

APPROVAL REPORT

Vacant Lot and Adaptive Reuse Incentive Program – 312 Avenue C South, 620 Webster Street and 2302 22nd Street West

ISSUE

The Vacant Lot and Adaptive Reuse Incentive Program received three eligible applications for incentives: Skalicky Hospitality Ltd. applied to receive a five-year tax abatement of the incremental property taxes for the development of 312 Avenue C South; 620 Webster Street Holdings Ltd. applied to receive a five-year tax abatement of the incremental property taxes for the development of 620 Webster Street; and Northstar Innovative Developments Inc. applied to receive a one-time grant incentive for the development of 2302 22nd Street West.

RECOMMENDATION

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

1. A five-year tax abatement, equivalent to 57.5% of the incremental Municipal, Library and Education property taxes for the development of 312 Avenue C South, be approved, commencing in 2025;
2. A five-year tax abatement, equivalent to 100% of the incremental Municipal and Library taxes for the development of 620 Webster Street, be approved, commencing the earlier of 2028 or the next taxation year following completion of the project;
3. Corporate Revenue be requested to submit an application under the Provincial Government's Education Property Tax Exemption/Abatement Program seeking approval for a five-year tax abatement, equivalent to 100% of the incremental Education taxes, for the development of 620 Webster Street;
4. The City Solicitor be requested to prepare the appropriate agreements, and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal; and
5. Authorize payment of a one-time grant for the development of 2302 22nd Street West, if the project is completed within three years from approval of this report. The grant shall not exceed the annual Municipal and Library taxes assessed to the property following completion of the project.

BACKGROUND

City Council, at its Regular Business [meeting](#) on March 7, 2011, approved the Vacant Lot and Adaptive Reuse Incentive Program (VLAR Program) and Council [Policy C09-035](#), Vacant Lot and Adaptive Reuse Incentive Program (Policy). The VLAR Program is designed to encourage infill development on vacant sites and adaptive reuse of vacant buildings within established neighbourhoods in Saskatoon.

Applicants have an incentive choice of a five-year tax abatement or a cash grant. The maximum incentive amount is calculated by multiplying the increment, between the existing taxes and the taxes owing upon completion of the project, by five years.

Vacant Lot and Adaptive Reuse Incentive Program – 312 Avenue C South, 620 Webster Street and 2302 22nd Street West

Applications are scored against an evaluation system where points are awarded for features included in a project, which meet a defined set of policy objectives. The total points scored for the project determines what portion of the incentive amount it will receive, up to a maximum of 100%. Projects scoring 100 points or more are eligible for 100% of the incentive. Any residual portion of the maximum incentive amount on projects which earn less than 100%, will be redirected into the Vacant Lot and Adaptive Reuse Reserve (VLAR Reserve) during the abatement period, excluding the Education portion of property taxes.

City Council, at its Regular Business [meeting](#) on December 20, 2023, approved amendments to the Policy to establish specific start dates for tax abatements on future projects when the application is approved by City Council.

DISCUSSION/ANALYSIS

An overview of three eligible applications received under the VLAR Program is provided below.

312 Avenue C South

Skalicky Hospitality Ltd. applied under the VLAR Program for the development of 312 Avenue C South, located in Riversdale (see Appendix 1). The lot is zoned B5C – Riversdale Commercial District and the site has been vacant since 2014. The new development is a 3,142-square-foot restaurant and bar (see Appendix 2). Construction began in Summer 2023 and was completed in Spring 2024. Under the VLAR Program’s evaluation system, the project received a total of 57.5 points (see Appendix 3), resulting in an earned incentive of 57.5% of the maximum incentive amount.

The applicant is applying for a five-year tax abatement of the incremental property taxes for the development. According to Corporate Revenue, the incremental increase in annual property taxes, including the Municipal, Library and Education portions for the project, is estimated to be \$9,752; therefore, the estimated maximum incentive amount over five years totals \$48,760.

The total estimated actual abatement amount over five years is \$28,037, which is 57.5% of the maximum incentive amount, and includes \$18,196 in Municipal and Library property taxes and \$9,841 in Education property taxes. The annual abatement includes an estimated \$3,639 in Municipal and Library property taxes and \$1,968 in Education property taxes, for five years. As this project was completed in early 2024, the five-year tax abatement will commence on January 1, 2025.

