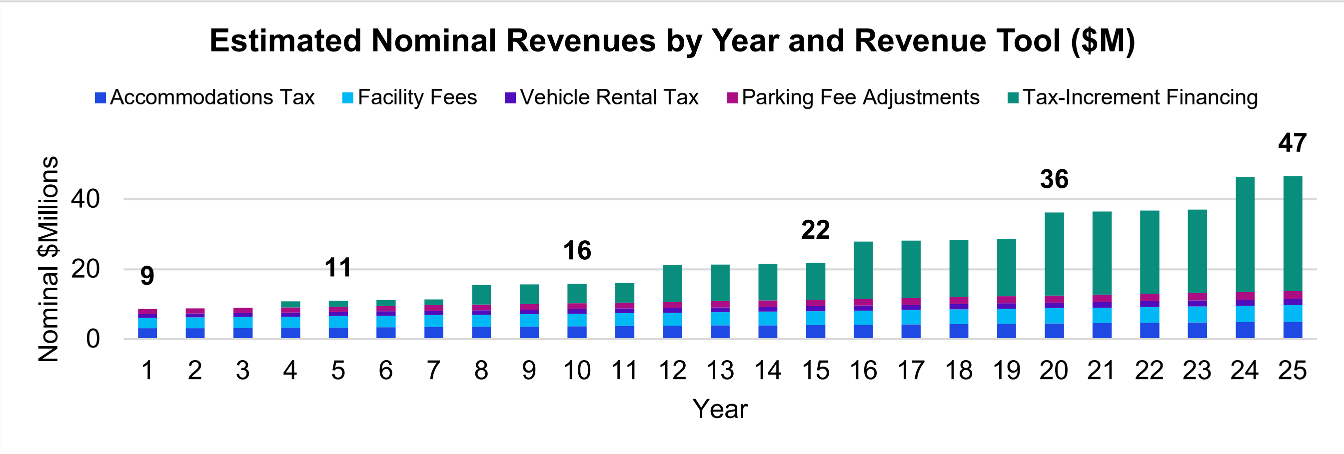
Summary

Based on the information described above and the revenue potential calculations, the total annual revenue potential across the five revenue tools ranges from $6.7M to $21.4M, with a mid-point / base case of $13.5M. These figures are assumption-based and are therefore subject to change.

Revenue Tool	Estimated Annual Revenue Potential ($M)		
	Low	Mid-Point	High
Accommodation Tax	1.6	3.1	4.7
Facility Fees	2.3	3.0	3.7
Tax-Increment Financing*	2.0	4.9	9.0
Vehicle Rental Tax	0.5	1.1	1.6
Parking Fee Adjustments**	0.3	1.4	2.4
Total	**6.7**	**13.5**	**21.4**

* The estimated revenue potential assumes Zone #2 and that the education and library component is included and reflects the net present value of the projected tax revenues, at an assumed discount rate of 5%, annualized over the 25-year assumed TIF period.
** The low revenue potential figure assumes the implementation of the least effective measure (extending paid hours to include Sundays in the Downtown area only), the high figure assumes the implementation of multiple measures (extending paid hours to 9:00 PM, including Sundays, and increasing rates to $3.00 per hour, in both Downtown and Riversdale), and the mid-point represents an average of the low and high estimates.

While most of these tools are anticipated to generate relatively stable recurring annual revenues, the anticipated revenues from tax increment financing are highly backloaded (i.e., a significant percentage of the revenue is anticipated toward the end of the 25-year period). As a result, the revenues over time could be anticipated to follow a trajectory in alignment with the illustration below (adjusted for inflation). This chart demonstrates that the greatest potential contributor, but also the least certain, is tax increment financing. Therefore, the City should focus on key assumptions and the potential for evolving macroeconomic conditions over time that may impact the outcomes from this revenue tool.



In the base case, an estimated $572M in total revenue is estimated over a 25-year period. However, the revenues are highly backloaded due to the TIF's compound growth. Further, as there is a range of potential outcomes associated with each revenue tool identified, the combined cumulative revenues over a period of 25 years has been contemplated for the low / pessimistic and high / optimistic forecasts. If all of the revenue tools only achieve the low range of the estimated revenues, a total of $271M is anticipated to be generated in nominal revenues over 25 years; and if all of the revenue tools achieve the high range, the total is $966M.

While the total estimated DEED development costs are expected to exceed $500M, the City preliminarily estimates its share will be in the range of $350-500M for the purpose of the analysis. This would result in an illustrative annual debt service of $25M - $36M, assuming a 25-year amortization period and a 5% annual interest rate. At a mid-point City portion of $425M, the annual debt service would be approximately $30M. This is projected to result in a cumulative deficit of approximately $241M, without alternative funding sources or higher tax rates, using the base case scenario (primarily attributable to the TIF's backloaded revenues).

1 Background & Context

1.1 Project Overview

The City of Saskatoon (the "**City**" or "**Saskatoon**") is currently in the preliminary planning stages for the development of a potential Downtown Event and Entertainment District ("**DEED**"), including a new arena, new or expanded convention centre, public realm improvements, and parking facilities (the "**Project**").

While detailed designs, funding models, and timing of construction have yet to be determined, this represents one of the most significant development projects that would be undertaken by the City within the next several years.

City Council has directed that City Administration work with stakeholders and other levels of government on achieving a funding plan, with the goal of constructing the DEED without the need for an increase in property taxes to the extent possible. While this is a key funding objective for the Project, the City is also limited by legislation to a relatively small selection of revenue tools, such as taxes on real property, regulatory charges, and user fees. Further, when assessing the net revenue potential of various options for generating funds, the City needs to weigh a variety of trade-offs including:

- the time and cost for consumers and/or businesses to comply with the option
- the time and cost for the City to implement, administer, audit, verify, and enforce the option
- changes in economic incentives as a result of a revenue option that may produce a shift in consumption from one good, service, sector, or location to another
- the potential for unintended consequences, such as growth in the "underground economy"
- the demographic and socioeconomic distribution of tax obligations
- the time, cost, ability, and likelihood for legislative amendments and enactments

Given Saskatoon's growth plans, numerous demands for investment in public services and supporting infrastructure will continue to be needed. For these reasons, the City requires a stable and predictable funding approach through which it can make these investments. Accordingly, the City is evaluating its current revenue-generating mechanisms and analyzing options for alternative sources of revenue.

1.2 Project Scope

In response to Council's direction, the City engaged KPMG LLP ("**KPMG**") to provide financial advisory services related to the evaluation of potential revenue tools that could be considered for funding the Project. This includes a review of revenue tools permitted under existing legislation and revenue tools that the City does not currently have legislative authority to implement. Revenue tools analyzed within this report (**"Report")** were collaboratively identified by the City and KPMG, with the City confirming the list of tools to be considered in this Report. A total of 19 potential revenue tools were initially under consideration, but the five revenue tools that were ultimately selected by the City for analysis include an Accommodations Tax, Facility Fees, Tax Increment Financing, a Vehicle Rental Tax, and Parking Fee Adjustments.[2]

As City Council directed that the DEED costs should minimize the fiscal burden on the existing property taxpayers, and that alternative funding solutions are to be considered, property taxes were not included as part of the initial assessment. Additionally, transit fare increases were excluded, as that service is already subsidized by the City.

[2] The qualitative factors that were used by the City to determine which five would be analyzed included ease of implementation, public acceptability, revenue potential, economic competitiveness implications, revenue stability, cost / benefit alignment, equitable distribution, administrative simplicity, and transparency and control.

1.3 Revenue Tools

The revenue tools analyzed within this Report were collaboratively identified by the City, with the City confirming the list of tools to be considered. The five revenue tools include: an Accommodations Tax, Facility Fees, Tax Increment Financing, a Vehicle Rental Tax, and Parking Fee Adjustments.

Based on the findings in this Report, it is anticipated that the City will continue to engage with key stakeholders and perform their own analyses and contemplate the trade-offs associated with each option. While these tools have been identified for this analysis, the City may pursue other revenue options in the future, beyond those in this Report.

1.4 Limitations

The information used to estimate the revenue potential is limited primarily to publicly available information and information provided by the City. We have not audited or otherwise validated the data provided. It is possible that the findings and estimates could change based on new or more complete information. The financial information is intended for initial analysis purposes only, as high-level / order of magnitude estimate, based on information and assumptions noted, for the City's consideration. Significant assumptions are included in this Report and must be understood to interpret the information presented. As with any future-oriented financial information, projections will differ from actual results, and such differences may be material. As a result, parties using this information assume all responsibility for any decisions made based on this Report.

2 Revenue Tools

2.1 Accommodations Tax

2.1.1 Overview

Introduction

Accommodation taxes have been implemented in a variety of forms across Canada. All forms generate revenues through a charge on individuals staying at a commercial accommodation, such as a hotel, motel, or other short-term rental platforms (e.g., Airbnb and Vrbo). Some accommodation taxes are charged as a fixed fee per night, while others are charged as a percentage of the amount charged.

Options and Considerations

Key decisions related to this revenue tool include the following:

- Structure: Whether the fee is imposed as a fixed fee, a percentage basis, or a hybrid of the two
- Rates: How much the City will charge (either as a fixed fee, percentage, or hybrid)
- Collection: How the City will administer the collection, audit, verification, and enforcement of the tax
- Applicability: The types of accommodations to which the tax applies and if there are exemptions
- Maintenance: The schedule and method for adjusting the rates, if applicable
- Timing: While implementing this tax sooner, rather than later, could enable upfront funding, there may be negative feedback from the accommodation sector

Highlighted Examples

City of Brandon, Manitoba

In March 2012, Brandon City Council passed a by-law regarding a mandatory accommodation tax, which was approved by the Lieutenant Governor in Council (Province of Manitoba) and came into force in July 2012. It is subject to an annual review by City Council but currently sets forth the requirements for the application, collection, and remittance of a $3.00 per room flat rate fee on accommodations within the City of Brandon. A flat fee was chosen over a percentage amount because it is easily known and easy to calculate for all guests. The fee is added to hotel invoices as a separate line charge. GST is applicable to the tax, but PST is not (as the accommodation tax is exempt from PST). Exemptions include periods of greater than 30 days, a purchase price of less than $30 per night; accommodations provided to patients or the family of patients while attending for medical care and treatment; student accommodations; persons undertaking an apprenticeship or trade certification; among others.[3]

City of Winnipeg, Manitoba

Winnipeg has had a mandatory accommodation tax of 5% for approximately 15 years. In April 2008, City Council passed the Accommodation Tax By-law, which was approved by the Lieutenant Governor in Council (Province of Manitoba) and came into full force in June 2008. The intent of the accommodation tax is to generate revenue to support Economic Development Winnipeg, the Winnipeg Convention Centre, and special events including other organizations, projects and events that will encourage tourism to Winnipeg.[4] In 2008, the tax was expected to bring in over $7M per year, with up to 40% of that being set aside in a reserve fund for the expansion of the 33-year-old Winnipeg Convention Centre.[5] It is collected by the common commercial providers of accommodations (hotels and motels) but historically did not currently apply to bed and breakfasts or short-term rentals.[6] However, the City is contemplating the application of the accommodation tax to short- term rentals, which they are estimating will generate $279,000 annually, while the licensing fees would bring in $195,000 per year.[7] The collected accommodation tax is remitted to

[3] City of Brandon. *Hotel Guest FAQ*. Retrieved from: https://brandon.ca/accommodation-tax/hotel-guest/hotel-guest-faq
[4] City of Winnipeg. *Accommodation Tax*. Retrieved from: https://assessment.winnipeg.ca/asmttax/english/other_taxes/accommodation.stm
[5] City of Winnipeg. *Accommodation Tax*. Retrieved from: https://assessment.winnipeg.ca/asmttax/english/other_taxes/accommodation.stm
[6] Engage Winnipeg. *Regulating Short-Term Rentals*. Retrieved from: https://engage.winnipeg.ca/short-term-rentals
[7] CBC Manitoba. *City proposed rules to tax, limit Winnipeg Airbnb rentals*. Retrieved from https://www.cbc.ca/news/canada/manitoba/winnipeg-airbnb-regulations-1.6743441

the City of Winnipeg monthly. It applies only on accommodations of less than thirty nights and applies to rooms that have been paid for, even if not used, and applies to the purchase price of the accommodation with no deductions made for items that are integrated into the room charge, such as continental breakfast. However, the tax does not apply to optional items such as room service, movies, and telephone calls. Some key exemptions also exist, such as small Bed & Breakfasts with three rooms or fewer for rent; low-cost accommodations of $30 or less per night; accommodations provided to patients or residents of hospitals, nursing homes, or care facilities; student accommodations; accommodations supplied to employees by employers; trailer parks; among others.[8]

City of Ottawa, Ontario

In November 2017, the Province of Ontario issued a Transient Accommodation Regulation, which came into force in December 2017, providing the necessary provisions for municipalities across Ontario to implement a mandatory Municipal Accommodation Tax (MAT). At least one-half of the revenue must be given to local tourism marketing boards, but the rest can be considered general income. A long list of cities – both big and small – adopted a 4% MAT, including Toronto, Ottawa, London, Kingston, Windsor, Barrie, Thunder Bay, Brockville, North Bay, and Huntsville.[9]

As one example, on December 13, 2017, Ottawa's City Council approved the adoption of a mandatory MAT of 4%, effective January 1, 2018. The MAT is applicable only to the room cost portion of overnight accommodation of all guest invoices, and late remittances are charged an interest rate of 1.25% per month. Accommodation providers within the boundaries of the City of Ottawa are obliged by law to collect and remit the MAT on all rooms sold for overnight accommodation. Revenues generated from other hospitality services, such as meeting rooms, food and beverage, laundry service, internet access, etc. are excluded. The MAT is applicable to all accommodations of under 30 days at hotels, motels, and individual accommodators using a common platform. The Ottawa Gatineau Hotel Association collects the tax on the City's behalf and administers the transition of the funds to Ottawa Tourism for the purposes of promoting and growing the tourism industry in Ottawa and the region. Certain exemptions apply, including lodging provided to students, hospitals, long-term care homes, treatment centres, and traditional Bed & Breakfasts, among others. The payment is collected monthly, and the City routinely selects submissions for audits. Some online home sharing services, such as Airbnb collect the MAT automatically and submit it on the provider's behalf.[10]

A long list of cities in Ontario have accommodation taxes. Appendix B – Ontario Municipal Accommodation Tax Revenue includes population data and historical revenues generated in 2019, 2020, and 2021 for approximately 15 cities in Ontario. This indicates that an average of $8.97 was generated in municipal revenues per capita across the selected cities in Ontario. Given a population of approximately 274,000 in Saskatoon, a similar per-capita rate would equate to $2.5M in annual revenues for Saskatoon.

Province of Alberta

The Government of Alberta imposes a 4% mandatory tourism levy on the purchase price of accommodation. This applies to all regions of the Province. Temporary accommodation providers *must* register for the Tourism Levy program. This includes any unit of accommodation provided in Alberta, including stays in residential units. It is collected and remitted to Alberta Tax and Revenue Administration by temporary accommodation providers, including an operator (a person who sells, offers for sale, or otherwise provides accommodation in Alberta but not an online broker), an accommodation host (an operator that sells, offers for sale, or otherwise provides temporary accommodation of a residential unit in Alberta), and an online broker (an operator of an online marketplace). For accommodation hosts with 50 or more sleeping rooms, returns and remittances are due on a monthly basis, while for those with fewer than 50 sleeping rooms, returns and remittances are due on a quarterly basis.[11] The levy applies to all fees that are included in the purchase price of the accommodation, as stated on the invoice (including marketing fees, pet charges, fees for appliances, and fees for smoking in a non-smoking room). It does not apply to any fees that are not attributable to lodging, such as internet access, in-room entertainment, or parking

[8] City of Winnipeg. *Accommodation Tax*. Retrieved from: https://assessment.winnipeg.ca/asmttax/english/other_taxes/accommodation.stm
[9] The Globe and Mail. *MAT Chance: Hotel Owners Take a Stand Against Ontario's New Hotel Tax*. Retrieved from: https://www.theglobeandmail.com/business/commentary/article-mat-chance-hotel-owners-take-a-stand-against-ontarios-new-hotel-tax/
[10] City of Ottawa. *Hotel and Short-Term Accommodation Tax*. Retrieved from: https://ottawa.ca/en/living-ottawa/taxes/hotel-and-short- term-accommodation-tax
[11] Government of Alberta. *Tourism Levy*. Retrieved from: https://www.alberta.ca/tourism-levy.aspx

fees. If the excluded fees are not separated on the invoice, the tourism levy will apply. Federal Government employees are exempt from the levy, while Government of Alberta employees are not. Long-term rentals of at least 28 days are exempt from the levy.[12]

2.1.2 City of Saskatoon Implications

Lessons Learned & Applications to Saskatoon

Media / Stakeholder Considerations

Despite its momentum in Ontario, local hotel and resort operators in rural Ottawa Valley raised a significant resistance to the tax. Unlike bigger regions where larger hotel chains exist, accommodation businesses in more rural areas are largely comprised of small, independent operators. Such concerns led a protest in which 16 hotel owners publicly resigned their membership in the Ottawa Valley Tourist Association (OVTA). This came as a surprise to the OVTA, as numerous cities enacted the tax with little apparent complaint from the hotel industry. Much of the resistance appears to be due to the perception of the tax being seen as an opportunity to generate additional revenue, instead of being implemented for a specific need for funding.[13] If the City of Saskatoon can manage expectations and communicate the benefits of an accommodations tax as a vehicle for funding infrastructure that can generate additional tourism, this may improve overall perceptions.

Similar to Ontario, the City of Winnipeg experienced initial negative reactions from members of the hotel industry. A majority of the reactions were regarding the new accommodation tax's potential to harm the hotel industry and tourism in general. In total, individuals would be paying 17% in taxes in Manitoba, which included 5% GST, 7% PST, and a 5% accommodations tax.[14]

Rates, Applicability, and Flexibility Considerations

The Government of Alberta implemented a mandatory Hotel Tax of 5% in 2000 to be used for tourism funds, marketing, and development. In 2005, the Province decided to reduce the tax to 4% and rename it to a Tourism Levy. The rationale for the reduction is not clear in publicly available documents, but the Government of Alberta stated that the government and the tourism industry worked together over a period of three years to determine improvements that will provide long-term sustainable funding for the industry.

In February 2020, the Government of Alberta decided to extend its tourism levy to short-term rentals such as Airbnb and Vrbo. The Levy applies a 4% charge to any rentals under 28 days.[15]

During the COVID-19 pandemic, the Alberta Government waived the Tourism Levy to help the tourism sector. This took effect in April 2020 and lasted through June 2021. During a subsequent wave of COVID-19, the Alberta Government waived the tourism levy again from October 2021 through March 2022.[16]

Potential Revenue Tool Design

Based on other jurisdictions and lessons learned, Saskatoon could implement an Accommodations Tax with a portion of the revenues allocated to fund the entertainment district. The Accommodations Tax could apply to not only standard hotels and motels, but also short-term rental platforms such as Airbnb and Vrbo (with exceptions for some forms of accommodations, such as those for students and medical patients).

Based on other jurisdictions, common platforms may be able to collect and remit the revenue on the City's behalf. Depending on the legislation, the City may be able to pass a by-law for approval by the Government of Saskatchewan, or the Government of Saskatchewan may need to issue a regulation that enables municipal governments to implement their own form of an Accommodations Tax. As Winnipeg has an

[12] Government of Alberta. *Tourism Levy – Top 10 Tips*. Retrieved from: https://open.alberta.ca/dataset/722054e0-1ced-4e3f-95dd- 71c163942e9f/resource/1a3f9e83-d093-488d-98d6-506aac41ca32/download/tourism-levy-top-10-tips-2021-0325.pdf
[13] The Globe and Mail. *MAT Chance: Hotel Owners Take a Stand Against Ontario's New Hotel Tax*. Retrieved from: https://www.theglobeandmail.com/business/commentary/article-mat-chance-hotel-owners-take-a-stand-against-ontarios-new-hotel-tax/
[14] CBC News. *Last-ditch effort to stop Winnipeg hotel tax fails*. Retrieved from: https://www.cbc.ca/news/canada/manitoba/last-ditch- effort-to-stop-winnipeg-hotel-tax-fails-1.763173
[15] CBC News. *Alberta government to add tourism levy to short-term rentals*. Retrieved from: https://www.cbc.ca/news/canada/edmonton/short-term-rentals-alberta-budget-1.5475908
[16] Edmonton Journal. *Alberta offers six-month tourism levy break for hotels again until March*. Retrieved from: https://www.cbc.ca/news/canada/edmonton/short-term-rentals-alberta-budget-1.5475908

accommodation tax rate of 5% and Alberta has a rate of 4%, Saskatoon could implement a similar rate.

The optional / voluntary Destination Marketing Fee (DMF) in Alberta and Winnipeg are set at 3% and 2%, respectively, and are separate from the accommodations tax / tourism levy. The City of Saskatoon could either make its accommodation tax separate from the current DMF (3%), administered by Discover Saskatoon, or combine them. Advantages to keeping them distinct is providing accommodation providers with a continued option to participate in the DMF and the perception of the accommodation tax being lower as an overall percentage, whereas the advantages to combining the fees include streamlined collections and the potential for a higher contribution rate than what has been traditionally experienced with the DMF through enforced participation. While the DMF in Saskatoon is currently optional for hotels and motels to participate in, the City assumes the DMF would be consolidated into the broader accommodations tax and considered mandatory going forward.

Stakeholder Impacts

The stakeholders that are likely to be impacted by a potential accommodation tax include:

- Accommodation owners (e.g., hotels, motels, and other short-term rentals)
- Hospitality Saskatchewan (an association of member organizations that advocates priority issues facing the tourism economy and hospitality sector)
- Discover Saskatoon (an organization that represents nearly 400 members in the tourism industry and collaborates with them to attract visitors to Saskatoon)
- Indigenous Tourism Association of Canada (an organization that directly supports Indigenous tourism operators in Saskatchewan through the provision of greater access to marketing, development, and partnership opportunities)
- Tourism Saskatchewan (a Treasury Board Crown Corporation responsible for developing and promoting tourism in Saskatchewan. Its mandate includes marketing, visitor services, education and training, and product and industry development)

2.1.3 Implementation Approach

Estimated Revenue Potential

The estimated revenue potential for an Accommodations Tax is $3.1M per year with a 2% tax rate (ranging from $1.6M with a 1% tax to $4.7M with a 3% tax rate). For more information on the underlying assumptions, please see Appendix A - Supplemental Revenue Potential Estimates. Over 90% of this revenue is estimated to be generated from hotels and motels, with the remainder generated from short-term rentals (Airbnb and Vrbo).

