

Innovative Housing Incentives – NewRock Developments/Sage Meadows Capital Grant and Tax Abatement Amendment

ISSUE

NewRock Developments applied for an amendment to their Innovative Housing Incentives - Capital Grant and Tax Abatement, for their Sage Meadows development located in the Rosewood neighbourhood, which was approved by City Council in 2021. The proposed amendments include a reduction in affordable rental units and, in turn, an increase in the level of affordability of these units.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that:

1. The previously approved capital grant funding of \$250,000, be approved towards the construction of 24 affordable rental units, as amended;
2. A five-year incremental tax abatement, for 24 affordable rental units, at 355 Olson Lane East, developed by NewRock Developments, estimated at \$138,087, be approved as amended; and
3. That the City Solicitor be requested to prepare the necessary incentive agreement amendments and that His Worship the Mayor and the City Clerk be authorized to execute the amended agreement under the Corporate Seal.

BACKGROUND

In 2021, NewRock Developments applied for funding under the Innovative Housing Incentives Program for a capital grant and tax abatement, for their development located at the corner of Rosewood Boulevard East and Olson Lane East, now addressed as 355 Olson Lane East. The Sage Meadows project was evaluated under [Council Policy C09-002, the Innovative Housing Incentives Policy](#) (Innovative Housing Incentives Policy), using the capital grant evaluation matrix, and achieved the maximum ten points, making it eligible for a full 10% grant.

The 2021 application requested support for 30 affordable rental units as part of the 96-unit rental project. Of the 30 affordable rental units, 18 units were anticipated to be a two-bedroom configuration and 12 were to be three-bedroom units. Included within the two-bedroom units, six units featured a barrier-free design and were designed in consultation with Spinal Cord Injury Saskatchewan Inc.

The approved 30 affordable rental units had an estimated project cost of \$6.61 million. Due to the size of the project and in order to support multiple affordable housing projects requiring assistance, Administration proposed supporting the project with a 4% capital grant, estimated at \$250,000. The project also qualified for a five-year incremental tax abatement, estimated at \$163,588 over the five years. The project had been scheduled for completion and occupancy by June 2023.

City Council, at its Regular Business [meeting](#) on June 28, 2021, approved the following:

“That funding of 4% of the total capital cost of construction of 30 affordable rental units at Rosewood Blvd East and Olson Lane East by NewRock Developments, estimated at \$250,000, be approved and that a five-year incremental tax abatement be approved estimated to be \$163,590;”

DISCUSSION/ANALYSIS

NewRock Developments (NewRock) requested an amendment to their approved Innovative Housing Incentives, including the capital grant and tax abatement for their Sage Meadows development. As the project nears completion, NewRock has been arranging the post-construction financing. Due to changes in Canada Mortgage and Housing Corporation programs and the increase in construction expenses and interest rates, the developer had to re-evaluate the project. The requested amendments include a decrease in the number of affordable rental units, from 30 to 24, and a change to the composition of the affordable rental units, from 30 two- and three-bedroom units to 24 two-bedroom units, including six units which offer barrier-free design. NewRock will be offering the 24 affordable units at rental rates approximately 15% to 20% less than the rates previously being offered, making them much more affordable.

The project is expected to be complete by March 2024.

Capital Grant Incentive

The project remains eligible for capital funding under the Innovative Housing Incentives Policy. The amended application for financial assistance from NewRock has been evaluated using the capital grant evaluation matrix and has achieved the maximum 10 points, qualifying the project for a 10% capital grant. Administration proposes that the previously awarded capital grant of \$250,000 remain unchanged. Although the number of eligible affordable rental units have been reduced, this recommendation is made in consideration of NewRock offering considerably lower rental rates for the remaining 24 units.

The more affordable rental rates for the 24 units will support those in need and are achievable with the City of Saskatoon’s capital grant support as well as partnerships with other levels of government, including the Canada Mortgage and Housing Corporation and the Saskatchewan Housing Corporation.

Estimated Incremental Property Tax Abatement

This project also qualifies for a five-year incremental tax abatement. According to the Corporate Financial Services Division, the incremental increase in property taxes for the 24 units, municipal, library and education portions, is estimated to be \$27,617.49 per year.

Based on the 2023 tax year, the incentive amount over five years would total approximately \$138,087.45, which includes \$89,463.60 in municipal and library taxes and \$48,623.85 in education property taxes. The calculations are based on 2023 tax rates and will be altered with any annual mill rate adjustments. The abatement will be based on the actual assessed value, determined upon final inspection of the completed project.

Administration Recommendation

After review of this application, Administration has concluded this request is consistent with the Innovative Housing Incentives Policy. Administration is recommending City Council approve, as amended, the \$250,000 capital grant and five-year incremental property tax abatement for the 24 units and that the abatement commence in 2024.

FINANCIAL IMPLICATIONS

The incremental property tax abatement for the project at 355 Olson Lane East is forgone revenue and will not require funding from the Affordable Housing Reserve. The City of Saskatoon, including municipal and library, will forgo an estimated total of \$89,460 of tax revenue over five years for the eligible project. The province will forego the education tax, estimated at \$48,625 over five years.

Project Provider	City Tax	Library Tax	Education Tax	1-Year Total	5-Year Total
New Rock (30/96 units) 2021 estimates	\$18,798.00	\$1,938.00	\$11,982.00	\$32,718.00	\$163,590.00
Revised Abatement NewRock/Sage Meadows (24/96 units) 2023 estimates	\$16,196.24	\$1,696.48	\$ 9,724.77	\$27,617.49	\$138,087.45

OTHER IMPLICATIONS

There are no other implications.

NEXT STEPS

If approved, the capital grant will be paid out as defined within the Innovative Housing Incentives Policy.

The property tax abatement, if approved, will begin in 2024 and continue for five years. On-going monitoring and reporting will be completed to ensure all agreement requirements continue to be met, as per the Innovative Housing Incentives Policy.

APPENDICES

1. Photos of Development

REPORT APPROVAL

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