Millions of Dollars	Low (1%)	Med (2%)	High (3%)
Total estimated pre-tax sales before elasticity deduction	155.7	155.7	155.7
Less: Elasticity of demand adjustment (-0.19)	(0.3)	(0.5)	(0.8)
Total estimated pre-tax sales after elasticity deduction	**155.4**	**155.1**	**154.9**
Annual revenue potential after elasticity deduction	**1.6**	**3.1**	**4.7**
Resulting total combined rate including the current Destination Marketing Fee and a new Accommodations Tax	*4.0%*	*5.0%*	*6.0%*

Administrative Considerations

The City could delegate the authority to oversee and administer this tax to Discover Saskatoon, as this organization already has relations established with most of the hotels in the region. Ongoing administrative effort would still be required to collect and enforce this tax, potentially through its existing commercial business license and host declaration requirements for short-term rental properties. That being said, the City reports that a small number of short-term providers are registered correctly, so this may not be viable. Alternatively, online accommodation platforms already charge and remit sales taxes (e.g., PST) on behalf of their providers, it is anticipated they could implement an accommodations tax relatively easily too. Alternatively, the City of Saskatoon could oversee and administer this tax, given its broader scope and enforcement requirements.

Approvals and/or Other Key Stage Gates

New legislation would be required to enable a municipal level sales tax, given hotels are currently only subject to a sales tax under the *Provincial Sales Tax Act*. Indirect taxes are currently not allowed under the *Act*. New municipal indirect or consumption taxes, including an accommodations tax, could not be imposed without an amendment to the *Act*. The current Destination Marketing Fee is optional / by participation only and administered by the hotel associations, so mandating a tax would require legislative changes.

Examples from Other Provinces

In Manitoba, the *Municipal Revenue Act* and municipality by-laws (for example, Winnipeg's *Accommodation Tax By-Law No. 70/2008)* allows municipalities to impose a levy as an accommodation tax. Individual municipalities collect the levy on a monthly basis. The funding is used for local tourism promotion organizations, the *Winnipeg Convention Centre, Tourism Winnipeg*, and large event sponsors (sports and conventions). In British Columbia, the *Provincial Sales Tax Act* contains a section entitled *Division 3 – Accommodation*, which describes the regulations for taxes on accommodations, including special rules related to accommodations in designated accommodation areas and in major event accommodation areas.[17]

2.1.4 Cost-Benefit Analysis

The estimated annual revenues across all accommodations in Saskatoon is $155.7M, and there are an estimated 5,800 accommodations available (hotels and short-term rentals). This results in approximately $26.8K in revenue per accommodation / room. An elasticity rate of -0.19 has been assumed for estimating the revenue potential of an accommodations tax, based on a range of potential tax rates, which means that total revenue would decrease to $154.8M - $155.4M or $26.7 - $26.8K per accommodation / room (between 0.2% and 0.6%).

Assumed Tax Rate	Low (1%)	Medium (2%)	High (3%)
Current State			
Total revenue ($M)	155.7	155.7	155.7
Revenue per accommodation ($K)	*26.8*	*26.8*	*26.8*
Future State with No Growth			
Current state total revenue ($M)	155.7	155.7	155.7
Less: Elasticity deduction ($M)	(0.3)	(0.7)	(1.0)
Resulting total revenue ($M)	155.4	155.1	154.8
Resulting revenue per accommodation ($K)	*26.8*	*26.7*	*26.7*
Change in revenue per accommodation (%)	*-0.2%*	*-0.4%*	*-0.6%*

While the implementation of a tax ranging from 1-3% is preliminarily estimated to reduce revenue per accommodation by 0.2-0.6%, the DEED project may also be anticipated to increase total demand for accommodations with the introduction of more or better event and entertainment amenities. While the specific details of the DEED are still in progress, as of the time of this report's preparation, illustrative implications can be estimated to demonstrate the impact. The table below outlines the change in revenue per accommodation that could be anticipated with an increase in demand for Saskatoon's accommodations, resulting from the DEED, with consideration of a potential tax's impact on pricing and demand. The table below has been calculated based on the medium assumed tax rate of 2.0% for all growth rate scenarios.

Assumed Growth Rate	2.5%	5.0%	7.5%
Current state total revenue ($M)	155.7	155.7	155.7
Plus: Growth adjustment ($M)	3.9	7.8	11.7
Resulting total revenue ($M)	159.6	163.4	167.3
Less: Elasticity deduction ($M)	(0.6)	(0.6)	(0.6)
Resulting total revenue ($M)	159.0	162.8	166.7
Resulting revenue per accommodation ($K)	*27,404*	*28,073*	*28,741*
Change in revenue per accommodation (%)	*+2.1%*	*+4.6%*	*+7.1%*

[17] Government of British Columba. *Provincial Sales Tax Act – Taxes on Accommodations*. Retrieved from: https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/12035_00_multi#section122

The table below demonstrates the impact of combining assumed tax rates with assumed growth rates on the change in revenue per accommodation / room, expressed as a percentage, which indicates the following:

- At a 1% tax rate, growth of 0.2% would be required for providers to achieve similar revenues per location
- At a 2% tax rate, growth of 0.3% would be required for providers to achieve similar revenues per location
- At a 3% tax rate, growth of 0.6% would be required for providers to achieve similar revenues per location

Change in Revenue per Accommodation / Room (%)		Assumed Tax Rate		
		1.0%	2.0%	3.0%
Assumed Growth Rate	2.5%	+2.3%	+2.1%	+1.9%
	5.0%	+4.8%	+4.6%	+4.4%
	7.5%	+7.3%	+7.1%	+6.9%

This also indicates that the assumed growth rate has a much bigger impact on the change in revenue per accommodation / room than the tax rate. For example, doubling the tax rate from 1% to 2% only decreases the estimated revenue per accommodation / room from 4.8% to 4.6%, assuming the 5.0% growth rate scenario. Therefore, the City may want to focus more on collaborating with accommodation providers to understand how the DEED can increase accommodations as that could result in a significant net benefit to accommodation providers, despite the increased accommodations tax.

2.2 Facility Fees

2.2.1 Overview

Introduction

Similar to the City of Regina's approach with Mosaic Stadium, a facility fee can be used to repay debt over time. In the case of Mosaic Stadium, the City of Regina secured a $100M loan from the Government of Saskatchewan and charges a $12 fee per ticket. This type of mechanism allows the municipality to pass a portion of the capital and/or operating costs directly on to those who will be using DEED facilities. Ultimately, the City is generally responsible to cover any potential shortfalls in facility fees, as was the case with the City of Regina's Mosaic Stadium during the pandemic, when facility fee revenues were significantly lower than anticipated.

While an Amusement Tax and a Facility Fee both generate funds from a form of amusement, an Amusement Tax is broader in its application (e.g., movie theatres, live theatre, etc.) and would extend beyond the scope of the DEED area and facilities. A Facility Fee, on the other hand, is assumed to apply only to the facilities that would be built as part of the DEED project.

Options and Considerations

Key decisions related to this revenue tool include the following:

- Rates: How much the City will charge (either as a fixed fee, percentage, or hybrid) – a percentage-based model would have less of an impact on more price-sensitive consumers attending lower-priced events while also capturing greater revenues from the less price-sensitive consumers at higher-priced events.
- Collection: How the City will administer the collection and compliance with the fee
- Applicability: The types of events / facilities to which the fee applies and if there are exemptions
- Maintenance: The schedule and method for adjusting the rates, if applicable

Highlighted Examples

<u>Mosaic Stadium (Regina, Saskatchewan)</u>

The City of Regina implemented a facility fee of $12 per ticket for its new Mosaic Stadium. This fee was set in 2014, and adjusting for inflation, it would be approximately $15 today but remains at $12. While the fee was determined in 2014, it applied / applies only to Roughrider tickets sold at the new stadium, starting in 2017. The City of Regina signed an agreement with the Government of Saskatchewan to repay a $100M loan using the funds generated from the fee. The loan was secured at a 3.99% interest rate, and the City had 31.5 years to repay the funds with semi-annual payments of $2.80M.[18] At $12 per ticket, the City of Regina needs to sell 466,667 tickets per year. Given standard seating capacity of 33,000, this requires 14.1 tickets to be sold per seat annually. The primary source of revenue to fund Mosaic Stadium is a dedicated mill rate increase of 0.45 every year for ten consecutive years, beginning in 2013, with the last increase occurring in 2022. That revenue will continue to be dedicated to stadium operations going forward.[19]

Commonwealth Stadium (Edmonton, Alberta)

Commonwealth Stadium is an open-air, multipurpose stadium located in Edmonton with seating capacity for 56,302, making it the largest open-air stadium in Canada. It is owned by the City of Edmonton and primarily used for football (Edmonton Elks, CFL), but also used for soccer, rugby, and concerts. It was built in 1978 but received an $11.9M upgrade to its seats in 2013. Out of the $11.9M in total cost, $4M was provided by the City of Edmonton, with the rest from a 5% ticket surcharge on all events at the stadium held since 2012. In addition, the City paid $1.9M to improve the locker rooms, $3.3M to replace the 'Jumbotron' scoreboard and sound system, and $0.9M to re-pave two of the stadium's parking lots.[20]

Rogers Place (Edmonton, Alberta)

The City of Edmonton owns Rogers Place and the land on which it sits. It entered into a series of agreements in 2013 with the Edmonton Arena Corporation (the owner of the Edmonton Oilers) to design, build, and operate Rogers Place. The total cost of the project was $614M, including an arena, Winter Garden (Ford Hall), Downtown Community Arena, LRT connection, pedestrian corridor, and the land. None of the sources of funding for Rogers Place or the associated infrastructure resulted in an increase in municipal taxes.

Most of the $614M in total cost was attributable to Rogers Place (the arena, including underground parking), which was $484M. The Edmonton Arena Corporation is paying $132.5M ($112.8M of which is paid to the City as rent over 35 years, with the remaining $19.7M paid as cash); the City contributed $226M through the use of a Community Revitalization Levy, new parking revenues, and redirecting the previous Rexall Place subsidy; and $125M is collected through a ticket surcharge. The Ticket Surcharge is levied by the City of Edmonton and determined by the City Manager. The current surcharge is 9.5% but set annually using a process that involves both the City and the Edmonton Arena Corporation. The proceeds of the ticket surcharge go to the City and must be sufficient to cover the principal and interest on $125M of debt over a 35-year term, plus $1.5M in annual contributions to the City to create a fund for ongoing major capital expenditures.

Other Stadiums in Canada

The table below outlines the applicable facility fees / charges at select other stadiums in Canada. The facility fees may not always be directly used to fund capital costs and/or repay debt associated with capital costs. Rogers Place in Edmonton, New Mosaic Stadium in Regina, and Commonwealth Stadium in Edmonton have implemented facility fees specifically to fund capital costs for a new stadium / arena or improvements to a stadium / arena.[21] However, the table below demonstrates that facility charges for general revenue purposes are common among stadiums in Canada.

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[18] CBC News. *Regina's stadium loan: 63 easy payments of $2.8M.* Retrieved from: https://www.cbc.ca/news/canada/saskatchewan/regina-s-stadium-loan-63-easy-payments-of-2-8m-1.2513449

[19] Regina Leader-Post. *Buyer's Remorse? Rider Fans Lament Rising Costs as City Monitors Mosaic Stadium Funding Model.* Retrieved from: https://leaderpost.com/news/local-news/mosaic-money-fans-lament-rising-costs-as-city-monitors-viability-of-30-year-funding-model

[20] CBC News Edmonton. *Commonwealth Stadium gets a facelift.* Retrieved from: https://www.cbc.ca/news/canada/edmonton/commonwealth-stadium-gets-facelift-1.1380792

[21] Calgary Herald. *A look at Canadian stadiums built with public funds.* Retrieved from: https://calgaryherald.com/news/local-news/a-look- at-canadian-stadiums-built-with-public-funds

Stadium	Location	Facility / Ticket Fee / Surcharge
Rogers Place	Edmonton, AB	9.5% surcharge to fund $125M[22]
New Mosaic Stadium	Regina, SK	$12 surcharge to fund $100M[23]
Commonwealth Stadium	Edmonton, AB	5% surcharge to fund $4M[24]
BC Place	Vancouver, BC	$6.00 surcharge
Canada Life Centre	Winnipeg, MB	$2.00 surcharge
Investors Group Field	Winnipeg, MB	None
BMO Field	Toronto, ON	None
Tim Hortons Field	Hamilton, ON	$2.00 surcharge
TD Place	Ottawa, ON	$2.30 surcharge
Videotron Centre	Quebec City, QB	$6.17 surcharge
Rogers Arena	Vancouver, BC	$6.50 surcharge
Avenir Centre	Moncton, NB	$8.60 surcharge
Bell Centre	Montreal, QB	$4.00 surcharge
FirstOntario Centre	Hamilton, ON	$3.75 surcharge

2.2.2 City of Saskatoon Implications

Lessons Learned & Applications to Saskatoon

Financial Considerations

Facility fees rely on a sustained attendance rate, and to the extent that the attendance does not meet expectations, the City of Saskatoon may be required to cover shortfalls. For example, the COVID-19 pandemic had a significant impact on Mosaic Stadium's financial situation, due to the cancellation of Rider games and thus foregoing the revenues raised through the facility fee. Once the games resumed, the facility fee still did not meet its pre-pandemic levels.

Media / Stakeholder Considerations

As the facility fee would be charged to users of the DEED facilities, it is anticipated to impact them. For some patrons, it may become unaffordable to attend the same number of events. Following the implementation of the facility fee at Mosaic Stadium in Regina, some Rider fans expressed dissatisfaction with the prices.[25] However, attendance does not appear to have been negatively impacted, as Mosaic Stadium generated a surplus of $578,000 in 2021.[26]

Potential Revenue Tool Design

Saskatoon could implement a facility fee as a percentage of existing tickets to cover a portion of the debt service associated with funding and financing the DEED components. This facility fee could be implemented as a percentage of the ticket prices (similar to Edmonton's rate of 9.5%) or as a set fee (similar to Regina's rate of $12 per Rider game ticket). Some events – whether by category or by price point – could be excluded from the facility fee if desired. This revenue tool may reduce attendance given elasticity of demand but would be a mechanism that enables the City to pass a portion of the costs directly on to those who use the facilities.

Stakeholder Impacts

The stakeholders most likely to be impacted by the implementation of a facility fee are patrons of the facilities, as the cost of their admission would increase. This includes individuals who attend events for

[22] Calgary Herald. *Ticket tax for new arena would be a fraction of Edmonton's fee – but why?* Retrieved from: https://calgaryherald.com/news/local-news/ticket-tax-for-new-arena-would-be-a-fraction-of-edmontons-fee-but-why
[23] Leader-Post Regina. *Buyer's remorse? Rider fans lament rising costs as city monitors Mosaic Stadium funding model.* Retrieved from: https://leaderpost.com/news/local-news/mosaic-money-fans-lament-rising-costs-as-city-monitors-viability-of-30-year-funding-mode
[24] City of Edmonton. *The Agreement – Rogers Place*. Retrieved from: https://www.edmonton.ca/attractions_events/rogers_place/the- agreement
[25] Regina Leader-Post. *Buyer's Remorse? Rider Fans Lament Rising Costs as City Monitors Mosaic Stadium Funding Model.* Retrieved from: https://leaderpost.com/news/local-news/mosaic-money-fans-lament-rising-costs-as-city-monitors-viability-of-30-year-funding-model
[26] Regina Leader-Post. *Mosaic Stadium brings in cash, City's 2021 budget sees $6M surplus*. Retrieved from: https://leaderpost.com/news/mosaic-stadium-brings-in-cash-citys-2021-budget-sees-6m-surplus

entertainment and those who attend conferences, trade shows, etc. This may make the attendance of these events less affordable overall and potentially cost prohibitive for those with lower incomes.

In addition to the stakeholders directly paying a facility fee, the facilities themselves are likely to be impacted, as the facility fee will be taken into consideration by event planners and entertainers. For instance, a $50 admission fee for an event without a facility fee would leave a greater profit for event planners and entertainers than a $50 admission fee including a facility fee. This may reduce the number of events that are hosted in Saskatoon, which would also negatively impact the tourism industry (e.g., hotels, restaurants).

2.2.3 Implementation Approach

Estimated Revenue Potential

The estimated revenue potential for Facility Fees is $3.0M per year, ranging from $2.3M to $3.7M depending on the assumed surcharge per ticket. For more information on the underlying assumptions, please see Appendix A - Supplemental Revenue Potential Estimates.

	Low ($4.50)	Med ($6.00)	High ($7.50)
Total estimated ticket sales before elasticity adjustment (#)	517,431	517,431	517,431
Less: Elasticity of demand adjustment (-0.45)	(6,590)	(13,180)	(19,770)
Total estimated ticket sales after elasticity adjustment	**510,841**	**504,251**	**497,661**
Annual incremental revenue after elasticity adjustment ($M)	**2.3**	**3.0**	**3.7**

Administrative Considerations

It is anticipated that the groups responsible for managing the new DEED facilities would be responsible for collecting and remitting the revenues to the City to cover the debt service associated with the development. The overall level of effort is estimated to be relatively low, as facility fees are already in place and are straightforward to include as a surcharge on existing ticket sales and enforce.

Approvals and/or Other Key Stage Gates

The Cities Act gives municipalities the authority to target a specific venue with a fixed fee or a percentage, and it is possible to have ticket surcharges for events at just one facility (e.g., Regina's New Mosaic Stadium).

2.2.4 Cost-Benefit Analysis

While facility fees would directly increase the cost of attending events and entertainment, they can generate revenue to support these amenities that improve the quality of life of residents and make the city more attractive and livable. Further, if the new DEED facilities that are supported by facility fees attract visitors from outside of Saskatoon, they may spend money at hotels, restaurants, and other businesses in the area and support the local economy. The improved amenities enabled by the facility fees could also enhance the fan and attendee experience. However, it is important that the fees are not so high that they discourage attendance at events or make them unaffordable for residents.

The estimated annual ticket sales is 517K. An elasticity rate of -0.45 has been assumed for estimating the revenue potential, based on a range of potential facility fees, which means that total tickets sales would decrease to 498K – 511K (between 1.3% and 3.8%).

Assumed Facility Fee	Low ($4.50)	Medium ($6.00)	High ($7.50)
Current State			
Total ticket sales (#)	517,431	517,431	517,431
Future State with No Growth			
Current state total ticket sales (#)	517,431	517,431	517,431
Less: Elasticity deduction (#)	(6,590)	(13,180)	(19,770)
Resulting total ticket sales (#)	510,841	504,251	497,661
Change in ticket sales (#)	*-1.3%*	*-2.6%*	*-3.8%*

While the increase in facility fees to between $4.50-$7.50 is preliminarily estimated to reduce ticket sales by 1.3-3.8%, the DEED project may also be anticipated to increase total demand for events and entertainment with the introduction of more or better event and entertainment amenities. While the specific details of the DEED are still in progress, as of the time of this report's preparation, illustrative implications can be estimated to demonstrate the impact. The table below outlines the change in total ticket sales that could be anticipated due to an increase in demand for event and entertainment facilities, resulting from the DEED, with consideration of the impact that an increase could have on demand. The table below has been calculated based on the medium assumed fee of $6 for all growth rate scenarios.

Assumed Growth Rate	**2.5%**	**5.0%**	**7.5%**
Current state total ticket sales (#)	517,431	517,431	517,431
Plus: Growth adjustment (#)	12,936	25,872	38,807
Resulting total ticket sales (#)	530,367	543,303	556,238
Less: Elasticity deduction (#)	(13,509)	(13,839)	(14,168)
Resulting total ticket sales (#)	*516,858*	*529,464*	*542,070*
Change in ticket sales (%)	*-0.1%*	*2.3%*	*4.8%*

The table to the right demonstrates the impact of combining assumed facility fees with assumed growth rates on the change in total ticket sales, expressed as a percentage, which indicates the following:

- At a $4.50 fee, growth of 1.3% would be required to achieve similar ticket sales
- At a $6.00 fee, growth of 2.6% would be required to achieve similar ticket sales
- At a $7.50 fee, growth of 4.0% would be required to achieve similar ticket sales

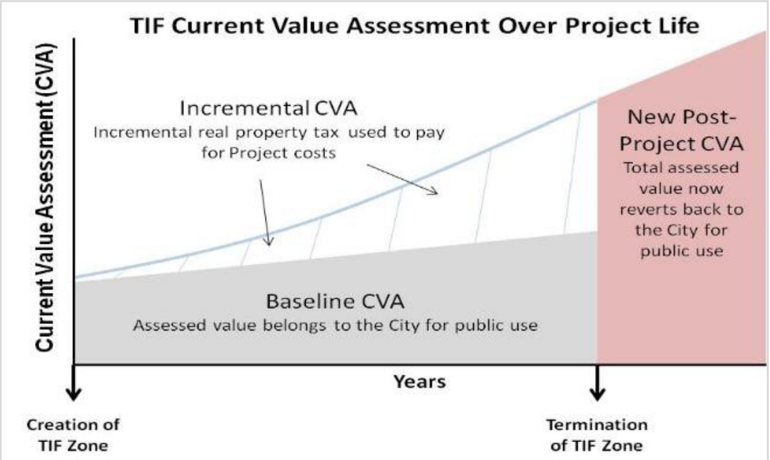
Change in Total Ticket Sales (%)		**Assumed Facility Fee**		
		$4.50	**$6.00**	**$7.50**
Assumed Growth Rate	**2.5%**	1.2%	-0.1%	-1.4%
	5.0%	3.7%	2.3%	1.0%
	7.5%	6.1%	4.8%	3.4%

2.3 Tax Increment Financing

2.3.1 Overview

Introduction

Tax increment financing ("**TIF**")leverages future tax revenue increases to finance infrastructure projects through the dedication of the incremental tax revenue between the current value assessment ("**CVA**") of designated areas prior to the development and its assessed value after the developments are complete.



The figure to the right demonstrates the relationship between the baseline CVA and the incremental tax revenues.

As indicated by the image, the incremental value available for funding the Project is determined by the difference between the baseline CVA and any increase in assessed valuations in the TIF zone, solely attributable to the construction of the Project. The incremental CVA is made up of two components, each of which is highlighted in the estimate of potential TIF revenues: the tax increment uplift in existing property values; and the tax increment from new development in the TIF zones that has been accelerated and presumed to be incremental.

A city typically borrows money to pay for the construction of projects. Once built, the projects funded by the TIF spark new developments, and property values rise on existing developments. The City then uses the growth in taxes from new developments and increased property values to pay back the borrowed funds for the TIF projects. Only the tax growth within the TIF boundary is dedicated, and taxes from other areas of the city are not directly affected. (In Alberta, the Province of Alberta also contributes to its form of a TIF – a Community Revitalization Levy – as the City also receives the education portion of the tax growth, which amounts to approximately one-third of the CRL revenues.) As only the growth in taxes is used, the tax base in the TIF zone or boundary is determined and fixed at the start of the TIF, and that base amount continues to support the city's programs and services. Once the TIF is finished, the taxes dedicated to the TIF return to civic and provincial general revenues.

Options and Considerations

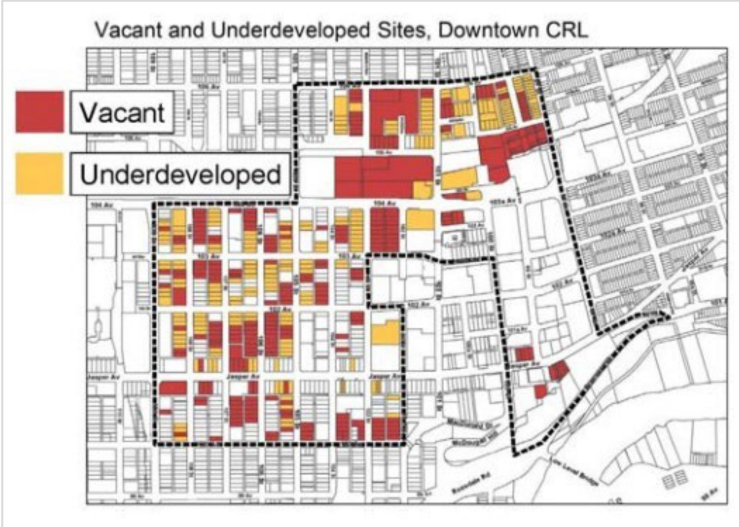
Key decisions related to this revenue tool include the following:

- Area: Determining the 'TIF Zone' to which the tool would apply
- Inclusions / exclusions: Whether or not the Education or Library components of the property taxes will also be included, in addition to the City component
- CVA Structure: Whether the CVA will be adjusted with inflation over time or remain fixed
- Debt Instrument: The vehicle and timing associated with accessing capital, secured by TIF funds
- Timing: When the CVA will be established (baseline assessment, creation, and termination dates)
- Exemptions: Whether or not certain lots or property types / owners will be excluded

Highlighted Examples

City of Edmonton (Alberta)

There are three active Community Revitalization Levies ("CRL") in Edmonton, but the Capital City Downtown CRL is the most relevant to this DEED analysis as it encompasses a number of projects intended to transform the core into a vibrant, accessible, and sustainable community, and a portion of this CRL is being used to partially fund an arena and related infrastructure.[27] The other two CRLs (the Belvedere CRL and the Quarters CRL) were established approximately ten years ago to support the redevelopment of declining neighbourhoods.[28] The Capital City Downtown CRL covers an area of approximately 52 blocks (135 hectares).[29] Out of the five downtown neighbourhoods in Edmonton, three are located within the Capital City CRL zone.[30] The CRL came into effect on January 1, 2015, and the baseline assessment for properties in the area was set as of December 31, 2014.



When the CRL was approved in 2013, 52% of the area was considered underdeveloped (i.e., 32% was vacant or used as surface parking and 20% had two storeys or fewer). Between 2013 and 2021, one-quarter of the vacant or under-developed land was developed. Based on reports from the City of Edmonton in 2021, the catalyst projects in the area helped trigger a major surge in private investment. The projects have spurred more than $4B in new development that was completed or under construction, and now just 23% of the land is vacant or used as surface parking (compared to 32% in 2013), and 16% is under-developed with two storeys or less (compared to 20% in 2013). To date, $544M of capital projects have been approved with funding from the CRL, and as of 2021, the CRL estimate was refined to generate between $761 and $879M over 20 years.

The Capital City Downtown CRL was used to partially fund not only an arena building and related public infrastructure, but also many other projects. For example, a community rink, a green and walkable downtown, stormwater drainage servicing, underground infrastructure, promenades in the River Valley, a downtown incentive program, a park, a cultural centre, and a pedway. The arena was seen as a multipurpose facility that could be utilized as a catalyst to spur redevelopment and serve as a landmark / anchor within the area.

The debt draws are made to match actual capital expenditures and minimize interest costs. At the end of 2020, $355M had been borrowed. The draws had amortized repayment terms over 5, 10, 15, and 20-year terms with interest rates ranging from as low as 1.228% to as high as 3.406%. The borrowing does affect Edmonton's borrowing limit but its $526M in approved borrowing and $123M in future potential borrowing associated with an expansion are all within the limits of the Municipal Government Act and the City of Edmonton's Debt Management Fiscal Policy. The City borrows almost exclusively through the Government of Alberta's Treasury Board and Finance (TBF).

Debt servicing exceeded the CRL's revenues in the initial years, resulting in a temporary shortfall. To handle this, the City created a reserve for the CRL which accumulated a negative position each year that expenses exceeded revenues. The reserve will be repaid when the CRL's revenues exceed its expenditures, which has occurred in 2019 and 2020 (as of 2021). Temporary shortfalls are projected to

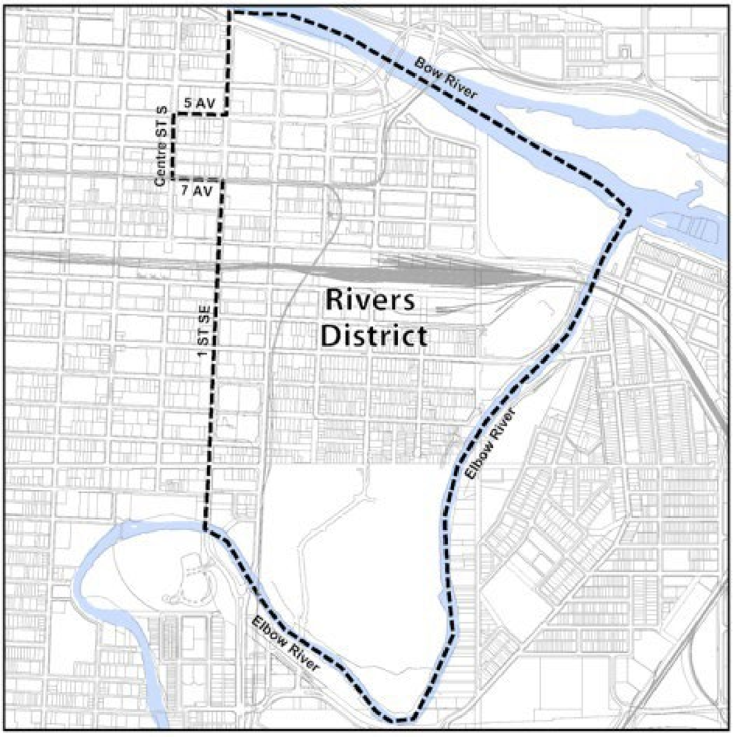
[27] City of Edmonton. *Downtown CRL Fact Sheet*. Retrieved from: https://www.edmonton.ca/public-files/assets/document?path=Downtown_CRL_fact_sheet.pdf
[28] The Belvedere CRL was established in 2013 to address a declining commercial area with extensive redevelopment and improved access, and it is applicable to a neighbourhood in northeast Edmonton. It was established. The Quarters Downtown CRL was established in 2012 to address one of the oldest neighbourhoods in Edmonton that has not experienced redevelopment (e.g., unimproved surface parking lots, crime and social issues, inadequate infrastructure for new development, and environmental contamination from historic industrial uses).
[29] City of Edmonton. *Bylaw 16521: City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw*. Retrieved from: https://www.edmonton.ca/public-files/assets/document?path=PDF/16521.pdf
[30] City of Edmonton. *Bylaw 16521: City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw (Reduced)*. Retrieved from: https://www.edmonton.ca/public-files/assets/document?path=PDF/SIGNED_BYLAW_16521_Reduced.pdf

occur again in 2023 and 2024. As of 2021, no tax levy increases were planned to cover the temporary shortfalls.

The City recognizes that the analysis that was done on its CRL projects are based on assumptions and projections that are subject to change over time. For this reason, it notes there is a risk that some or all of the revenues may not be realized as planned. If revenues fall significantly behind, implementation of catalyst projects may be delayed. In the event that revenues from the CRL are insufficient to repay its borrowings, ongoing municipal tax revenues generated within the CRL area will be applied to fully repay the reserve and then be released for general municipal purposes.[31]

City of Calgary (Alberta)

In 2007, the City of Calgary approved a Rivers District Community Revitalization Plan to fund an infrastructure program that will facilitate the reclamation, redevelopment, and revitalization of an underdeveloped inner-city area, as much of the area was stagnant for decades. This was delineated into two phases – an initial phase to kick start the redevelopment of the East Village portion of the Rivers Districts and a Riverwalk (road raising and flood proofing, regional pathway network) for approximately five years at a cost of $135M (in 2007 dollars). This was to be undertaken over a five-year period with a cost escalation factor of 18% per year assumed, as suggested by the engineering consultants at the time. Other infrastructure projects were also proposed, which would commence after the initial projects were underway, which were all prospective at the time of the plan's creation and not scoped in significant detail.[29] However, the estimated range of costs was $715M to $1,315M for a four-street connector, environmental remediation, a parking facility, new central library, police headquarters, and other infrastructure in the Beltline and East Downtown neighbourhoods.



Similar to Edmonton, the plan assumed a 20-year period for the CRL, during which time the province agreed to forgo a portion of their property tax revenues, thereby enabling the City to leverage the contribution to fund the redevelopment projects. In 2007, the residential assessment base in the Rivers District was approximately $328M, and the non-residential base was approximately $647M (a total of $975M). The total annual property tax revenues generated from properties in the area was $10.8M. It was estimated that approximately $8.4B to $11.6B in residential assessment value will be added into the Rivers District over the 20-year period, along with $3.8B to $6.7B in new non-residential assessment value. As a result, the CRL was estimated to generate between $725M and $1,116M in revenues[32]

The plan required the City to borrow $135M to front-end the cost of the initial projects. As other projects are identified and approved, further borrowing was anticipated to be put forward. A special purpose vehicle, entitled the Calgary Municipal Land Corporation (CMLC), was established to implement, and execute the plan. Authority for administration, project management, and delivery was delegated to CMLC, and all associated costs related to CMLC were intended to be covered through the CRL. The 2007 plan called for $10M to be advanced from the City to CMLC to provide cash flow prior to the collection of CRL revenues and thereby facilitate the start of construction of certain subprojects and undertake environmental remediation initiatives. This was assumed to be repaid with accrued interest over the first five years of redevelopment. [33]

[31] City of Edmonton. *Bylaw 16521: City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw*. Retrieved from: https://www.edmonton.ca/public-files/assets/document?path=PDF/16521.pdf
[32] City of Calgary. *Rivers District Community Revitalization Plan.* Retrieved from: https://www.calgary.ca/content/dam/www/cs/cpb/documents/rivers/rivers-community-revitalization-plan.pdf
[33] City of Calgary. *Rivers District Community Revitalization Plan.* Retrieved from: https://www.calgary.ca/content/dam/www/cs/cpb/documents/rivers/rivers-community-revitalization-plan.pdf

Wherever possible, the City planned to use regular amortizing debt to match repayments to projected cash flows while minimizing interest costs. This type of debt was intended to potentially be used in conjunction with specific lump sum principal repayments negotiated to optimize the City's debt structure. It was also assumed that certain projects would be financed through structured debt to better match the cashflows associated with the CRL. This type of debt utilizes interest-only payments for the first half of the term and the principal is only

amortized over the last half of the term, providing flexibility when cashflows are constrained. The City assumed terms of 5, 10, 15, and 20 years at approximately 5.00 to 5.25% in 2007.[34]

The CRL was estimated to generate between $725M and $1,116M over 20 years, with a mid-point estimate of $945M (the average between the high and low scenarios, but which does not represent a separate set of assumptions). There were several major office developments planned, along with institutional developments such as the Urban Campus and Calgary Public Library at the time. The high scenario assumed that all planned office and institutional developments would proceed (including 3.7M square-feet of office). The low scenario assumed that these developments would not occur.[30]

Similar to Edmonton, it was assumed that all borrowings would take place through Alberta Capital Finance Authority (which was dissolved in October 2020, so loans are now managed through the Government of Alberta's department of Treasury Board and Finance) but other financial institutions or capital markets could be utilized if specific circumstances and flexible borrowing arrangements were required. If insufficient revenues were generated, the general tax revenues would be a backstop to fund any borrowing costs that remain. In addition, the City's staged approach enabled the implementation plan to be adjusted if cashflows cannot support them.[30]

The figures below illustrate the impact of the infrastructure investments. The figure from 2007 is from the original plan in 2007, while the figure on the right is from CMLC's website as of February 2023.

The Rivers District in 2007[30]

The Rivers District in 2022[35]

In CMLC's 2021 Annual Report, produced 14 years after the initial plan, CMLC reported that 2021 marked the 13th year that it collected the CRL in the Rivers District. The revenue was $68.8M 2021 and $69.8M in 2020. This included $35.9M (2020 - $37.5M) in future CRL revenue associated with the BMO Centre expansion which was recognized to offset project costs incurred throughout the year. Its long-term debt balance as of December 31, 2021, was $325.9M, primarily comprised of $202.8M through ACFA debentures and $98.3M through the BMO City of Calgary loan, among others. There are currently over 30 debentures with interest rates ranging from 1.660% to 5.222%, with projected debt service amounts of $21.2M in 2022, $17.0M in 2023, $16.1M in 2024, etc.[32]

The Rivers District CRL has received criticism related to its boundary and the timing of the baseline assessment values. In 2004, while planning on The Bow Tower was already underway, Calgary's City Council approved to extend the CRL boundary to Centre Street to include The Bow Tower in order to use its property taxes toward revitalizing the Rivers District, and it is said these were planned to be built regardless of the CRL.[36,37]

[34] City of Calgary. *Rivers District Community Revitalization Plan*. Retrieved from: https://www.calgary.ca/content/dam/www/cs/cpb/documents/rivers/rivers-community-revitalization-plan.pdf.
[35] Calgary Municipal Land Corporation. *East Village*. Retrieved from: https://www.calgarymlc.ca/east-village-projects-page#projects-area- featured.
[36] *Calgary Herald*. *'A lot of asterisks': Benefits for city in arena deal not what they seem, economists say.* Retrieved from: https://calgaryherald.com/news/local-news/a-lot-of-asterisks-benefits-for-city-in-arena-deal-not-what-they-seem-economists-say
[37] DMBlog. *East Village Master Plan*. Retrieved from: https://dmblog.com/east-village-master-plan

City of Winnipeg, (Manitoba)

The City of Winnipeg has a Sports Hospitality Entertainment District (SHED) as a focal point of the revitalization of Winnipeg's downtown. It's an 11-block area with residential and commercial properties. Revitalization efforts included custom street lighting, signage that creates a vibrant atmosphere, a wayfinding system, wider sidewalks, reduced drive lanes to slow cars, and cafes and shops lining the street.[38] A total of $25M in capital investment was made in the SHED, funded equally by the City of Winnipeg and the Province of Manitoba.[39]

In July 2012, the City of Winnipeg established a TIF zone and financing programs in designated areas for the purpose of encouraging investment or development. The base year property tax amount was established as $1,539,524, being the municipal real property taxes imposed on all properties within the SHED TIF Zone, as of January 1, 2012. Beginning in 2013, the City of Winnipeg was to ensure that 80% of the municipal real property taxes, to a maximum of $12,500,000, are set aside and paid in accordance with direction provided by Council to support public investments that were approved in principle in July 2010. The By-Law terminates and ceases to be in effect when the cumulative incremental municipal real property taxes set aside total $12,500,000.[40]

The SHED differs from the DEED in that a TIF was not used to fund an arena, stadium, or major facility of any kind. Instead, TIF was used to revitalize the area with a relatively small investment of $25M.

2.3.2 City of Saskatoon Implications

Lessons Learned & Applications to Saskatoon

Financial Considerations

To the extent that the TIF revenues are insufficient to cover the debt service, a city is generally required to cover the shortfall through other funding sources. For example, as of February 2021, the projections for the Belvedere CRL show revenue of $432.3M in taxes and land sales, which was a decrease of nearly $2M from 2019 and $10.9M from the plan that was approved in 2012. A decrease in market values due to the pandemic and slower than anticipated development are responsible for the reduction. As a result, the projected shortfall when the CRL expires in 2032 is now $11.9M, so ongoing municipal tax revenues would be required to cover the remaining debt by 2039.[41]

Other Considerations

Based on lessons learned and practices in other jurisdictions, the following additional options may be taken into consideration by the city in the potential implementation of a TIF:

- **Implement projects in phases:** Revitalization plans could be delineated into distinct phases and spread over time to enable responsiveness to changing economic conditions, allow the cash flows from the levies to begin covering debt service and funding subsequent projects, and reduce the overall risk profile. This approach also enables the city to reduce borrowing costs by better matching the sources of cash (borrowing) with the required uses of cash (development) over time.
- **Establish a reserve fund:** A separate reserve fund could be established to manage the fluctuations in cash inflows (TIF revenues) and outflows (development) over time.
- **Consider broader infrastructure improvements:** In order to draw greater investment and increase the livability of the surrounding area, Saskatoon could consider related investments in infrastructure improvements. For example, this could include other community facilities / cultural centres, improvements to pedestrian walkways and parks, a downtown incentive program, and pedways. While an arena and other event / entertainment facilities may serve as an effective landmark / anchor, it is the other infrastructure improvements that offer overall improvements to the general atmosphere of a downtown core.

[38] Stantec. *Winnipeg Sports, Hospitality, and Entertainment District.* Retrieved from: https://www.stantec.com/en/projects/canada- projects/s/sports-hospitality-entertainment-district-shed
[39] City of Winnipeg. *Report Recommends Reallocation of Existing SHED Funding*. Retrieved from: https://www.winnipeg.ca/news/2017- 03-10-report-recommends-reallocation-existing-shed-funding
[40] City of Winnipeg. *By-Law No. 98/2012.* Retrieved from: https://clkapps.winnipeg.ca/dmis/docext/ViewDoc.asp?DocumentTypeId=1&DocId=5811
[41] City of Edmonton. *Belvedere CRL facing $11.9M revenue shortfall - Taproot Edmonton.* Retrieved from: https://edmonton.taproot.news/news/2021/02/22/belvedere-crl-facing-119-million-revenue-shortfall

- **Engage with developers:** Assuming a staged implementation approach, cities can benefit from negotiating realistic timeframes with developers for construction and absorption and then determining the most cost-effective timing for debt. The debt issuance associated with TIFs should be issued at the last possible moment (i.e., when the private sector has committed a negotiated development program) to minimize financing costs and maximize value for money. (This is separate and distinct from the date upon which the base assessment values are determined.)
- **Continual updates to projects:** As the assessment values of properties and macroeconomic conditions will evolve over time, the City should consider frequent (e.g., annual) updates to its revenue and expenditure projections to ensure there is sufficient cash flow to cover debt service.
- **Assess, monitor, and report:** Assess the current state of vacant and underdeveloped land and monitor changes over time to enable reporting on outcomes. This fosters accountability and enables data-driven decision-making on whether to continue to invest in future stages over time. According to *Improving TIF for Economic Development,* the authors point to programs in Wisconsin and Illinois, where state agencies track and report on total property tax revenues going to TIF districts, and local governments are required to report detailed information related to revenues and their tax base. This practice improves the overall transparency associated with earmarking funds toward a project.[42,43]
- **Create a special-purpose vehicle:** Saskatoon could consider Calgary's approach in creating a special-purpose vehicle for administration, project management, and project delivery. In Calgary, all of the costs associated with its activities are included in the overall project costs and funded by its CRL.
- **Identify planned projects:** Refine development and associated revenue projections based on any anticipated major development projects, and build these into scenarios, as these have the potential to significantly impact the incremental tax revenues.
- **Negotiate the provincial education component:** In Alberta, the province has approved the reallocation of Education property taxes for both Edmonton and Calgary's CRLs for the City's purposes. This represents a significant portion of revenue and would have a similar impact in Saskatoon / Saskatchewan.
- **Consider base assessment value timing:** The advantages of implementing the base assessment value at a past date is that the incremental revenues, relative to the historical base assessment value, will generally be higher (assuming property values have increased since then), which results in higher revenues available for debt service. Further, this would capture any initial increases in value of properties in the TIF Zone driven by speculation related to the DEED project's impact. The disadvantage, however, is similar to the disadvantages described for TIF in general, which is that the sooner the base assessment value is set, the sooner the incremental revenues would be diverted away from the general revenue fund, which means other revenues must offset a greater difference.
- **Consider tax abatements:** As the TIF relies on incremental tax revenues, the advantages and disadvantages of tax abatements for developers should be considered. While an abatement may incent development or other community outcomes, it would reduce the TIF's revenue potential. This may include reviewing existing tax abatements in the defined area as well as robust analysis and consideration of future abatements in the area.

Potential Revenue Tool Design

The City of Saskatoon could define a reasonable boundary surrounding the anticipated DEED infrastructure and determine a baseline assessment value. This baseline could then be adjusted for inflation to ensure that the existing properties can continue to financially contribute to Saskatoon's other operating costs over time, although this comes at a cost to the incremental tax revenues, as opting against inflation adjustments to the base AV would result in a larger incremental increase over time simply due to inflationary pressures. The revenue tool could be implemented for a period of 20-30 years, and for the purposes of analysis is assumed to be 25 years. After 25 years, the presumably significant increase in tax revenues could be reallocated to general revenues. The City could negotiate with the Government of

[42] Lincoln Institute of Land Policy. *Improving TIF for Economic Development.* Retrieved from: https://www.lincolninst.edu/sites/default/files/pubfiles/improving-tax-increment-financing-full.pdf
[43] Lincoln Institute of Land Policy. *Hidden Costs of TIF.* Retrieved from: https://www.lincolninst.edu/publications/articles/hidden-costs-tif.

Saskatchewan to also include the Education component of property taxes, as this would align with the approach taken in Edmonton and Alberta and would have a significant impact on the amount of taxable revenue that could be used to fund the DEED.

Stakeholder Impacts

The property taxes paid by individuals in the TIF zone would not be changed as a result of the TIF, as a TIF simply reallocates tax revenues toward a particular project or projects instead of directly increasing taxes. However, citizens of Saskatoon would still be impacted by this revenue tool. Tax increment financing relies on the property tax revenues generated from the increase in taxable assessed value in a designated area. In effect, the taxable assessed value of the entire City is reduced by the assessed value reallocation in the TIF zone. This precludes the increased property tax revenues in the TIF zone from being distributed to the general revenue funds when the TIF period is active. As a result, other properties in the City will need to pay more in property taxes to cover the shortfall in incremental tax revenues anticipated to be generated from the TIF zone.

In other words, while the general tax base is not directly responsible for repaying the debt associated with the Project, their taxes would indirectly be used to cover the incremental tax revenues that would have otherwise been generated in the TIF Zone over the period of time when the TIF is active. Earmarking projected tax revenues for a specific project also limits the standard oversight for funding allocations by elected officials for a set period of time. As a result, the people who live in Saskatoon and pay property taxes (directly through ownership or indirectly through rental costs that have absorbed property taxes) should be aware of, and engaged with, regarding TIF's trade-offs. Further, if the revenues generated through TIF are insufficient, ultimately general revenues will need to cover the shortfall following the completion of the TIF period. On the other hand, new developments related to the DEED could be anticipated to spur additional new development that would lead property values and economic business impacts in the whole region. This incremental growth would not be as significant without a major development. In addition, the City expects infill development Downtown to require limited additional civic infrastructure to support it, and the area is already captured within existing service or civic areas, so the incremental operating costs to service the new development is anticipated to be marginal.

The provincial government is also a key stakeholder, as the City may wish to contemplate the inclusion of the Education component of property taxes in its revenue sources. This has occurred in Alberta, but the current legislation in Saskatchewan does not enable this approach. Whether the Education component is included or not, the provincial government will still be critical to engage, as approvals will be necessary at that level to move forward with tax increment financing. As a component of this stakeholder, the City would likely need to consider engaging with the Saskatchewan Municipal Board (SMB) and Local Government Committee (LGC) regarding municipal debt limits and the potential impact that a TIF could have on the limit in Saskatoon.[44]

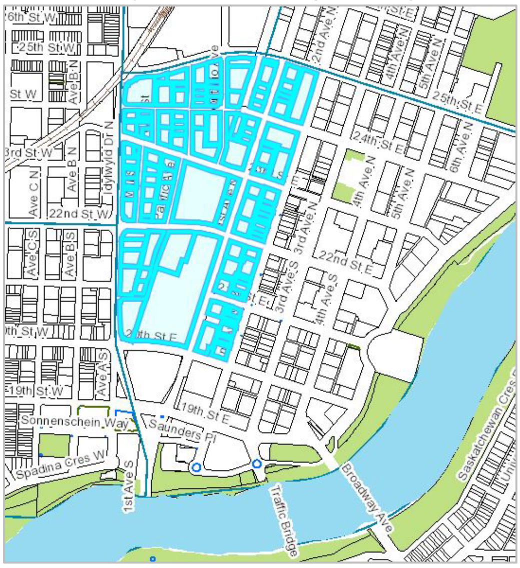
2.3.3 Implementation Approach

Potential TIF Zones

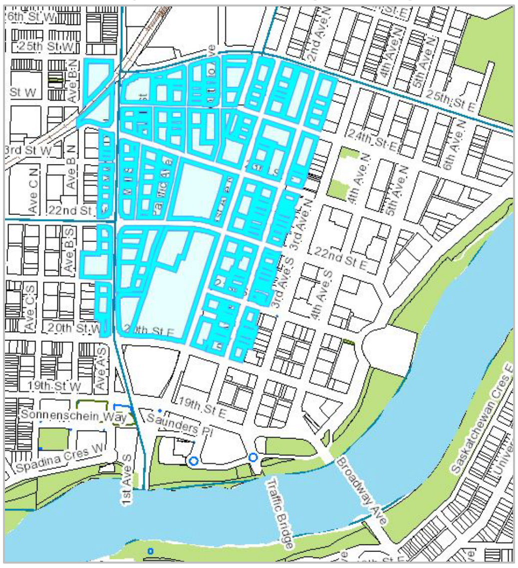
The revenue potential has been estimated for two zones preliminarily being contemplated by the City, as shown in the figures below. Also, the tables below are structured to show the differences in estimated revenue based on the inclusion or exclusion of the Library or Education components of property taxes. Further, three growth rate scenarios have been considered for the purposes of illustrative scenario analysis. For more information on the underlying assumptions, please see Appendix A - Supplemental Revenue Potential Estimates.

[44] Government of Saskatchewan. *Apply to Establish a Debt Limit.* Retrieved from: https://www.saskatchewan.ca/government/municipal- administration/funding-finances-and-asset-management/apply-to-establish-a-debt-limit.

Preliminary TIF Zone #1 (40.6 ha)[45]



Preliminary TIF Zone #2 (51.5 ha)[45]



Estimated Revenue Potential

TIF Zone #1 (40.6 ha)[46]

The estimated revenue potential for Tax Increment Financing for Zone #1 (40.6 ha) ranges from $61.4M to $490.5M in nominal figures, depending on the assumed growth rate and the inclusion / exclusion of the Library and Education components. This represents an estimated $4.3M per year in discounted and annualized revenues over the assumed 25-year TIF period, including the Education and Library components. For more information on the assumptions, base case, and scenario analysis, please see Appendix A - Supplemental Revenue Potential Estimates.

Growth Rate Scenario	Low/Pessimistic (2.7%)	Base Case (5.4%)	High/Optimistic (8.1%)
Total Estimated Nominal Tax Revenues ($M) incl. Library and Education Components	106.0	261.2	490.5
Discounted and Annualized Tax Revenues ($M) incl. Education and Library Components	*1.8*	*4.3*	*7.9*
Total Estimated Nominal Tax Revenues ($M) incl. Library but excl. Education Components	67.7	166.9	313.4
Discounted and Annualized Tax Revenues ($M) incl. Library but excl. Education Components	*1.1*	*2.7*	*5.0*
Total Estimated Nominal Tax Revenues ($M) excl. Library and Education Components	61.4	151.3	284.1
Discounted and Annualized Tax Revenues ($M) excl. Library and Education Components	*1.0*	*2.5*	*4.6*

If Saskatchewan had a more frequent property reassessment cycle, more closely resembling Alberta's annual reassessment cycle, the total estimated nominal tax revenues (assuming the inclusion of the Library and Education components) are estimated to be $373.2M instead of the $261.2M shown in the table above.

TIF Zone #2 (51.5 ha)[47]

The estimated revenue potential for Tax Increment Financing for Zone #2 (51.5 ha) ranges from $69.6M to $558.4M in nominal figures, depending on the assumed growth rate and the inclusion / exclusion of the Library and Education components. This represents an estimated $4.7M per year in discounted and

[45] These TIF zones were provided to KPMG by the City and are preliminary at this time, for analysis purposes.
[46] Based on KPMG's analysis of information provided by the City of Saskatoon.
[47] Based on KPMG's analysis of information provided by the City of Saskatoon.

annualized revenues over the assumed 25-year TIF period, including the Education and Library components. For more information on the assumptions, base case, and scenario analysis, please see Appendix A - Supplemental Revenue Potential Estimates.

Growth Rate Scenario	Low/Pessimistic (2.7%)	Base Case (5.4%)	High/Optimistic (8.1%)
Total Estimated Nominal Tax Revenues ($M) incl. Library and Education Components	120.6	297.4	558.4
Discounted and Annualized Tax Revenues ($M) incl. Library and Education Components	*2.0*	*4.9*	*9.0*
Total Estimated Nominal Tax Revenues ($M) incl. Library but excl. Education Components	77.1	190.0	356.7
Discounted and Annualized Tax Revenues ($M) incl. Library but excl. Education Components	*1.21.3*	*3.03.1*	*5.55.7*
Total Estimated Nominal Tax Revenues ($M) excl. Library and Education Components	69.6	172.2	323.4
Discounted and Annualized Tax Revenues ($M) excl. Library and Education Components	*1.2*	*2.8*	*5.2*

If Saskatchewan had a more frequent property reassessment cycle, more closely resembling Alberta's annual reassessment cycle, the total estimated nominal tax revenues (assuming the inclusion of the Library and Education components) are estimated to be $424.9M instead of the $297.4M shown in the table above.

It is very important to note that the estimated revenue potentials of $261.2M for Zone #1 and $297.4M for Zone #2 include all three components of the property taxes, and for the purposes of this analysis, the Library and Education components are also included in the information related to, or impacted by, the TIF (e.g., the cost-benefit analysis and summary sections of this Report). This aligns with the approach taken in Calgary's Rivers District CRL and Edmonton's Capital City Downtown CRL. In those cases, the Government of Alberta agreed to commit their education portion to their projects, and the library component is integrated into the city component. Based on the current legislation, it does not appear that the Government of Saskatchewan would commit their Education component by default, so legislative changes / approvals would be required. The tables below outline the revenue potential including all three components of property taxes, as well as the revenue potential with these components excluded (i.e., including only the municipal portion).

The total revenues of $261.2M for Zone #1 equates to an average of $10.4M per year, although most of the revenue would not be anticipated until the later years (e.g., the revenue in year five is $1.5M, whereas the revenue in year 25 is $28.9M). Likewise, the total revenues of $297.4M for Zone #2 equates to an average of $11.9M per year, although most of the revenue would not be anticipated until the later years (e.g., the revenue in year five is $1.7M, whereas the revenue in year 25 is $32.9M.) For this reason, figures that are both discounted and annualized are shown in the tables above.

As the growth rate is challenging to predict with certainty and has the potential to significantly impact outcomes, a lower and higher rate have also been analyzed and demonstrated in the tables below (+/- 0.5x on the base case assumption of 5.4%). As demonstrated in the table below, these rates have a substantial impact on the revenue potential outputs and can be challenging to predict with certainty, especially given the macroeconomic factors that can impact them, which are often outside of the City's control.

Administrative Considerations

As described in the Highlighted Examples section above, Calgary created a special purpose vehicle, CMLC, to implement, and execute the plan. Authority for administration, project management, and delivery was delegated to CMLC, and all associated costs related to CMLC were intended to be covered through the CRL. Given the potential complexity of administering and overseeing the significant development activities, Saskatoon may seek to adopt a similar approach. However, many other jurisdictions have implemented TIFs successfully without the use of special purpose vehicles, so Saskatoon could retain this responsibility directly. While the analysis, monitoring, and reporting related to the TIF would require administrative effort, the actual collection and enforcement activities related to this revenue tool are anticipated to be straightforward, as the revenues are generated through existing property tax systems and processes.

Approvals and/or Other Key Stage Gates

In Saskatchewan, *The Cities Act* gives cities the authority to establish a TIF program through a bylaw. *The Cities Act* defines what the funds could be used for, and a new arena and convention centre would qualify. According to section 281.1 of *The* Cities *Act*, the boundaries would be defined, and a baseline would be set. Then, for a set period of time, the incremental taxes would be placed in a reserve that can be used to:

- Benefit the area by acquiring, constructing, operating, improving, and maintaining works, services, facilities, and utilities of the city;
- Repay borrowings associated with activities undertaken pursuant to the preceding subclause;
- Fund a financial assistance program for persons who invest in developing or constructing property in the area;
- Give financial assistance to persons who invest in developing or constructing property in the area;
- For any other matter consistent with the purpose of the program that the council considers necessary or advisable.

In Alberta, the CRL is legislated and regulated by the Provincial Government and follows this high-level approval process: (1) The provincial government approves the CRL Regulation, (2) Council approves the CRL Plan and Bylaw, and (3) The Plan and Bylaw are advanced to the Provincial Government for final approval.[48] Before a bylaw can be passed, cities in Alberta must prepare a community revitalization plan; hold one or more public hearings on the proposed community revitalization plan; and make and keep a record of any public hearings, and make the results of those hearings available to the public.[49]

The following are the specific administrative and procedural steps, including the associated timing, as it relates to the approval of Edmonton's Capital City Downtown CRL's:

- On March 5, 2013, City Council approved the Community Revitalization Levy area.
- On May 8, 2013, City Council approved a list of catalyst projects to form the basis of the Capital City Downtown Community Revitalization Levy.
- On July 25, 2013, The Province of Alberta approved the boundary, parameters, and framework in the City of Edmonton Capital City Downtown Community Revitalization Levy Regulation, A.R. 141/2013.
- On September 17, 2013, City Council approved the City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw 16521.
- On April 16, 2014, the City of Edmonton Capital City Downtown Community Revitalization Levy Bylaw 16521 was approved by the province by Order in Council 151/2014.

A key distinction between the CRL in Alberta and the TIF in Saskatchewan is that Alberta has approved the reallocation of the Education portion of property taxes to the cities' projects, while Saskatchewan's legislation limits the taxes levied to only the municipal portion. A legislative amendment would be required to include the Education portion of the property tax in the TIF revenues if this is desired by the City of Saskatoon.

2.3.4 Cost-Benefit Analysis

As described above, a TIF is used to fund development projects in certain designated areas by using the increased property tax revenues, generated by the development, to pay for the project costs. In the case of the DEED, a TIF district would be established in the area surrounding the facilities, and the property values in the area are anticipated to increase, resulting in higher property taxes being paid by property owners. The increased tax revenue is then often used to repay the loans associated with developing the arena.

The property values in the TIF district or boundary are assumed to increase due to the DEED, which would directly benefit property owners. However, the increase in the properties' assessed value would also result in the property owners paying higher property taxes, which is beneficial to the city but a direct cost to those property owners.

Assuming a consistent 2% inflation rate, the assessed value for preliminary DEED Zone #1 would increase from $845.1M to $1.38B over a 25-year period, but assuming the base case compound annual growth rate

[48] City of Edmonton. *Downtown CRL Fact Sheet*. Retrieved from: https://www.edmonton.ca/public- files/assets/document?path=Downtown_CRL_fact_sheet.pdf
[49] Global News. *Province Approved CRL for Downtown Edmonton*. Retrieved from: https://globalnews.ca/news/742427/province- approved-crl-for-downtown-edmonton/

of 5.40% with the DEED, the total assessed value is assumed to increase to $3.15B. As a result, property owners would stand to benefit by an estimated $1.77B over the next 25 years with the DEED. However, over that 25-year period, it was estimated the property owners would pay an additional $261.2M in property taxes. Therefore, the incremental increase in property tax costs would represent only 14.8% of the incremental increase in property value benefits.

As for Zone #2, assuming a consistent 2% inflation rate, the assessed value for preliminary DEED Zone #2 would increase from $958.6M to $1.56B over a 25-year period, but assuming the base case compound annual growth rate of 5.40% with the DEED, the total assessed value is assumed to increase to $3.57B. As a result, property owners would stand to benefit by an estimated $2.01B over the next 25 years with the DEED. However, over that 25-year period, it was estimated the property owners would pay an additional $297.4M in property taxes. Therefore, the incremental increase in property tax costs would represent only 14.8% of the incremental increase in property value benefits.

2.4 Vehicle Rental Tax

2.4.1 Overview

Introduction

Vehicle rentals are often subject to an extensive list of taxes and fees. For example, concession recovery fees or premium location surcharges (to cover the rental company's cost of generating revenue at a specific location, such as an airport); vehicle license recovery fees (to cover the rental company's cost of licensing the vehicle, including vehicle title, license plates, registration fees, etc.); energy recovery fees (to help offset escalating energy costs related to business operations); parking surcharges (to help offset the cost of parking at certain locations); air conditioning excise recovery fees (to cover the cost of the Federal excise tax on air conditioners); environmental fee recovery charge (to cover fees paid when purchasing products that require special disposal, such as oils and oil filters in Ontario); tire management fees (to recover the costs associated with purchasing, storing, and changing seasonal tires in Quebec); and frequent travel program fees (applicable for rentals where miles, points, or credits are awarded and then charged to offset the cost to the rental companies for participating in these programs).

In Saskatoon, the following charges are applied:

- Concession Fee Recovery (applicable to rentals from the airport) of 14.94%
- Vehicle License Fee / Air Condition Recovery Fee of approximately $1.25/day
- Goods and Services Tax (GST) of 5.0%
- Provincial Sales Tax (PST) of 6.0%

Some jurisdictions in Canada and the USA also impose various forms of a vehicle rental tax, primarily on short-term vehicle rentals. This type of tax is not particularly common in Canada, and it does not exist elsewhere at the municipal level, but some municipalities in the USA have legislative authority to do so.

Options and Considerations

Key decisions related to this revenue tool include the following:

- Structure: Whether the fee is imposed as a fixed fee or on a percentage basis
- Rates: How much the City will charge
- Collection: How the City will administer the collection, audit, verification, and enforcement of the tax
- Jurisdictions: How the City will manage one-way rentals going to/from out-of-province or City locations
- Applicability: The types of vehicles, rental durations, and other fees and charges to which the tax applies and if there are exemptions
- Maintenance: The schedule and method for adjusting the rates, if applicable

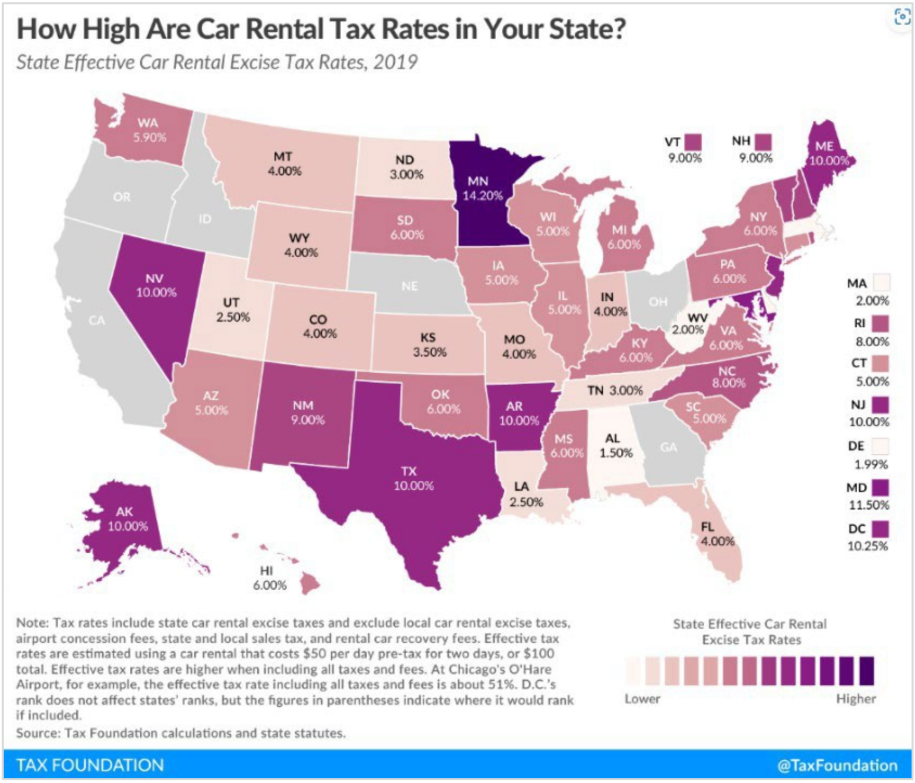
Highlighted Examples

Province of British Columbia

The Province of British Columbia implemented the Passenger Vehicle Rental Tax (PVRT) in April 2013.[50] It applies to rented vehicles and car sharing services for a period of more than eight consecutive hours, but less than 28 consecutive days. The PVRT is charged at a rate of $1.50/day, and GST applies to the PVRT.[51] While most sales taxes are calculated on the base price of the good or service, the PVRT is an exception. After the provincial government adds $1.50 per day in PVRT, the federal government charges 5% GST on the total (an extra 7.5 cents per day). Based on publicly available information, British Columbia is the only province in Canada with a vehicle rental tax at this time.

United States of America

While vehicle rental taxes are less common in Canada, they are ubiquitous in the United States of America (USA) at both the state and municipal level. However, the authority to implement a vehicle rental tax is typically controlled at the state level.[52] For example:



- Some states have only state-wide surcharges, but no localities levy their own (either because they do not have the authority to do so or because they have decided against it): For example, Alabama (1.5%), Alaska (10%), Arkansas (10%), Florida ($2 per day)
- Some states have no state-wide surcharges but allow localities to levy their own: For example, Arizona (Pima County levies $3.50 per rental), California (Los Angeles levies 9.5%), Oregon (Multnomah County, including the City of Portland, levies 17%)
- Some states have state-wide surcharges and allow localities to levy their own: For example, Colorado ($2 per day state-wide fee, plus 7.25% in Denver), New York (6% state-wide tax, plus 5% in New York City)
- Some states' cities have levies dedicated to infrastructure, such as $10 per rental contract in Massachusetts to help fund convention centres or 2% in Detroit to help fund a stadium[50]
- One state and its localities have no levies: Idaho.

A visual illustration of the car rental excise taxes by state in 2019 is shown in the figure to the right for reference. (Note that the state-level taxes shown below will differ from the municipal and state levies described above.)[53]

City of Boston, Massachusetts

As an example of a city with a levy dedicated to infrastructure, all vehicle rentals in the City of Boston are

[50] Modo. *Passenger Vehicle Rental Tax, BC carsharing and car rentals over 8 hours subject to PVRT*. Retrieved from: https://modo.coop/site/passenger-vehicle-rental-tax
[51] ICBC. *Passenger Vehicle Rental Tax (PVRT)*. Retrieved from: https://www.icbc.com/partners/material-damage/Documents/job-aid- passenger-vehicle-rental-tax.pdf
[52] AutoSlash. *States with Highest Car Rental Taxes and Fees*. Retrieved from: https://blog.autoslash.com/states-with-highest-car-rental- taxes-and-fees/
[53] Tax Foundation. *Reforming Rental Car Excise Taxes*. Retrieved from: https://taxfoundation.org/reforming-rental-car-excise-taxes/

subject to a $10 'Convention Centre Surcharge', meant to help pay for the construction and renovation of convention centers in five Massachusetts cities. The State has a *Convention Centre Act* that provides legislation regarding convention centre financing fees and surcharges.[54] Taxing car rentals to pay for civic projects, such as convention centres or stadiums, is reported to be a frequent practice in the USA, as local governments tend to prefer making tourists and business travelers pay for civic projects.[55] It is applied to each vehicular rental contract in Boston, and all operators of the vehicle rental businesses must collect the $10 surcharge on rental contracts signed or executed in Boston for passenger cars, trucks, vans, and trailers (excluding the rental of a trailer hitch).[56] A vehicle contractor is considered to be "in Boston" when the vehicle is received by the customer at a business location of the rental company in Boston or when the vehicle is not received by the customer at a business location of the rental company, if the vehicle is received by the customer in Boston.[57] The surcharge is not subject to Massachusetts' sales tax and must be stated separately from the sales price and sales tax.

2.4.2 City of Saskatoon Implications

Lessons Learned & Applications to Saskatoon

General Considerations

- Periods of time: Most jurisdictions apply the tax only on vehicles rented over a minimum duration and under a maximum duration (e.g., at least eight hours but fewer than 28 consecutive days).
- Fee structure: While some jurisdictions charge fixed fees, including the only example of this revenue tool in Canada (British Columbia), percentage-based charges are most common in the United States. This enables the revenue tool to scale in alignment with the price sensitivity of consumers.
- Billing: Most jurisdictions require vehicle rental suppliers to state the tax separately on invoices to make it easier to audit and enforce the collection, or they must state that the charge tax is included in the total charge. If suppliers do not state the charges as separate from the gross rental receipts, the jurisdiction may collect the tax on the entire lump-sum charge.

Potential Revenue Tool Design

Saskatoon could consider implementing a vehicle rental tax similar to British Columbia's but with a percentage-based rate instead of a fixed rate so that the tax can scale in alignment with the price sensitivity of consumers. Similar to British Columbia's PVRT, bookings of eight hours or less could be exempt from the tax. The rationale for this exemption is not known with certainty, based on publicly available information, but it may be to avoid discouraging the use of car-sharing platforms, as these can reduce traffic congestion and parking requirements with fewer vehicles shared among a large group of people. While these are less common in Saskatoon than larger cities, such as Vancouver, this may still be beneficial in the future as car sharing options continue to increase in adoption as an affordable alternative to private vehicle ownership.

As GST is applied to the base price of a vehicle rental and the PVRT, it is assumed this would also be the case in Saskatoon. However, it is assumed that PST would apply only on the base price. These considerations would need to be contemplated and confirmed through legislative and/or regulatory changes. Lastly, the tax could be based on the final length of the booking. For example, if a vehicle is booked for nine hours but returned one hour early (eight hours), then it would be considered an eight-hour booking and the tax would not apply.

Stakeholder Impacts

The number of vehicle rental locations in Saskatoon is estimated to be approximately 35, including locations from companies such as Enterprise (6), Easy Rent Auto (5), Car Rental Saskatoon (4), Budget (3), Avis (2), Hertz (2), Thrifty Car Rental (2), and others (e.g., National, Dollar Car Rental, Alamo Rent-a-Car, etc.).[58] These stakeholders can be anticipated to be negatively affected by a vehicle rental tax, as it

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[54] State of Massachusetts. *Convention Center Financing Surcharges*. Retrieved from: https://www.mass.gov/info-details/convention- center-financing-surcharges
[55] Wired. *What Are All Those Weird Fees on Your Rental Car Receipt?* Retrieved from: https://www.wired.com/2014/12/silly-fees-rental- car-blame-local-politicians/
[56] State of Massachusetts. *Convention Center Financing Surcharges*. Retrieved from: https://www.mass.gov/info-details/convention- center-financing-surcharges
[57] State of Massachusetts. *Convention Center Financing Surcharges*. Retrieved from: https://www.mass.gov/info-details/convention- center-financing-surcharges
[58] Based on KPMG's analysis of vehicle rental locations in Saskatoon, as of November 2022, using Google Maps.

will factor into a consumer's decision to rent a vehicle or reduce their willingness to pay for the service. In addition, it would likely require administrative efforts associated with implementing the tax into their tools and processes.

In addition, Discover Saskatoon is a stakeholder that represents nearly 400 members related to the tourism industry and works with them to attract visitors to Saskatoon. Discover Saskatoon would be a key stakeholder, as they attract tourists into the City of Saskatoon and the vehicle rental tax target market is tourists. Lastly, individuals who rent vehicles would be impacted by this revenue tool, as it would increase the cost of vehicle rentals and could potentially incentivize them to consider alternative options.

2.4.3 Implementation Approach

Estimated Revenue Potential

Statistics Canada reports that the amount spent on motor vehicle rentals in Saskatchewan has ranged from as low as $16.9M in 2021 to as high as $29.5M in 2019, with an average of $24.1M per year. Adjusting for inflation over this period, this results in $27.3M per year. Saskatoon's population represents 23.9% of Saskatchewan's population. However, a significant majority of vehicle rental locations are located in large or medium-sized urban centres. This is likely because living in a rural community often necessitates vehicle ownership, fewer tourists are anticipated to travel to rural communities by methods other than personal vehicles, and smaller populations are unlikely to provide sufficient revenues . An analysis of the 20 largest municipalities in Saskatchewan indicates that very few beyond the seven largest have at least one vehicle rental location, and of those beyond the top seven. Saskatoon's population represents 42.5% of the top seven municipalities' populations. Recognizing that there may be a very small number of additional vehicle rental locations in smaller cities throughout Saskatchewan, a rate of 40.0% has been assumed for Saskatoon, instead of 42.5%. As a result, it is estimated that total annual sales of $10.9M are attributable to Saskatoon. Across 35 estimated locations, this results in $312.4K per location.

The estimated revenue potential for the Vehicle Rental Tax is estimated to be $1.1M per year at a 10% tax rate, ranging from $0.5M at a 5% tax to $1.6M at a 15% tax. For more information on the underlying assumptions and data sources, please see Appendix A - Supplemental Revenue Potential Estimates.

Millions of Dollars	Low (5%)	Med (10%)	High (15%)
Total estimated pre-tax sales before elasticity deduction	10.9	10.9	10.9
Less: Elasticity of demand adjustment (-0.36)	(0.2)	(0.4)	(0.5)
Total estimated pre-tax sales after elasticity deduction	**10.7**	**10.6**	**10.4**
Annual revenue potential after elasticity deduction	**0.5**	**1.1**	**1.6**

Administrative Considerations

The major vehicle rental agencies would need to update their point-of-sale and online systems to capture and state this tax separately from other base charges, fees, and taxes. It would then be their responsibility to remit the payments on a monthly, quarterly, or annual basis – depending on what the City determines. Some jurisdictions require different remittance frequencies depending on the scale of a supplier's operations for other forms of taxes (i.e., smaller suppliers would have to remit less frequently than large suppliers). The City would then be responsible to manage compliance and audit the collection and remittance of the tax on an ongoing basis.

Approvals and/or Other Key Stage Gates

Municipalities cannot currently charge an indirect tax unless the particular type of tax is permitted within legislation. Therefore, legislative changes would be required in order to implement this tax.

2.4.4 Cost-Benefit Analysis

The estimated annual revenues across all vehicle rental locations in Saskatoon is $10.9M, and there are an estimated 35 locations. This results in approximately $0.31M in revenue per location. An elasticity rate of -0.36 has been assumed for estimating the revenue potential of a vehicle rental tax, based on a range of potential tax rates, which means that total revenue would decrease to $10.4M - $10.7M or $0.30M - $0.31M per location (between 1.8% and 5.4%).

Assumed Tax Rate	Low (5%)	Medium (10%)	High (15%)
Current State			
Total revenue ($M)	10.9	10.9	10.9
Revenue per location ($M)	*0.31*	*0.31*	*0.31*
Future State with No Growth			
Current state total revenue ($M)	10.9	10.9	10.9
Less: Elasticity deduction ($M)	(0.2)	(0.4)	(0.6)
Resulting total revenue ($M)	10.7	10.5	10.3
Resulting revenue per location ($M)	*0.31*	*0.30*	*0.30*
Change in revenue per location ($M)	*-1.8%*	*-3.6%*	*-5.4%*

While the implementation of a tax ranging from 5-15% is preliminarily estimated to reduce revenue per location by 1.8-5.4%, the DEED project may also be anticipated to increase total demand for vehicle rentals with the introduction of more or better event and entertainment amenities. While the specific details of the DEED are still in progress, as of the time of this report's preparation, illustrative implications can be estimated to demonstrate the impact. The table below outlines the change in revenue per accommodation that could be anticipated with an increase in demand for Saskatoon's vehicle rental providers, resulting from the DEED, with consideration of a potential tax's impact on pricing and demand. The table below has been calculated based on the medium assumed tax rate of 10.0% for all growth rate scenarios.

Assumed Growth Rate	2.5%	5.0%	7.5%
Current state total revenue ($M)	10.9	10.9	10.9
Plus: Growth adjustment ($M)	0.3	0.6	0.8
Resulting total revenue ($M)	11.2	11.5	11.8
Less: Elasticity deduction ($M)	(0.4)	(0.4)	(0.4)
Resulting total revenue ($M)	10.8	11.1	11.3
Resulting revenue per location ($M)	*0.3*	*0.3*	*0.3*
Change in revenue per accommodation (%)	*-1.2%*	*+1.2%*	*+3.6%*

The table to the right demonstrates the impact of combining assumed tax rates with assumed growth rates on the change in revenue per vehicle rental location, expressed as a percentage, which indicates the following:

- At a 5% tax rate, growth of 1.8% would be required for providers to achieve similar revenues per location
- At a 10% tax rate, growth of 3.7% would be required for providers to achieve similar revenues per location
- At a 15% tax rate, growth of 5.7% would be required for providers to achieve similar revenues per location

Change in Revenue per Location (%)		Assumed Tax Rate		
		5.0%	10.0%	15.0%
Assumed Growth Rate	2.5%	+0.7%	-1.2%	-3.0%
	5.0%	+3.1%	+1.2%	-0.7%
	7.5%	+5.6%	+3.6%	+1.7%

2.5 Parking Fee Adjustments

2.5.1 Overview

Introduction

For the purposes of this analysis, this revenue tool is based on the City's own parking operations and potential adjustments related to the hours of applicability, hourly rates, and the neighbourhoods under consideration.

Options and Considerations

Key decisions related to this revenue tool include the following:

- Structure: Whether the fee is imposed as a fixed fee or on a percentage basis (e.g., increasing the hourly rate by a fixed amount, such as $0.50 or $1.00, or through an incremental percentage-increase over time)
- Rates: How much the City will charge (e.g., maintaining $2.00 per hour or increasing the hourly rate to $2.50 or $3.00)
- Timing: Whether the fee will be applied at all times or only at certain times of day or on certain days of the week or year (e.g., extending the hours to 9:00 pm, instead of 6:00 pm, or including Sundays)
- Area: The parking zone(s) or neighbourhood(s) that will be subject to the tax (e.g., including Riversdale or only Downtown)
- Applicability: The locations, types of vehicles, durations, and other fees and charges to which the tax applies, and/or if there are exemptions (e.g., whether agencies of the Federal Government or its political subdivisions, foreign diplomats, or consular employees are exempt – see the State of Massachusetts description below for more information)
- Maintenance: The schedule and method for adjusting the rates, if applicable (e.g., the frequency by which the City of Saskatoon would review and adjust the rates in the future, if applicable)

Highlighted Examples

<u>City of Vancouver</u>

In July 2010, the Province of British Columbia transferred the rights for administration, enforcement, and collection of the Parking Tax to TransLink. Currently, a parking tax rate of 24% is applied on the purchase price of parking rights sold to customers before GST. The 5% GST is then applied on the parking price plus the Parking Tax payable to TransLink. This includes parking rights sold by the hour, month, year, or any other basis, and through ticket vending machines. Taxable parking is defined as “a parking site, space, or area, in which a motor vehicle may, for price or other consideration, be parked for any period of time.” in Vancouver, the taxes collected are used to fund road and transit operations within the region. Similar to other jurisdictions, there are a variety of exemptions, such as trailers that are not self-propelled, ministries of the Government of Canada, vehicle rental companies, etc.[59] While the City of Saskatoon is contemplating an adjustment to the fees charged for on-street parking, instead of implementing a sales tax, this example is still highly relevant as it demonstrates that jurisdictions in Canada have used parking-related activities to generate funds for the purposes of funding public infrastructure, such as road and transit operations in Vancouver’s case.

<u>State of Massachusetts, United States of America</u>

As an example of a city with a levy dedicated to infrastructure, any vehicle that parks in any parking facility built in Boston, Springfield, or Worcester, in conjunction with or as part of the projects authorized by its legislation, is subject to a $2 (per day) surcharge. While the City of Saskatoon is contemplating an adjustment to the fees charged for on-street parking, instead of implementing a levy on vehicles that park in a parking facility, this example is highly relevant as Boston implemented this to help pay for the construction and renovation of convention centers in five Massachusetts cities. The State has a *Convention Centre Act* that provides legislation regarding convention centre financing fees and surcharges. It is imposed once each 24- hour period (i.e., if a person pays a monthly charge for the right to park a vehicle in a convention center facility, the $2 surcharge is imposed on each 24-hour period that the vehicle is actually parked in the facility. Some exemptions exist, such as those for agencies of the USA and its political subdivisions (i.e., if the vehicle is owned, rented, or leased by the USA Government or its political subdivisions), foreign diplomats or consular employee, among others.[60]

2.5.2 City of Saskatoon Implications

Lessons Learned & Applications to Saskatoon

<u>Media / Stakeholder Considerations</u>

A coalition group representing approximately 30 landlords, business owners, and community organizers in Vancouver distributed flyers and leaflets in the downtown core in January 2010 in protest of the tripling of the

[59] TransLink. *Taxes and Charges.* Retrieved from: https://www.translink.ca/about-us/about-translink/taxes-and-charges
[60] State of Massachusetts. *TIR 05-1: Convention Center Financing Surcharges.* Retrieved from: https://www.mass.gov/technical- information-release/tir-05-1-convention-center-financing-surcharges

provincial sales tax on parking. The tax, which applied to off-street paid parking lots in Metro Vancouver, increased to 21% from 7% at the beginning of 2010. It was the first increase to have occurred since 1999.

Vancouver's parking tax increased their parking tax by an additional 3% to 24% in 2019. The parking tax applies to lots that charge by the hour, day, or month.[61] While the City of Saskatoon is contemplating adjustments to the rates charged for on-street parking, instead of implementing a parking sales tax, negative reactions may still exist in Saskatoon, as the response in Vancouver was related to the potential impact that higher parking costs would have on people and businesses in the area, which would still be the case here.

Potential Revenue Tool Design

The City is contemplating an extension to its hours of applicability per day (extending from 9:00 AM to 9:00 PM instead of 6:00 PM), days of applicability (including Sunday instead of only Monday through Saturday), and changes to the hourly rate (increasing to $2.50 or $3.00 instead of $2.00). To minimize the potential impact on businesses in the area(s), the adjustments could be gradually introduced over time.

Stakeholder Impacts

Businesses whose customers rely on parking that would be applicable to the adjustments could face a reduction in income, depending on the nature of the business. For example, retailers may see a reduction in demand if parking prices or hours of applicability increase. Transit revenues could also increase if the price of parking downtown increases, as consumers may choose alternative forms of transportation.

There are over 13,000 parking stalls in downtown Saskatoon, comprised of municipal on-street parking (1,860), municipal off-street parking (418 in total, of which 271 are available to the public), commercial off-street parking (5,592), and private off-street parking (5,399). Over 40% of the parking stalls downtown are private off-street parking that are intended to serve specific employers or buildings and are not available to the general public.[62]

2.5.3 Implementation Approach

Estimated Revenue Potential

The table below outlines the estimated incremental annual revenues associated with each of the options being contemplated by the City, separated into the Downtown region and the Riversdale region, along with the incremental revenue potential that would be possible with the combination of all of these measures. The revenue potential figures shown for the rate increases to $2.50 or $3.00 reflect the assumed impact of price elasticity on demand (0.27).[63]

$Millions	Incremental Annual Revenues by Option		
	Downtown	Riversdale	Total
Extending paid hours to 9:00 PM	0.6	0.1	0.7
Extending paid hours to include Sundays	0.3	0.1	0.4
Increasing rates from $2.00 to $2.50 per hour (hours unchanged)	0.6	0.1	0.7
Increasing rates from $2.00 to $3.00 per hour (hours unchanged)	1.2	0.2	1.4

As shown in the table above, the revenue potential ranges from as low as $0.3M, if only implementing the least effective measure (extending paid hours to include Sundays in the Downtown area only) to as high as $2.4M, if implementing multiple measures (extending paid hours to 9:00 PM, including Sundays, and increasing rates to $3.00 per hour, in both Downtown and Riversdale). Implementing multiple options (e.g., extending the hours to 9:00 PM and increasing rates from $2.00 to $2.50 per hour) would result in compounded effects, but the figures below are intended to demonstrate the estimated revenue from each option independently for simplicity.

[61] ReNew Canada. *TransLink looks to increase Parking Tax.* Retrieved from: https://www.renewcanada.net/translink-looks-to-increase- parking-rights-tax/
[62] City of Saskatoon. *Downtown Parking Strategy 2016.*
[63] A study found that the average price elasticity rate for an increase in metered parking was -0.27, but the figure ranges from -0.02 in some cities and neighbourhoods to as high as -0.70.[78] The elasticity rate also depends on the time of day. For the purposes of this analysis, the average of -0.27 was used, meaning that a 10% increase in price can be anticipated to reduce demand by 2.7%.

Administrative Considerations

According to the City, implementing these adjustments Downtown and in Riversdale is anticipated to be relatively straightforward, with planned meter system upgrades in the near future.

Approvals and/or Other Key Stage Gates

While legislative changes would be required in order to implement a parking sales tax on private operators, the proposed rate adjustments to the hours of applicability, days of applicability, or the rates per hour, are not anticipated to require legislative change. Depending on the structure of the adjustments, however, a bylaw amendment may be required, along with Council approval.

2.5.4 Cost-Benefit Analysis

While higher parking fees would result in a cost to residents and visitors to downtown, they can also have a number of benefits for residents of a city, as described below.

- Encouraging transit use: By making parking more expensive, more people may choose to use public transit such as buses, which can help reduce traffic congestion and air pollution, making the city a more pleasant and healthy place to live and support the City's Climate Action Plan and green strategies.
- Promoting density: Higher parking fees can also encourage developers to build denser, more compact developments that are less dependent on vehicles. This can help reduce the long-term cost of building and maintaining infrastructure such as roads, water / sewer, making the city more efficient and cost-effective. A more cost-effective delivery of city services could then be passed on to residents as a benefit in terms of lower property taxes required over the long-term.
- Supporting local businesses: While parking is more expensive, people may be more likely to walk, bike, or take public transit to downtown businesses, which can help support the local economy and small businesses. For example, reducing traffic congestion can make it easier for customers to get to businesses and make it more pleasant and accessible for pedestrians; more foot traffic can help draw more customers to businesses – especially those on less busy streets; and less traffic congestion and more foot traffic can create more pleasant and vibrant public spaces, helping to draw people to the area and make it more attractive to businesses and residents.
- Generating revenue: Most relevant is the revenue generation opportunities that can be used to fund public services and infrastructure improvements, such as the DEED project, to the benefit of residents.

Overall, higher parking fees can help create a more sustainable, livable city for residents. However, it is important to ensure the fees are not so high that they discourage people from visiting downtown altogether, as this could result in negative economic consequences in the area.

3 Summary

3.1 Total Revenue Potential

Revenues by Tool

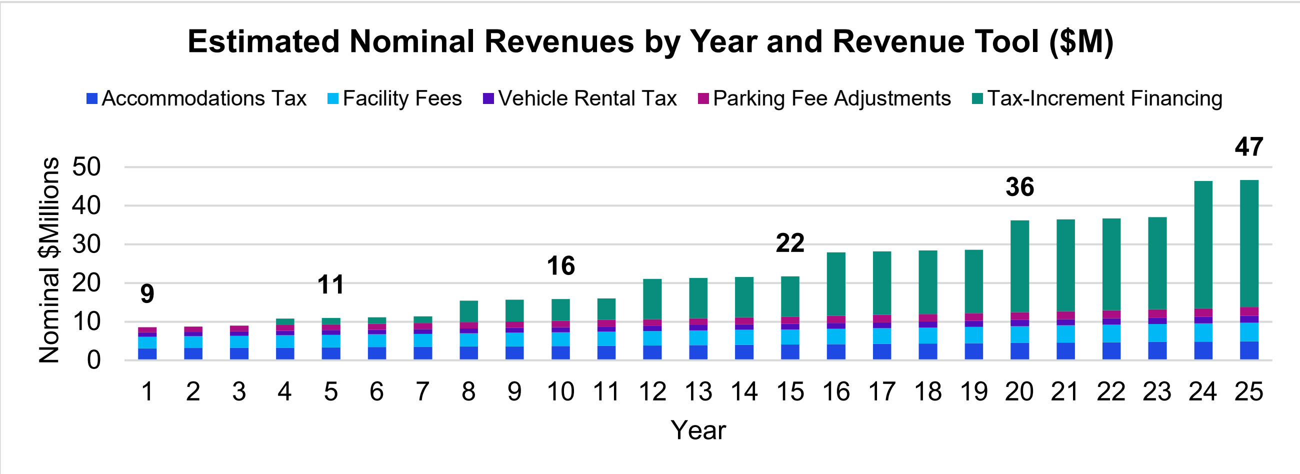
Based on the information described above and the revenue potential calculations described in Appendix A, the total annual revenue potential across all five revenue tools ranges from $6.7M to $21.4M, with a mid-point / base case of $13.5M. These figures remain assumption-based and are therefore subject to change.[64]

Revenue Tool	Estimated Annual Revenue Potential ($M)		
	Low	Mid-Point	High
Accommodation Tax	1.6	3.1	4.7
Facility Fees	2.3	3.0	3.7
Tax-Increment Financing*	2.0	4.9	9.0
Vehicle Rental Tax	0.5	1.1	1.6
Parking Fee Adjustments**	0.3	1.4	2.4
Total	**6.7**	**13.5**	**21.4**

* The estimated revenue potential assumes Zone #2 and that the education and library component is included and reflects the net present value of the projected tax revenues, at an assumed discount rate of 5%, annualized over the 25-year assumed TIF period.
** The low revenue potential figure assumes the implementation of the least effective measure (extending paid hours to include Sundays in the Downtown area only), the high figure assumes the implementation of multiple measures (extending paid hours to 9:00 PM, including Sundays, and increasing rates to $3.00 per hour, in both Downtown and Riversdale), and the mid-point represents an average of the low and high estimates.

3.2 Revenues Over Time

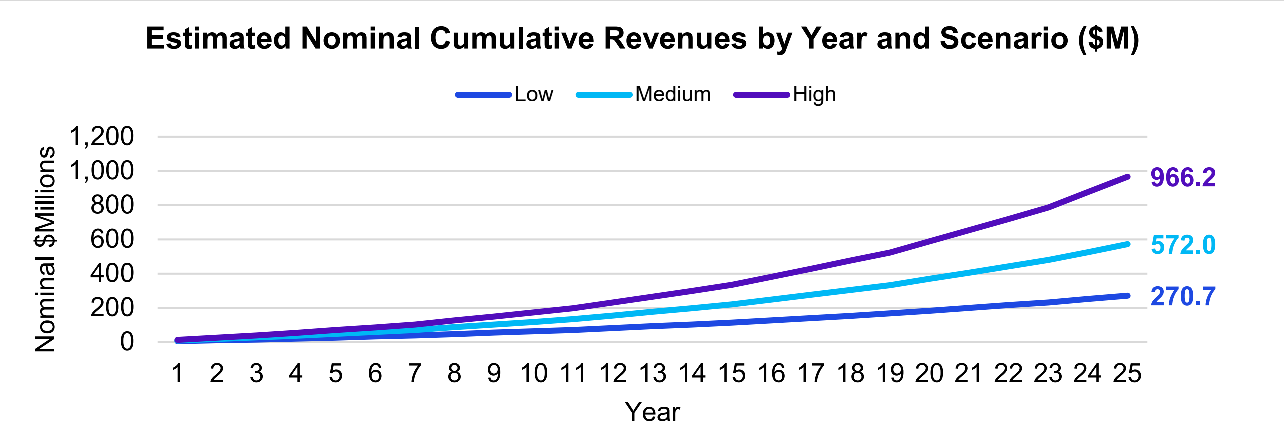
While most of these tools are anticipated to generate relatively stable recurring annual revenues, the anticipated revenues from tax-increment financing are highly backloaded (i.e., a significant percentage of the revenue is anticipated toward the end of the 25-year period). As a result, the revenues over time could be anticipated to follow a trajectory in alignment with the illustration below (adjusted for inflation). This chart demonstrates that the greatest potential contributor, but also the least certain, is tax increment financing. Therefore, the City should focus on key assumptions and the potential for evolving macroeconomic conditions over time that may impact the outcomes from this revenue tool.



[64] Scenario analysis based on information from City of Saskatoon and assumptions noted throughout this report.

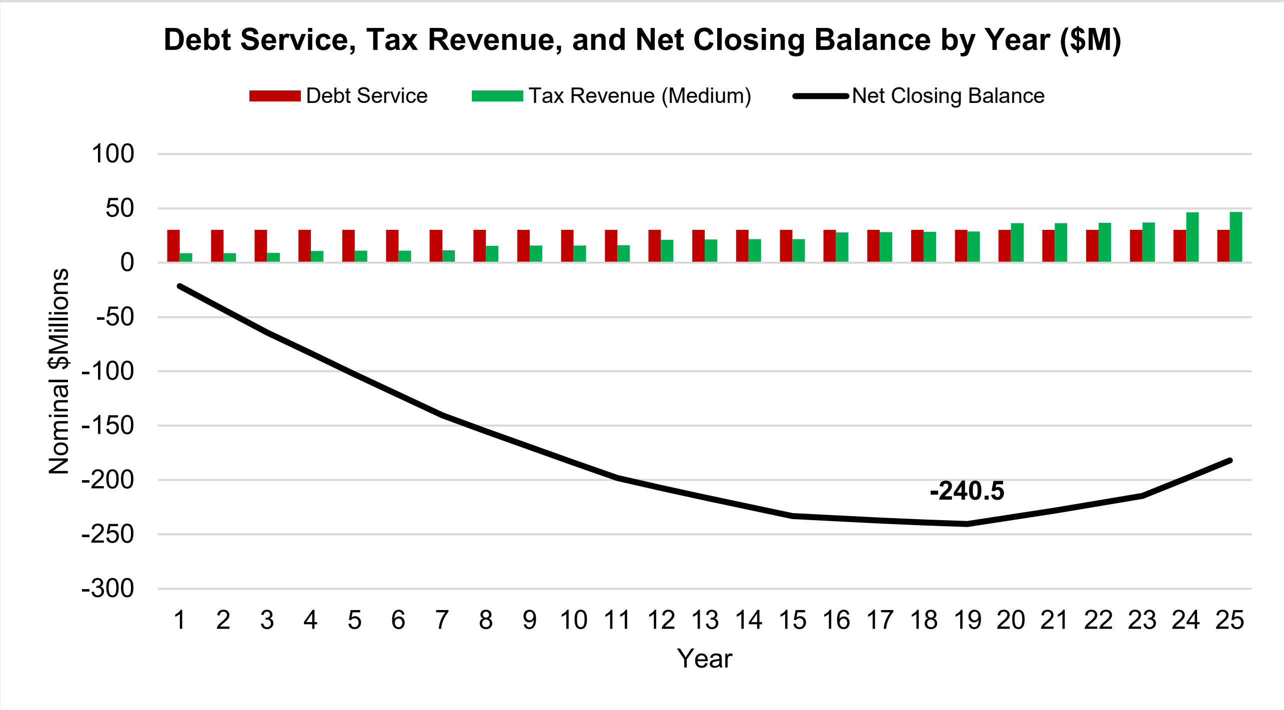
3.3 Scenario Analysis

As there is a range of potential outcomes associated with each option, the combined cumulative revenues over a period of 25 years is shown below. This demonstrates that if all of the revenue tools only achieve the low range of the impact, $270.7M is anticipated to be generated in nominal revenues over a 25-year period. However, the revenues are highly backloaded due to the TIF's compound growth.



3.4 Illustrative Debt Service Coverage

While the total estimated DEED development costs are expected to exceed $500M, the City estimates its share will be in the range of $350-500M for the purpose of the analysis. This would result in an illustrative annual debt service of $24.8M - $35.5M, assuming a 25-year amortization period and a 5% annual interest rate. At a mid-point City portion of $425M, the annual debt service would be $30.2M. As the tax revenues in the initial years would be less than the debt service, the net closing balance would continue to decline until approximately 15-20 years into the TIF's period when the backloaded revenues begin to increase significantly. However, this is projected to result in a cumulative deficit of approximately $240.5M, without alternative funding sources or higher tax rates, using the base case scenario (primarily attributable to the TIF's backloaded revenues).



Appendices

A. Supplemental Revenue Potential Estimates
B. Ontario Municipal Tax Research
C. Case Studies

Appendix A – Revenue Potential Estimates

Accommodations Tax

Key Assumptions and Limitations

According to Tourism Saskatchewan, average daily room rate across Saskatchewan, from 2018 through 2021, ranged from a low of $103.6 (2020) to a high of $117 (2019). However, Saskatoon is assumed to have higher rates than the averages reported for all of Saskatchewan as it is a large city, relative to others in the province. According to a search for hotels on Google, two-star hotels cost between $100 and $122 per night, three-star hotels cost between $124 and $155 per night, and four-star hotels cost between $166 to $226 per night. As a result, it is assumed that the average rate is $163 as of 2023, which is an average of the lowest rate for a two-star hotel and the highest rate for a four-star hotel.

However, not all rooms are occupied every night, as the occupancy rates in Saskatchewan ranged from a low of 32.4% (2020) to a high of 56.9% (2018) in that time, with an average of 46.8%. For the purposes of the analysis, it is assumed that Saskatoon experiences a similar rate of occupancy as the averages reported for all of Saskatchewan. This results in revenue per available hotel and motel room in Saskatchewan averaging $76.3 per night.[65]

To determine the estimated market size, the other required input is the number of hotel and motel rooms in Saskatchewan. A Global News article from 2016 cites the Saskatchewan Hotel and Hospitality Association in stating there were 4,914 hotel rooms at that time.[66] According to the City, there are an estimated 5,100 total hotel, motel, and hostel rooms in Saskatoon. This results in estimated annual hotel and motel revenues of $142.1M (5,100 rooms x $163 per day x 46.8% occupancy rate x 365.25 days per year).

As for short-term rentals, an Airbnb search indicates that there are 576 homes listed in Saskatoon (including both entire homes as well as rooms in other peoples' homes). The average nightly price is $111. It is assumed that short- term rentals have a similar occupancy rate as hotels, ranging from 32.4% (2020) to 56.9% (2019), with an average of 46.8%, which reduces the annual nightly revenues per available room to $52. This results in estimated annual Airbnb revenues of $10.9M (576 homes x $111 per night x 46.8% occupancy rate x 365.25 average days per year).

According to the City of Saskatoon, Airbnb collected and remitted approximately $540,000 in PST in Saskatchewan in 2019/20 on $9.0M in sales. Adjusting this for inflation results in an estimated $10.3M for Airbnb, which is similar to the estimate calculated above. Another short-term provider in Saskatoon, Vrbo, reports there are 137 homes listed in Saskatoon, and the nightly price starts at $97, but $111 is assumed for the analysis (consistent with Airbnb). Assuming consistent occupancy rates with hotels and Airbnb, this results in estimated annual Vrbo revenues of $2.6M (137 homes x $111 per night x 46.8% occupancy rate x 365.25 average days per year).

Combined, the total annual revenue –including all hotel rooms, motel rooms, Airbnb, and Vrbo – is estimated to be $155.7M ($142.1M from hotels and motels +$13.5M from Airbnb and Vrbo).

[65] Tourism Saskatchewan. *Industry Performance*. Retrieved from: https://business.tourismsaskatchewan.com/en/industry-performance
[66] Global News. *Economic downturn? Saskatoon's hotel inventory continues to climb*. Retrieved from: https://globalnews.ca/news/3048163/economic-downturn-saskatoons-hotel-inventory-continues-to-climb/

Price Impact & Elasticity

A study on elasticity of hotels in the USA found that the elasticity can vary significantly, depending on location and type of hotel. For instance, upper-scale hotels were found to have higher elasticities than economy hotels. However, the average rate for all the hotels included in the study was determined to be -0.19, which means a 10% increase in price would result in an estimated 1.9% reduction in demand.[67]

The table below demonstrates the incremental increase in cost and resulting impact on demand, given a range of potential municipal tax rates and the assumed price elasticity rate. This is based on the weighted-average of the hotel and motel rates of $163 per night for 5,100 rooms (89.9%) and the Airbnb rates of $111 per night (10.1%), which is equal to $158 per night. In Saskatoon, a 3.0% voluntary destination marketing fee applies, which is Discover Saskatoon's primary revenue source.[68] PST of 6.0% and GST of 5.0% are then applied to the room rate. Approximately two-thirds of hotels (by bed count) participate in the Destination Marketing Fee initiative, so this has been included below to estimate the impact of higher prices on demand. However, there may be potential for the Destination Marketing Fee ("**DMF**") to be integrated into a municipal tax, or for a portion of the municipal tax to be allocated to Discover Saskatoon, in which case it would not show up as a separate line item.

Dollars	Current State	Future State		
		Low (1.0%)	Med (2.0%)	High (3.0%)
Base room rate	158.00	158.00	158.00	158.00
Plus: Current DMF (3.0%)	4.74	-	-	-
Plus: PST (6.0%)	9.76	9.48	9.48	9.48
Plus: GST (5.0%)	7.90	7.90	7.90	7.90
Plus: Potential Municipal Tax (incl. previous 3.0% DMF)	-	6.32	7.90	9.48
Total Cost to Consumer	**180.64**	**181.70**	**183.28**	**184.86**
Incremental increase	-	*0.59%*	*1.46%*	*2.34%*
Elasticity of demand deduction (-0.19)	-	*-0.11%*	*-0.28%*	*-0.44%*

Revenue Potential

The table below outlines the total estimated revenue potential, with consideration of elasticity. The estimated annual revenue potential ranges from $1.6M to $4.7M, with a mid-point estimate of $3.1M, depending on assumptions and tax rate scenario.

Millions of Dollars	Low (1%)	Med (2%)	High (3%)
Total estimated pre-tax sales before elasticity deduction	155.7	155.7	155.7
Less: Elasticity of demand adjustment (-0.19)	(0.3)	(0.5)	(0.8)
Total estimated pre-tax sales after elasticity deduction	**155.4**	**155.1**	**154.9**
Annual revenue potential after elasticity deduction	**1.6**	**3.1**	**4.7**

Facility Fees

Key Assumptions and Limitations

From 2017 through 2019, the SaskTel Centre sold an annual average of 453,231 tickets, and TCU Place sold an annual average of 64,200 tickets. While the New Mosaic Stadium in Regina has a ticket surcharge of $12, the City engaged representatives from SaskTel Centre and TCU Place who believe that a maximum of $6 could be absorbed.

Currently, the SaskTel Centre applies a $3 ticket surcharge, but this excludes season tickets for the Rush and Blades games. (The fee was originally implemented in 2010 at $2 per ticket.) Similarly, TCU Place charges a facility fee of $3 (increased from $2 in 2018). There are some exceptions by special agreement, and complimentary tickets are not subject to TCU Place's facility fee, nor are the fees charged on the convention component. According to input from representatives at TCU Place, it is already challenging to compete on the convention side, and given competitors do not charge a facility fee, their recommendation is to not charge a fee for

[67] Journal of Hospitality Financial Management. *Hotel Industry Demand Curves*. Retrieved from: https://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1291&context=jhfm
[68] Discover Saskatoon. *Re: Annual presentation from Discover Saskatoon.* Retrieved from: https://pub-saskatoon.escribemeetings.com/filestream.ashx?DocumentId=160974

convention space at TCU Place. Currently, TCU Place's fee is used for operating and capital budgets to help fund large-scale projects. To estimate the revenue potential, a fee of $6.00 per ticket is assumed to be applied to all tickets at SaskTel Centre (sports and others) and a consistent ticket type at TCU Place (i.e., excluding convention, complimentary tickets, and exceptions by special agreement).

Price Impact & Elasticity

The following table demonstrates the incremental increase in cost and resulting impact on demand, given a range of potential municipal tax rates and the assumed price elasticity rate. For the purposes of the analysis, the price impact and elasticity calculations are based upon an assumed ticket fee of $50.00, including taxes and other fees, as shown in the table below. The following table demonstrates the incremental increase in cost and resulting impact on demand, given a range of potential municipal tax rates and the assumed price elasticity rate.

Dollars	Current State	Future State		
		Low ($4.50)	Med ($6.00)	High ($7.50)
Base price (incl. taxes and fees)	50.00	50.00	50.00	50.00
Plus: Existing Facility Fee	3.00	3.00	3.00	3.00
Plus: Incremental Increase in Facility Fee	-	1.50	3.00	4.50
Total Cost to Consumer	**53.00**	**54.50**	**56.00**	**57.50**
Percentage change	-	*2.83%*	*5.66%*	*8.49%*
Elasticity of demand deduction (-0.45)	-	*-1.27%*	*-2.55%*	*-3.82%*

Revenue Potential

The table below outlines the total estimated revenue potential, with consideration of elasticity and the existing facility fees to determine an incremental increase. The estimated annual revenue potential is $3.0M per year, ranging from $2.3M to $3.7M, depending on the assumed fee per ticket.

	Low ($4.50)	Med ($6.00)	High ($7.50)
Total estimated ticket sales before elasticity adjustment (#)	517,431	517,431	517,431
Less: Elasticity of demand adjustment (-0.45)	(6,590)	(13,180)	(19,770)
Total estimated ticket sales after elasticity adjustment	**510,841**	**504,251**	**497,661**
Annual revenue after elasticity adjustment ($M)	**2.3**	**3.0**	**3.7**

Tax Increment Financing

Introduction

The table below outlines key financial and scope assumptions related to Edmonton's *Capital City Downtown CRL* and Calgary's *Rivers District CRL*, alongside preliminary information available regarding a potential DEED TIF. Key observations are described below:

- Municipal Investment: The initial municipal investment in infrastructure estimated for the DEED TIF of $350- 500M (average of $425M) is similar to the amount invested in Edmonton and Calgary (average of $470M).
- Education Component: While the provincial education component the property taxes in Alberta have been allocated to their CRLs, current legislation in Saskatchewan does not enable this, which could be a significant differentiating factor for the DEED's TIF.
- TIF Zone Area: Edmonton's CRL zone was quite large at 135.0 hectares ("ha"), as compared to Calgary's area of 48.6 ha and Saskatoon's preliminary / potential areas of 40.6 ha (Zone #1) or 51.5 ha (Zone #2).
- Vacant or Surface Parking: At the time of Edmonton and Calgary's baseline assessment, they had 32% and 43% of the land in the zone considered to be vacant or surface parking. This is a higher percentage than what is experienced in downtown Saskatoon (26%), which means the growth rate in Saskatoon may be lower than Edmonton and Calgary's CRLs. Further, Calgary had a higher percentage of land as vacant or surface parking, and has experienced a higher CRL growth rate, so these two could be closely related.
- Total Baseline CVA: In Edmonton, the total baseline CVA was $3.7B, but considering its significant area of 135.0 hectares, this results in a baseline CVA of $27.4M per hectare. As for Calgary, its baseline CVA was similar to Saskatoon's at $1B, which is $20.2M per hectare. Saskatoon's very low residential CVA may be favourable for growth, as it leaves significant room for improvement. However, it may also be an

indication that there are other underlying or unrelated factors or consumer preferences that have made downtown unattractive for residents, which could continue to create challenges for residential development going forward if not addressed through this DEED project or other initiatives.

- Private Investment to Date: Edmonton reports that $4.0B in private investment has occurred in the first eight years ($3.7M per hectare, per year), whereas Calgary reports that $3.0B occurred in its first 15 years ($4.1M per hectare, per year).
- Compound Annual Growth Rate: Since 2013, Edmonton's compound average annual growth rate in assessment value has been 3%, whereas Calgary's has been 7.7%. As the value is expected to compound over time, Calgary's higher figure may be partly attributable to the fact that it has been active for a longer period of time. However, this could also be due to Calgary's CRL zone being smaller / denser, a higher percentage of vacant or surface parking at the baseline assessment point in time, significant planned developments (e.g., The Bow Tower) that were already underway, and/or other macroeconomic factors.

	Capital City Downtown CRL (Edmonton, AB)	Rivers District CRL (Calgary, AB)	DEED TIF Zone Option #1 (Saskatoon, SK)	DEED TIF Zone Option #2 (Saskatoon, SK)
Investment in TIF Zone	$0.54B	$0.40B (Phase 1)	$0.50B+[69]	$0.50B+[69]
Includes Education Component of Taxes	Yes	Yes	TBD	TBD
TIF Zone Area	135.0 ha	204.0 ha (48.6 Phase 1)[70]	40.6 ha	51.5 ha
Investment in TIF Zone per Hectare	$4.0M	$8.2M (Phase 1)	$12.3M	$9.7M
Baseline Assessment Year	2013	2007	2022	2022
Vacant or Surface Parking	32%	43%	26%	26%
Baseline Residential CVA	$0.69B	$0.33B	$0.06B	$0.06B
Baseline Non-Residential CVA	$3.01B	$0.65B	$0.78B	$0.89B
Total Baseline CVA	$3.70B	$0.98B	$0.85B	$0.96B
Investment in TIF Zone as a % of the Baseline CVA	14.6%	40.8%	58.8%	52.1%
Baseline CVA per Hectare	$27.4M	$20.2M	$20.8M	$18.6M
Latest Reported Year	2021	2022		
Residential Assessment	$1.5B	$1.2B		
Non-Residential CVA	$3.2B	$1.8B		

[69] While the total estimated cost is estimated to exceed $500M, the final value has not yet been determined, so $500M is shown for the purpose of the analysis.
[70] The Rivers District CRL is a 504-acre (204 ha) boundary, but CMLC's primary focus since 2007 has been on the first phase, East Village, which is 48.6 ha and has received $396M in infrastructure and development programs so far, attracting $3B in planned development. Now that the 'lion's share' of upgrades has been completed in East Village, CMLC has turned its attention to East Victoria Park within the Rivers District – another 20- year vision.

	Capital City Downtown CRL (Edmonton, AB)	Rivers District CRL (Calgary, AB)	DEED TIF Zone Option #1 (Saskatoon, SK)	DEED TIF Zone Option #2 (Saskatoon, SK)
Total CVA	$4.7B	$3.0B		
Evaluation Period (Years)	8 Years	15 Years		
Dollar Value Increase in CVA	$1.00B	$2.0B		
Percentage Increase in CVA	27.0%	206.1%		
Private Investment to Date	$4.0B	$3.0B		
Compound Annual Growth Rate	3.0%	7.7%		
Expected Total Revenues	$0.9B[71]	$1.0B		
Duration (Years)	20	20		
Expected Annual Revenues	$43M	$48M		

Some conditions in Saskatoon's TIF zone may contribute to higher growth rates (e.g., relatively high municipal investment per hectare and as a percentage of the CVA). However, there are also factors that may lead to less favourable growth rates than those in the other examples (e.g., relatively low percentage of vacant land or surface parking). Given both favourable and unfavourable conditions, the average of the compound annual growth rates from the two Canadian examples (Edmonton and Calgary) referenced above has been used, which is 5.4%.

The table below demonstrates the estimated impact to the assessment values for TIF Zone Option #1, as an example of the methodology, which would be consistent for both Zone #1 and Zone #2. As shown, the original assessment value (the "**Baseline AV**") of $845.1M would continue to increase with inflation over time at an assumed rate of 2.0% per year. The taxes generated from this baseline AV would continue to be considered general revenue and could be used for other purposes. Given the infrastructure investment, the total estimated assessment value (the "**Post-Project AV**") is assumed to increase at an annual rate of 5.4%, which exceeds the Baseline AV's inflation-adjusted growth rate. The taxes generated on the difference between the Post-Project AV and the Baseline AV (the "**Incremental AV Increase**") would be earmarked for the repayment of debt associated with the DEED over time. After an assumed period of 25 years, the taxes generated from the resulting assessment value (the "**New AV**") of $3,147.2M would be considered general revenues again and could be used for other purposes.

[71] Estimated to generate between $612M and $1.1B over its 20-year life.

Year	Baseline AV ($M)[72]	Post-Project AV ($M)	Post-Project AV Using Four-Year Cycle ($M)[73]	Incremental AV Increase ($M)	New AV Using Four-Year Cycle ($M)
0	845.1				
1	845.1	890.7	845.1	0.0	
2	845.1	938.8	845.1	0.0	
3	845.1	989.5	845.1	0.0	
4	845.1	1,043.0	938.8	93.7	
5	845.1	1,099.3	938.8	93.7	
6	845.1	1,158.7	938.8	93.7	
7	845.1	1,221.2	938.8	93.7	
8	845.1	1,287.2	1,158.7	313.6	
9	845.1	1,356.7	1,158.7	313.6	
10	845.1	1,429.9	1,158.7	313.6	
11	845.1	1,507.1	1,158.7	313.6	
12	845.1	1,588.5	1,429.9	584.8	
13	845.1	1,674.3	1,429.9	584.8	
14	845.1	1,764.7	1,429.9	584.8	
15	845.1	1,860.0	1,429.9	584.8	
16	845.1	1,960.5	1,764.7	919.6	
17	845.1	2,066.3	1,764.7	919.6	
18	845.1	2,177.9	1,764.7	919.6	
19	845.1	2,295.5	1,764.7	919.6	
20	845.1	2,419.5	2,177.9	1,332.8	
21	845.1	2,550.1	2,177.9	1,332.8	
22	845.1	2,687.8	2,177.9	1,332.8	
23	845.1	2,833.0	2,177.9	1,332.8	
24	845.1	2,986.0	2,687.8	1,842.7	
25	845.1	3,147.2	2,687.8	1,842.7	
26	845.1	3,317.1	2,687.8		3,317.1
27	845.1	3,496.3	2,687.8		3,496.3
28	845.1	3,685.1	3,317.1		3,685.1
29	845.1	3,884.1	3,317.1		3,884.1
30	845.1	4,093.8	3,317.1		4,093.8

The table below demonstrates the estimated tax revenues that would be generated from the incremental increase in assessment value. The residential Baseline AV is currently $64.7M and the non-residential Baseline AV is currently estimated to be $780.4M, and these are assumed to both increase at the same rate of 5.4% per year. The 'Percentage of Value' used to determine the taxable assessment is 80% for residential and 85% for non-residential in Saskatoon, and the mill rates as of 2022, by class and tax component, are shown below. These rates were used for this analysis.

- Non-residential: City (0.0110020), Library (0.0011333), Education (0.0068600)
- Residential: City (0.0072449), Library (0.0007463), Education (0.0045400)[74]

[72] Provided to KPMG by the City of Saskatoon.
[73] All properties in Saskatoon are reassessed every four years. In 2021, property taxes were reassessed and updated to reflect their assessed value as of the legislated base date of January 1, 2019.

[74] City of Saskatoon. *Tax Rates & Mill Rates*. Retrieved from: https://www.saskatoon.ca/services-residents/property-tax-assessment/tax-rates-mill- rates

Year	Incremental AV Increase ($M)	Incremental Taxable Assessment ($M)	Residential Tax Revenues ($M)	Non-Residential Tax Revenues ($M)
0				
1	0.0	0.0	0.0	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	93.7	79.3	0.1	1.4
5	93.7	79.3	0.1	1.4
6	93.7	79.3	0.1	1.4
7	93.7	79.3	0.1	1.4
8	313.6	265.3	0.2	4.7
9	313.6	265.3	0.2	4.7
10	313.6	265.3	0.2	4.7
11	313.6	265.3	0.2	4.7
12	584.8	494.9	0.4	8.7
13	584.8	494.9	0.4	8.7
14	584.8	494.9	0.4	8.7
15	584.8	494.9	0.4	8.7
16	919.6	778.2	0.7	13.7
17	919.6	778.2	0.7	13.7
18	919.6	778.2	0.7	13.7
19	919.6	778.2	0.7	13.7
20	1,332.8	1,127.8	1.0	19.9
21	1,332.8	1,127.8	1.0	19.9
22	1,332.8	1,127.8	1.0	19.9
23	1,332.8	1,127.8	1.0	19.9
24	1,842.7	1,559.3	1.4	27.5
25	1,842.7	1,559.3	1.4	27.5
Totals			**12.8**	**248.5**

This results in total estimated incremental property tax revenues of $261.2 ($12.8 residential + $248.5 non-residential). This includes all three components of property taxes (i.e., City at $151.3, Library at $15.6M, and Education at $94.4M), which aligns with the approach taken in Calgary's Rivers District CRL and Edmonton's Capital City Downtown CRL. In their case, the province agreed to commit the education portion of its property taxes to the project as well, and the library component is integrated into the city's component. If the Government of Saskatchewan is unwilling to commit the education component, this would reduce the total incremental TIF property tax revenues by $94.4M to $166.9M. Further, if the City is unable to commit the Library component as well, this would reduce the total incremental TIF property tax revenues by an additional $15.6M to $151.3M. In other words, the estimated incremental property tax revenues of $261.2M assumes that the Government of Saskatchewan allows Saskatoon to retain the provincial education component, and that the Library component is also contributed to the Project. If this is not the case, the total projected TIF revenue is $151.3M. The total revenues of $261.2M equates to an average of $10.4M per year, although most of the revenue would not be anticipated until the later years (e.g., the revenue in Year 5 is $1.5M, whereas the revenue in Year 25 is $28.9M).

As these revenues are backloaded (i.e., increasing over time), the net present value should also be taken into consideration. This reflects the time value of money – the concept that money today is worth more than money in the future. Assuming a discount rate of 5%, the net present value of the incremental TIF tax revenues is $107.3M or an annualized average of $4.3M.

Scenarios

As the growth rate is challenging to predict with certainty and has the potential to significantly impact outcomes, a low and high rate have also been considered. The low growth rate of 2.7% represents 0.5x of the mid-point / base case rate, while the high rate of 8.1% represents 1.5x of the mid-point / base case rate. As demonstrated in the table below, these rates have a substantial impact on the revenue potential outputs and can be challenging to predict with certainty given the macroeconomic factors that can impact them.

TIF Zone #1 (40.6 ha)[75]

Growth Rate Scenario	Low / Pessimistic (2.7%)	Base Case (5.4%)	High / Optimistic (8.1%)
Total Estimated Nominal Tax Revenues ($M) incl. Library and Education Components	106.0	261.2	490.5
Discounted and Annualized Tax Revenues ($M) incl. Education and Library Components	*1.8*	*4.3*	*7.9*
Total Estimated Nominal Tax Revenues ($M) incl. Library but excl. Education Components	67.7	166.9	313.4
Discounted and Annualized Tax Revenues ($M) incl. Library but excl. Education Components	*1.1*	*2.7*	*5.0*
Total Estimated Nominal Tax Revenues ($M) excl. Library and Education Components	61.4	151.3	284.1
Discounted and Annualized Tax Revenues ($M) excl. Library and Education Components	*1.0*	*2.5*	*4.6*

TIF Zone #2 (51.5 ha)[76]

Growth Rate Scenario	Low / Pessimistic (2.7%)	Base Case (5.4%)	High / Optimistic (8.1%)
Total Estimated Nominal Tax Revenues ($M) incl. Library and Education Components	120.6	297.4	558.4
Discounted and Annualized Tax Revenues ($M) incl. Library and Education Components	*2.0*	*4.9*	*9.0*
Total Estimated Nominal Tax Revenues ($M) incl. Library but excl. Education Components	77.1	190.0	356.7
Discounted and Annualized Tax Revenues ($M) incl. Library but excl. Education Components	*1.3*	*3.1*	*5.7*
Total Estimated Nominal Tax Revenues ($M) excl. Library and Education Components	69.6	172.2	323.4
Discounted and Annualized Tax Revenues ($M) excl. Library and Education Components	*1.2*	*2.8*	*5.2*

Vehicle Rental Tax

Key Assumptions and Limitations

According to Statistics Canada, the amount spent on motor vehicle rentals in Saskatchewan has ranged from as low as $16.9M in 2021 to as high as $29.5M in 2019, with an average of $24.1M per year. Adjusting for inflation over this period, this results in $27.3M per year. Saskatoon's population represents 23.9% of Saskatchewan's population. However, a significant majority of vehicle rental locations are located in large or medium-sized urban centres. This is

[75] Based on KPMG's analysis of information provided by the City of Saskatoon.
[76] Based on KPMG's analysis of information provided by the City of Saskatoon.

likely because living in a rural community often necessitates vehicle ownership, fewer tourists are anticipated to travel to rural communities by methods other than personal vehicles, and smaller populations are unlikely to provide sufficient revenues . An analysis of the 20 largest municipalities in Saskatchewan indicates that very few beyond the seven largest have at least one vehicle rental location, and of those beyond the top seven. Saskatoon's population represents 42.5% of the top seven municipalities' populations. Recognizing that there may be a very small number of additional vehicle rental locations in smaller cities throughout Saskatchewan, a rate of 40.0% has been assumed for Saskatoon, instead of 42.5%. As a result, it is estimated that total annual sales of $10.9M are attributable to Saskatoon. Across 35 estimated locations, this results in $312.4K per location.

Price Impact & Elasticity

Vehicle rentals are subject to a variety of fees. Examples include a concession or recovery fee, vehicle license recovery fee, customer facility charge, parking surcharge, air conditioner excise recovery fee, environmental fee recovery charge, tire management fee, etc.[77] However, in Saskatoon, the most common fees include the concession recovery fee for rentals from the airport, license recovery fee, air conditioning recovery fee, and provincial and federal sales taxes. For the purpose of the analysis, it is assumed the vehicle is not rented from the airport, so the concession recovery fee does not apply. This results in a greater demand reduction, relative to existing fees, which leads to a more conservative estimate on revenue potential.

The table below demonstrates the incremental increase in cost and resulting impact on demand, given a range of potential municipal tax rates and the assumed price elasticity rate. According to Kayak.com – a travel agency and metasearch engine – the average daily price for a vehicle rental can range from as low as $68 in the month of November to as high as $129 in July.[78] A sample of vehicle rental booking estimates within Saskatoon specifically results in an estimated base fee of approximately $65 per day. A study found that elasticity for a price increase on rental vehicles is -0.36, which means that a 10% increase in price can be anticipated to reduce demand by 3.6%.[79] Note that GST and PST is applicable not only to the base price but also the fees, but it is assumed that GST and PST would not be applied to the municipal tax if implemented.

Dollars	Current State	Future State		
		Low (5%)	Med (10%)	High (15%)
Base price	65.00	65.00	65.00	65.00
Vehicle license fee / air conditioning fee ($1.25/day)	1.25	1.25	1.25	1.25
Plus: PST (6.0%)	3.98	3.98	3.98	3.98
Plus: GST (5.0%)	3.31	3.31	3.31	3.31
Plus: Potential Municipal Tax	-	3.25	6.50	9.75
Total Cost to Consumer	**73.54**	**76.79**	**80.04**	**83.29**
Incremental increase	-	*4.4%*	*8.9%*	*13.3%*
Elasticity of demand deduction (-0.36)	-	*-1.6%*	*-3.2%*	*-4.8%*

Revenue Potential

The table below outlines the total estimated revenue potential, with consideration of elasticity. The estimated annual revenue potential ranges from $0.6M to $1.6M, depending on assumptions and tax rate scenario.

Millions of Dollars	Low (5%)	Med (10%)	High (15%)
Total estimated pre-tax sales before elasticity deduction	10.9	10.9	10.9
Less: Elasticity of demand adjustment (-0.36)	(0.2)	(0.4)	(0.5)
Total estimated pre-tax sales after elasticity deduction	**10.7**	**10.6**	**10.4**
Annual revenue potential after elasticity deduction	**0.5**	**1.1**	**1.6**

[77] Avis Canada. *Avis Car Rental FAQs*. Retrieved from: https://www.avis.ca/en/customer-service/faqs/canada/fees-taxes
[78] Kayak. *Canada car rentals*. Retrieved from: https://www.ca.kayak.com/Canada-Car-Rentals.43.crc.html
[79] Universidade Do Porto. *Understanding demand and pricing behaviour in the car rental business*. Retrieved from: https://repositorio-aberto.up.pt/bitstream/10216/121292/2/343751.pdf

Parking Fee Adjustments

Key Assumptions and Limitations

For the purposes of this analysis, this revenue tool is based on the City's own parking operations and potential adjustments related to the hours of applicability (i.e., extending the hours from 9:00 AM to 9:00 PM instead of 6:00 PM or including Sundays), hourly rates, and the neighbourhoods under consideration.

The City currently owns 2,131 publicly available parking stalls (1,860 on-street and 271 off-street). In 2022, cash and credit card revenues were $2.9M. Out of that total, $2.1M (72.3%) and $0.3M (9.3%) were attributable to Downtown and Riversdale, respectively. The remaining 18.4% is attributable to Broadway and Sutherland. From 2018 through 2022, the City generated average annual revenues of $2.0M Downtown and $0.3M in Riversdale, from cash and credit card revenues alone. In addition to cash and credit card revenues, the City generated an annual average of $1.7M in revenues from mobile payments from 2018 through 2022, which cannot be attributed to specific locations. However, assuming allocations by area that are consistent with those observed for cash and credit card revenues in 2022 (72.3% of all revenues Downtown and 12.5% in Riversdale), this results in an estimated $1.3M in mobile payments attributable to Downtown and $0.2M to Riversdale. This represents a grand total of $3.2M for Downtown and $0.5M for Riversdale ($3.7M combined), inclusive of coin, card, and mobile payment revenues; and exclusive of enforcement revenues.

The hourly rate for paid parking is $2 per hour, on Monday through Saturday, from 9:00 AM to 6:00 PM. As there are six applicable days per week and 52 weeks per year, this results in 312 total paid days per year. However, there are ten statutory holidays, on which the City does not charge for parking, reducing the number of paid days per year to 302. As there are nine paid hours per day (9:00 AM to 6:00 PM), this results in 2,718 total paid hours per year. This indicates that all of the parking spots downtown generate annual revenues of $1,191 per paid hour, and all of the spots in Riversdale generate $177 (a total of $1,368 per hour).

	Downtown	Riversdale	Total
Average annual coin and card revenues	$2.0M	$0.3M	$2.3M
Average annual mobile payment revenues (allocated)	$1.3M	$0.2M	$1.5M
Current annual revenue	**$3.3M**	**$0.5M**	**$3.8M**
Paid hours per year	*2,718*	*2,718*	*2,718*
Annual revenue per paid hour	***$1,191***	***$177***	***$1,368***

Five potential revenue-generating scenarios are being contemplated by the City:

1. Extending the paid hours to 9:00 PM Monday through Saturday (instead of 6:00 pm), which would result in 12 paid hours per day (instead of nine), increasing the total paid hours per year by 33.3% but assumed to increase the total revenues by only 16.7% (based on assumed 50% lower utilization in evenings)
2. Extending the paid hours to include Sundays (instead of only Monday through Saturday), increasing the total paid hours per year by 16.7% but assumed to only increase the revenues by 8.3% (based on assumed 50% lower utilization on Sundays)
3. Increasing hourly rates to $2.50 (instead of $2.00) or 25.0% but assumed to reduce demand, given an elasticity assumption of -0.27, resulting in a net increase of 18.3%[78]
4. Increasing hourly rates to $3.00 (instead of $2.00) or 50.0% but assumed to reduce demand, given an elasticity assumption of -0.27, resulting in a net increase of 36.5%[78]
5. Considering Riversdale in-scope or out of scope for these extensions

The table below outlines the estimated incremental annual revenues associated with each of these options, separated into the Downtown region and the Riversdale region, along with the incremental revenue potential that would be possible with the combination of all of these measures.

$Millions	Incremental Annual Revenues by Option		
	Downtown	Riversdale	Total
Extending paid hours to 9:00 PM	0.61	0.09	0.70
Extending paid hours to include Sundays	0.33	0.05	0.38
Increasing rates to $2.50 per hour (hours unchanged)	0.59	0.09	0.68
Increasing rates to $3.00 per hour (hours unchanged)	1.18	0.18	1.36

Revenue Potential

As shown in the table above, the revenue potential ranges from as low as $0.33M, if only implementing the least effective measure (extending paid hours to include Sundays in the Downtown area only) to as high as $2.44M, if implementing multiple measures (extending paid hours to 9:00 PM, including Sundays, and increasing rates to $3.00 per hour, in both Downtown and Riversdale). Implementing multiple options (e.g., extending the hours to 9:00 PM and increasing rates from $2.00 to $2.50 per hour) would result in compounded effects, but the figures below are intended to demonstrate the estimated revenue from each option independently for simplicity.

Appendix B – Ontario Municipal Tax Research

The City of Saskatoon's Public Policy & Government Relations department aggregated information from a variety of Ontario cities on gross revenues earned from the Municipal Accommodation Tax or Transient Accommodation Tax. This excludes grants to tourism organizations. The source is stated to be Ontario Financial Information Return data, and the blanks are stated to be the result of the cities not implementing the tax until a later date or suspending it due to the pandemic. This data has not been independently validated or reviewed for accuracy or completeness by KPMG.

Municipal Accomodation Tax Revenue* by Selected Cities**
Source: Ontario Financial Information Returns - Schedule 10

City	Population	2021	2020	2019	Average (if 3 years)	Per capita Average
Barrie C	152,959	$ 398,837	$ 323,816	$ 605,382	$ 442,678	$ 2.89
Greater Sudbury C	161,531	$ 1,666,457	$ 1,305,277	$ 2,222,499	$ 1,731,411	$ 10.72
Kingston	132,485	$ -	$ -	$ 2,873,724	N/A	
London C	422,324	$ 1,582,338	$ 1,330,828	$ 3,442,328	$ 2,118,498	$ 5.02
Mississauga C	798,000	$ 5,907,369	$ 3,799,130	$ 12,152,141	$ 7,286,213	$ 9.13
Niagara Falls C	484840*	$ -	$ 1,459,947	$ 4,834,422	N/A	
Oakville	225,000	$ -	$ -	$ 1,214,160	N/A	
Ottawa C	1,046,443	$ 6,800,000	$ 5,250,000	$ 16,900,000	$ 9,650,000	$ 9.22
Sault Ste Marie C	72,051	$ 1,031,541	$ 769,192	$ 1,300,785	$ 1,033,839	$ 14.35
Thunder Bay C	108,843	$ 1,818,396	$ 1,603,100	$ 2,350,613	$ 1,924,036	$ 17.68
Toronto C	2,974,293	$ 16,335,981	$ 12,511,135	$ 57,599,888	$ 28,815,668	$ 9.69
Vaughan C	341,961	$ 1,315,783	$ 624,660	$ 156,939	$ 699,127	$ 2.04
Waterloo R**	632,230	$ 169,246	$ 104,366		N/A	
Windsor C	229,660	$ 1,582,522	$ 1,237,707		N/A	
Average						**$ 8.97**

* Regional Population
**Includes Kitchener, Cambridge, and Waterloo
*** Assumes each City uses a 4% MAT

Appendix C – Case Studies

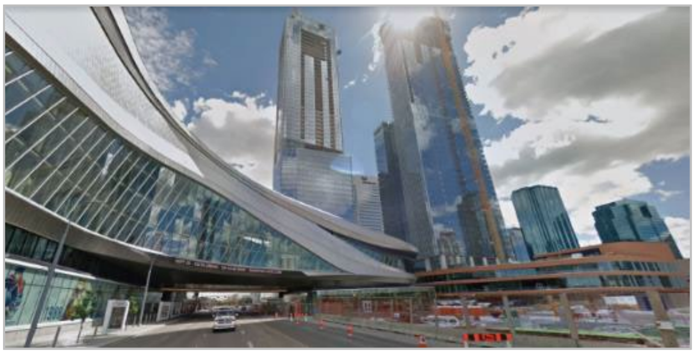
Edmonton's Capital City Downtown Community Revitalization Levy

The City of Edmonton sought to revitalize its downtown with various catalyst projects, including an arena and related infrastructure, increased capacity of the sewer system, revitalization of Jasper Avenue, park development, and walkability improvements. The 'Capital City Downtown CRL' is a funding mechanism used by the City to revitalize the downtown area. As of 2021, four projects are fully complete, six are in progress or partially complete, and three have not yet been initiated. The CRL Plan area includes approximately half of Edmonton's downtown neighbourhood and two small areas within the Central McDougall and McCauley neighbourhoods. In addition to the Rogers Place Arena, the CRL funded a pedway system that connects buildings and public spaces in the downtown area, making it more accessible and walkable – especially during the winter months; improvements to public spaces, such as the Civic Precinct and Churchill Square (e.g., upgraded seating, lighting, landscaping, and other amenities to make it more welcoming and attractive); and transportation improvements (bike lanes, road improvements, etc.)

The owner of the Edmonton Oilers, the Katz Group of Companies, is paying for 27% of Edmonton's $613M arena project, while the City of Edmonton provided $312M for the project, with the rest of the money coming from a city-levied ticket surcharge. The arena project's total cost also includes a Winter Garden, LRT Connection to the arena, a pedestrian walkway, and the Downtown Community Arena. The image below shows the Rogers Place site in 2009 and in 2018.[80] When the project was approved, 32% of the land was vacant and 20% was underdeveloped. By 2016, the combined total decreased from 52% to approximately 40%.

Rogers Place Site in 2009

Rogers Place Site in 2018



The Capital City Downtown CRL started in 2015, with the specific projects taking place over several phases. By the end of 2022, the CRL funded $391M in infrastructure improvements, with a total of $544M in capital projects being approved, and it is reported to have spurred more than $4.5B in new development.[81] The latest estimates from Edmonton, as of 2021, indicate that between $761M and $879M will be generated over the 20-year period. The economic impact of the Capital City Downtown CRL has been significant, with adjacent developments such as the ICE District, which includes Rogers Place Arena and the JW Marriott hotel, generating an estimated $1.3 billion in economic activity. The revitalization efforts have also resulted in increased property values and new businesses opening in the downtown area.

The policy-related decisions and documentation for the Capital City Downtown CRL were extensive, with numerous reports and studies conducted to assess the project's feasibility and impact. The City of Edmonton engaged with stakeholders throughout the process, including residents, businesses, and community groups. The lessons learned from the Capital City Downtown CRL include the importance of engaging with stakeholders throughout the process, the need to prioritize infrastructure investments that generate economic activity and support development, and the value of long-term planning and implementation.

[80] CBC News Edmonton. *Rogers Place: Was it Worth It?* Retrieved from: https://www.cbc.ca/news/canada/edmonton/rogers-place-worth-cost- arena-deal-1.5227897
[81] Global News Edmonton. *City Updates CRL Projections for Three Edmonton Areas.* Retrieved from: https://globalnews.ca/video/9572299/city- updates-crl-projections-for-3-edmonton-areas

The cost and funding information for the catalyst projects are shown below:[82]

Element	Estimated Cost	CRL	Other City Funding	EAC Lease Funding	EAC Cash*	Ticket Surcharge	Other
Rogers Place (the arena)	$483.5	$145	$81	$112.8	$19.7	$125	
Winter Garden	$56.8	$25	$0.1	$25	$6.7		
Pedestrian Corridor	$15	$15					
LRT Connection	$7	$7					
Community Downtown Arena	$24.9	$14	$0.1		$0.3		$10.5
Arena Land	$26.5	$25	$0.5		$1		
Totals	**$613.7**	**$231**	**$81.7**	**$137.8**	**$27.7**	**$125**	**$10.5**

(costs in millions)

*Cash funding is from the EAC and ICE District Joint Venture, both of which have an ownership interest by the Katz Group

Calgary's Rivers District Community Revitalization Levy

In 2007, the City of Calgary approved a Rivers District Community Revitalization Plan to fund an infrastructure program that will facilitate the reclamation, redevelopment, and revitalization of an underdeveloped inner-city area, as much of the area was stagnant for decades. This was delineated into two phases – an initial phase to kick start the redevelopment of the East Village portion of the Rivers Districts and a Riverwalk (road raising and flood proofing, regional pathway network) for approximately five years at a cost of $135M (in 2007 dollars). This was to be undertaken over a five-year period with a cost escalation factor of 18% per year assumed, as suggested by the engineering consultants at the time. Other infrastructure projects were also proposed, which would commence after the initial projects were underway, which were all prospective at the time of the plan's creation and not scoped in significant detail.[83] However, the estimated range of costs was $715M to $1,315M for a four-street connector, environmental remediation, a parking facility, new central library, police headquarters, and other infrastructure in the Beltline and East Downtown neighbourhoods.

Similar to Edmonton, the plan assumed a 20-year period for the CRL, during which time the province agreed to forgo the Education portion of their property tax revenues, thereby enabling the City to leverage the contribution to fund the redevelopment projects. In 2007, the residential assessment base in the Rivers District was approximately $328M, and the non-residential base was approximately $647M (a total of $975M). The total annual property tax revenues generated from properties in the area was $10.8M. It was estimated that approximately $8.4B to $11.6B in residential assessment value will be added into the Rivers District over the 20-year period, along with $3.8B to $6.7B in new non- residential assessment value. As a result, the CRL was estimated to generate between $725M and $1,116M in revenues.

[82] City of Edmonton. *The Agreement.* Retrieved from: https://www.edmonton.ca/attractions_events/rogers_place/the-agreement
[83] City of Calgary. *Rivers District Community Revitalization Plan.* Retrieved from: https://www.calgary.ca/content/dam/www/cs/cpb/documents/rivers/rivers-community-revitalization-plan.pdf

The plan required the City to borrow $135M to front-end the cost of the initial projects. As other projects are identified and approved, further borrowing was anticipated to be put forward. A special purpose vehicle, entitled the Calgary Municipal Land Corporation (CMLC), was established to implement, and execute the plan. Authority for administration, project management, and delivery was delegated to CMLC, and all associated costs related to CMLC were intended to be covered through the CRL. The 2007 plan called for $10M to be advanced from the City to CMLC to provide cash flow prior to the collection of CRL revenues and thereby facilitate the start of construction of certain subprojects and undertake environmental remediation initiatives. This was assumed to be repaid with accrued interest over the first five years of redevelopment. Wherever possible, the City planned to use regular amortizing debt to match repayments to projected cash flows while minimizing interest costs. This type of debt was intended to potentially be used in conjunction with specific lump sum principal repayments negotiated to optimize the City's debt structure. It was also assumed that certain projects would be financed through structured debt to better match the cashflows associated with the CRL. This type of debt utilizes interest-only payments for the first half of the term and the principal is only amortized over the last half of the term, providing flexibility when cashflows are constrained. The City assumed terms of 5, 10, 15, and 20 years at approximately 5.00 to 5.25% in 2007.[84]

The CRL was estimated to generate between $725M and $1,116M over 20 years, with a mid-point estimate of $945M (the average between the high and low scenarios, but which does not represent a separate set of assumptions). There were several major office developments planned, along with institutional developments such as the Urban Campus and Calgary Public Library at the time. The high scenario assumed that all planned office and institutional developments would proceed (including 3.7M square-feet of office). The low scenario assumed that these developments would not occur. Similar to Edmonton, it was assumed that all borrowings would take place through Alberta Capital Finance Authority (which was dissolved in October 2020, so loans are now managed through the Government of Alberta's department of Treasury Board and Finance) but other financial institutions or capital markets could be utilized if specific circumstances and flexible borrowing arrangements were required. If insufficient revenues were generated, the general tax revenues would be a backstop to fund any borrowing costs that remain. In addition, the City's staged approach enables the implementation plan to be adjusted if cashflows cannot support them.

The images below illustrate the impact of the infrastructure investments.

The Rivers District in 2007[85]

The Rivers District in 2022[86]

In CMLC's 2021 Annual Report, produced 14 years after the initial plan, CMLC reported that 2021 marked the 13th year that it collected the CRL in the Rivers District. The revenue was $68.8M 2021 and $69.8M in 2020. This included $359M (2020 - $37.5M) in future CRL revenue associated with the BMO Centre expansion which was recognized to offset project costs incurred throughout the year. Its long-term debt balance as of December 31, 2021, was $325.9M, primarily comprised of $202.8M through ACFA debentures and $98.3M through the BMO City of Calgary loan, among others. There are currently over 30 debentures with interest rates ranging from 1.660% to 5.222%, with projected debt service amounts of $21.2M in 2022, $17.0M in 2023, $16.1M in 2024, etc.[87]

The Rivers District CLR has received criticism related to its boundary and the timing of the baseline assessment values. In 2004, while planning on The Bow Tower was already underway, Calgary's City Council approved to extend the CRL boundary to Centre Street to include The Bow Tower in order to use its property taxes toward

[84] City of Calgary. *Rivers District Community Revitalization Plan.* Retrieved from: https://www.calgary.ca/content/dam/www/cs/cpb/documents/rivers/rivers-community-revitalization-plan.pdf.
[85] City of Calgary. *Rivers District Community Revitalization Plan.* Retrieved from: https://www.calgary.ca/content/dam/www/cs/cpb/documents/rivers/rivers-community-revitalization-plan.pdf
[86] Calgary Municipal Land Corporation. *East Village*. Retrieved from: https://www.calgarymlc.ca/east-village-projects-page#projects-area-featured.
[87] Calgary Municipal Land Corporation. *CMLC Annual Report 2021*. Retrieved from: https://static1.squarespace.com/static/547dd9bfe4b0756a4a5e6c29/t/62abaa2251ebfb743a25bb79/1655417393937/CMLC_2021_AR_FINAL_Opti mized.pdf

revitalizing the Rivers District, and it is said these were planned to be built regardless of the CRL.[88,89]

While the Rivers District project is still ongoing, one key lesson learned is the importance of strong government support and stakeholder engagement in the planning and implementation of the large-scale development projects.

Winnipeg's Sports, Hospitality, and Entertainment District

Winnipeg's Sports, Hospitality, and Entertainment District ("**SHED**") is a mixed-use development that includes several sports and entertainment venues, hotels, restaurants, and retail spaces. The district has become a hub of activity in downtown Winnipeg, attracting both locals and visitors from out of town. It was developed in stages, beginning in the mid-2000s with the construction of the Canada Life Centre (formerly the MTS Centre), a multi-purpose arena that serves as the home of the NHL's Winnipeg Jets. This was followed by the development of the RBC Convention Centre, a state-of-the-art convention centre featuring over 260,000 square feet of space, including a ballroom and meeting rooms.[90] The SHED also includes a number of hotels, restaurants, and retail spaces, all of which were built with the goal of creating a vibrant mixed-use community that would attract people to the area.

The ownership of the district is split among several public and private entities. The Canada Life Centre is owned by True North Sports and Entertainment, a private company.[91] The RBC Convention Centre is owned by the City of Winnipeg, and the hotels and retail spaces are owned by various private developers.

Financing for the district was provided by a mix of private sector investment, government funding, and taxes and fees. True North invested over $165 million in the Canada Life Centre, while the City of Winnipeg contributed $180 million to the development of the convention centre. Private developers invested over $100 million in hotels and retail spaces.

The City of Winnipeg also implemented a tax increment financing (TIF) program to support the development of the district, which involves using the incremental property tax revenue generated by new developments to pay for infrastructure improvements in the area. The City of Winnipeg used a TIF to improve the 11-block area with enhanced signage that creates a vibrant atmosphere, a wayfinding system, wider sidewalks, reduced drive lanes to slow cars, and cafes and shops lining the street. A total of $25M in capital investment was made in the SHED, funded equally by the City of Winnipeg through TIF and the Province of Manitoba. In July 2012, the City of Winnipeg established a TIF zone and financing programs in designated areas for the purpose of encouraging investment or development. The base year property tax amount was established as $1,539,524, being the municipal real property taxes imposed on all properties within the SHED TIF Zone, as of January 1, 2012. Beginning in 2013, the City of Winnipeg was to ensure that 80% of the municipal real property taxes, to a maximum of $12,500,000, are set aside and paid in accordance with direction provided by Council to support public investments that were approved in principle in July 2010. The By-Law terminates and ceases to be in effect when the cumulative incremental municipal real property taxes set aside total $12,500,000.

The SHED differs from the DEED in that a TIF was not used to fund the arena, stadium, or major facility of any kind within the SHED. Instead, a TIF was only recently used to enhance the area at a relatively small cost of $25M.

Construction on the Canada Life Centre began in 2002 and was completed in 2004. The RBC Convention Centre was developed in two phases, with Phase 1 opening in 2013 and Phase 2 opening in 2016. The hotels and retail spaces were developed over a period of several years, with the most recent developments opening in 2019. The

[88] *Calgary Herald. 'A lot of asterisks': Benefits for city in arena deal not what they seem, economists say.* Retrieved from: https://calgaryherald.com/news/local-news/a-lot-of-asterisks-benefits-for-city-in-arena-deal-not-what-they-seem-economists-say
[89] DMBlog. *East Village Master Plan*. Retrieved from: https://dmblog.com/east-village-master-plan
[90] RBC Convention Centre, Winnipeg. *Venue*. Retrieved from: https://www.wcc.mb.ca/venue/
[91] True North Sports + Entertainment. *Our Company*. Retrieved from: https://www.tnse.com/our-company/

design of the district was carefully planned to ensure that it would be a vibrant and attractive community, with ample public spaces and pedestrian-friendly streets. The construction of the district was a major undertaking, with significant investment and coordination required from all parties involved.

The development of the SHED was driven by a number of policy-related decisions, including the City of Winnipeg's decision to invest in the RBC Convention Centre and the implementation of the TIF program. The district was also supported by a number of key government approvals and stakeholder engagement efforts. The City of Winnipeg worked closely with True North and other developers to ensure that the district would be a vibrant and attractive community and engaged with local residents and businesses to gather input and feedback on the development plans.

The SHED has had a significant economic impact on the City of Winnipeg. The sporting events, concerts, and conferences attract visitors from across the country and around the world, helping to boost the local economy and generate revenue for local businesses such as hotels, restaurants, and retail stores. The SHED also helped to attract significant private investment in the area, such as the development of the True North Square complex – a $400 million mixed-use development including office towers, residential units, and retail space – and the largest mixed-use development in Winnipeg’s history.[92] Further, it improved the quality of life for Winnipeg’s residents by providing new amenities and cultural offerings, such as the newly renovated RBC Convention Centre and the Bell Canada Life Centre (home to the Winnipeg Jets).

Regina’s New Mosaic Stadium

Regina’s New Mosaic Stadium is a multi-purpose stadium. It is home to the Saskatchewan Roughriders (CFL) and hosts other events, such as concerts and soccer matches, with seating capacity of approximately 33,000 but expandable to 40,000.[93] It also has modern amenities, such as a state-of-the-art video board, premium seating, and 38 luxury suites.[94]

The Stadium was developed and is owned by the Regina Exhibition Association Limited (“**REAL**”). The City of Regina is the owner and sole member of REAL, and it is registered as a non-profit organization that is governed by a Board of Directors. It operates separately and independently from the City and does not have the authority to act as an agent for the City, unless expressly provided.[95]

Under a memorandum of understanding signed in 2012, the funding model was outlined. It includes $80 million from the Government of Saskatchewan (paid as a grant over four years), $73 million from the City of Regina (including $4.8 million up front and $67.4 million in bank-issued debt), $25 million from the Riders (paid in full prior to the pandemic), and a loan to the City of $100 million from the province. To repay the $100 million loan, the City of Regina implemented a facility fee of $12 per ticket, although the fee has not been applied to any events outside of Rider games. (The City considers fees on other events on a case-by-case basis, factoring in ticket affordability and the financial viability of events.) The loan was secured at a 3.99% interest rate, and the City has 31.5 years to repay the funds with semi-annual payments of $2.80M.[96] In addition, the top source of revenue to fund Mosaic Stadium is a dedicated mill rate increase of 0.45 every year for ten consecutive years, beginning in 2013, with the last increase occurring in 2022, dedicated to stadium operations (approximately $9 million per year in additional taxes).[97] In addition, the Roughriders and Sask Sport Inc. entered into a 30-year lease as tenants of Mosaic Stadium, generating approximately $4.5 million per year.

Construction of Mosaic Stadium began in 2014 and was completed in 2016, opening to the public in July. The design was based on a “Prairie Vernacular” theme, blending modern architecture with elements of Saskatchewan’s traditional architectural style.

[92] Economic Development Winnipeg. *True North Square Taking Shape.* Retrieved from: https://www.economicdevelopmentwinnipeg.com/newsroom/read,post/637/winnipeg-s-true-north-square-taking-shape
[93] HKS. *Case Studies – Mosaic Stadium*. Retrieved from: https://www.hksinc.com/what-we-do/case-studies/mosaic-stadium/
[94] Riderville. *Premium Seating Suites.* Retrieved from: https://www.riderville.com/premium-seating-suites/
[95] Regina Exhibition Association Limited. *About REAL – Governance*. Retrieved from: https://www.realdistrict.ca/about-real/governance/
[96] CBC News. *Regina’s stadium loan: 63 easy payments of $2.8M.* Retrieved from: https://www.cbc.ca/news/canada/saskatchewan/regina-s- stadium-loan-63-easy-payments-of-2-8m-1.2513449
[97] Regina Leader-Post. *Buyer’s Remorse? Rider Fans Lament Rising Costs as City Monitors Mosaic Stadium Funding Model.* Retrieved from: https://leaderpost.com/news/local-news/mosaic-money-fans-lament-rising-costs-as-city-monitors-viability-of-30-year-funding-model

The development was guided by several policy decisions and documentation. The Government of Saskatchewan's investment was based on a commitment to promote economic development in the province and support the growth of the Saskatchewan Roughriders as a key cultural institution. REAL's decision to finance the project through a combination of public and private funds was based on a desire to minimize the financial risk and ensure the long-term sustainability of the project. A Feasibility Study, including costs and benefits, was conducted in 2010 and is publicly available on the Government of Saskatchewan's website.[98]

One lesson learned from the New Mosaic Stadium project is the importance of balancing public and private funding sources to improve the long-term feasibility of a project. It is also a very useful reference for the City of Saskatoon as it navigates a potential DEED project, given the consistencies and similarities in applicable regulations and legislations.

Kelowna's Prospera Place Arena

Prospera Place in Kelowna (formerly named Skyreach Place from 1999-2003), is a multi-purpose arena and entertainment complex located in Kelowna, BC. The arena was opened on March 28, 1999, with maximum seating capacity of 6,886 for hockey games and 8,000 for concerts, and it is owned by the City of Kelowna. It is home to the Kelowna Rockets, has hosted acts such as KISS, Cirque du Soleil, Shania Twain, Aerosmith, monster trucks, and more. In addition, it hosted various high-profile sporting and entertainment events including the Memorial Cup in 2004 and the 2021 Tim Hortons Brier (a Canadian men's national curling championship).[99]

It was developed and is operated by GSL Group, a Vancouver-based development and entertainment company with commercial and recreational facilities throughout BC. At the time, it was developed in a quiet area of downtown Kelowna, before high-rises, the cultural district, and restaurants / breweries. Today, it is surrounded by high-rises including one of its own currently under construction, and it is considered a vital piece of Kelowna's Cultural District and downtown urban centre. Prior to the development of the arena, the hockey team was losing money playing in the 2,600- seat Memorial Arena while waiting for a deal on a new arena to come together.

In the late 1980s, a referendum for an arena to replace Memorial Arena, built in 1945, was not passed. A few years later, in 1993, someone ran for city council with a promise of bringing a major arena to Kelowna. He was elected, but it took a second term before that dream became a reality. There was significant pressure on council toward the end of the 1990s to get an arena, including the risk of losing the hockey team, and the council wanted to find a way to do it without a referendum. A request for proposal was released where the developer would bear most of the cost so that a referendum wouldn't be necessary. At the time, a public-private partnership ("**P3**") project of this magnitude did not exist, and the BC Municipal Act did not easily allow for such a deal. In fact, the city manager went to BC Government to ensure it was legal and to help draft changes to the Municipal Act to allow for P3 projects.

In total, the cost was less than $20 million, and the developer financed most of it. The City provided the land and some ongoing revenue to support the project. It was a 30-year deal that left most of the capital and operating risk with the developer. A company called Axor Engineering won the bid, but the deal fell through after a long delay due to Axor's inability to secure financing. As a result, the second highest-scoring proponent was engaged again. As the arena was private, rather than a municipal facility, it was possible to include other revenue-generating services, including a sports bar, fitness centre, and pro shop to help improve its financial viability. The land was also divided into three parcels. The city gets back the arena and the land that it sits on, along with 101 parking stalls, after the 30-year term. Instead of a standard availability payment for this P3 project, the City pays an annual figure to the owner for "community ice time" which was the only way to structure the payments under the Municipal Act at the time.[100]

[98] Saskatchewan Entertainment Facility Feasibility Report (2010). Retrieved from: https://www.saskatchewan.ca/~/media/news%20archive/2010/march/01/feasibility%20study%20shows%20positive%20economic%20spinoffs%20for%20province/2010%20feasibility%20study%20summary.pdf
[99] Prospera Place. *About the Venue.* Retrieved from: https://prosperaplace.com/venue-info/
[100] Infotel. 20 Years Later, How Prospera Place Helped Transform Downtown Kelowna. Retrieved from: https://infotel.ca/newsitem/20-years-later- how-prospera-place-

According to city documents, the total cost was $18.5 million, with the financing comprising no more than $11 million. The City contributed $6 million upfront and makes the annual “community ice use” payments, structured on a sliding scale with inflationary adjustments. There are buyout options every five years, but the City has historically just made the annual payments. Over 30 years, the City will pay more than $31 million but contributes nothing toward maintenance, upkeep, or operating shortfalls. The deal also requires the owner to maintain and modernize the building and turn it back to the City in good condition.[98]

Implications and lessons learned for Saskatoon include the importance of collaboration among private sector, government, and community stakeholders for large-scale development projects. This can enable increased access to resources, including funding, land, expertise, and connections; accountability and oversight throughout the process; local input in the planning and development to ensure it aligns with local values and priorities; and helping to ensure the anticipated qualitative and financial benefits are maximized and shared equitably among those involved.

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This Potential Revenue Tool Report ("Report") has been prepared by KPMG LLP ("KPMG") for the City of Saskatoon (the "Client") pursuant to the terms of our engagement agreement with the Client (the "Engagement Agreement"). The intention of the Document is to present a preliminary analysis of revenue tools to support the City in determining a set of revenue tools for further analysis and assessment that could be used to fund the development of a potential Downtown Event and Entertainment District ("DEED") in Saskatoon. This Report summarizes the results of its research and analysis that was performed.

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