620 Webster Street

An application under the VLAR Program was received from 620 Webster Street Holdings Ltd. for the development of 620 Webster Street, located in Forest Grove (see Appendix 4). The lot is zoned M3 – General Institutional Service District and the site has been vacant since 2019, when it was subdivided from the adjacent property which contains a church. The VLAR Program requires a minimum vacancy period of 4 years to qualify for a development incentive.

Vacant Lot and Adaptive Reuse Incentive Program – 312 Avenue C South, 620 Webster Street and 2302 22nd Street West

The proposed development is a 162-unit rental apartment building (see Appendix 5). The six-storey development will include 19 bachelor units, 40 one-bedroom units, 77 two-bedroom units and 26 three-bedroom units. As well, the project includes 104 underground parking stalls, plus 72 main level enclosed stalls and five exterior stalls. The applicant indicated the estimated investment in the project is approximately \$43,000,000. Under the VLAR Program's evaluation system the project received a total of 100 points (see Appendix 6), resulting in an earned incentive of 100% of the maximum incentive amount.

The applicant is applying for a five-year tax abatement of the incremental property taxes. According to Corporate Revenue, the incremental increase in annual property taxes, including the Municipal, Library and Education portions for the project, is estimated to be \$289,406; therefore, since the project earned 100% of the maximum incentive amount, the estimated actual incentive amount over five years totals \$1,447,030.

The total estimated actual abatement amount over five years includes \$956,205 in Municipal and Library property taxes and \$490,825 in Education property taxes. The annual abatement includes an estimated \$191,241 in Municipal and Library property taxes and \$98,165 in Education property taxes, for five years.

As the Education property tax portion for the site will exceed \$25,000 per tax year, approval from the Provincial Government is required to exempt or abate the Education tax revenue. An application requesting this approval will be submitted following this report.

As per the policy change approved in December 2023, five-year tax abatements provided by the VLAR Program must begin within three calendar years from approval of the application and is not dependent upon the project being completed within that timeframe. The property owner will not benefit from the tax abatement until an increment exists on the annual property taxes assessed as a result of the project. If approved, the five-year tax abatement for 620 Webster Street shall begin the earlier of January 1, 2028, or the taxation year following completion of the project.

2302 22nd Street West

Northstar Innovative Developments Inc. applied under the VLAR Program for the development of 2302 22nd Street West, located in Mount Royal (see Appendix 7). The lot is zoned B4 – Arterial and Suburban Commercial District and the site has been vacant since a former gas bar was removed in 2011, which required significant site remediation. The new development is a 2,325-square-foot restaurant with drive-thru, containing 36 seats and 14 parking stalls. Construction is planned to begin in 2024, with completion expected in 2025. The applicant indicated the estimated investment in the project is approximately \$2,000,000.

Development incentives provided by the VLAR Program are typically based upon the incremental property taxes generated from pre-construction to post-construction of the project. According to a review by Corporate Revenue, the planned development at 2302 22nd Street West will not generate incremental property taxes and it is anticipated the annual property taxes assessed will decrease following completion of the proposed project. The VLAR Program policy states:

“Projects that do not incur a tax increment upon completion may receive a grant equal to no more than one year's worth of existing taxes.”

[Bylaw No. 9170, The Procedures and Committees Bylaw, 2014](#), delegates to the Standing Policy Committee on Planning, Development and Community Services the authority to approve all incentives under the VLAR Program, except property tax abatements, which must be approved by City Council.

The estimated maximum value of the grant this project will qualify to receive is \$7,674, which includes the Municipal and Library property tax portions. The actual value of the grant will be determined following completion of the development and will be based on the project score using the VLAR Program's evaluation system. This project will receive points for site remediation to a commercial standard and an assessment of energy efficient design features will occur. In order to receive a VLAR Program grant, completion of construction must occur within a maximum of three years from the report approval date. Following completion of an approved project, VLAR Program grants are paid using funds from the VLAR Reserve.

FINANCIAL IMPLICATIONS

Incremental property tax abatements and grants provided by the VLAR Program are forgone revenue.

For the project at 312 Avenue C South, the City will forgo an estimated total of \$31,645 of Municipal and Library property tax revenue over five years, of which an estimated \$18,196 will be abated to the property owner, and the residual of \$13,449 will be redirected to the VLAR Reserve. Over five years, the Provincial Government will forgo an estimated total of \$9,841 of Education tax revenue, which will be abated to the property owner.

For the project at 620 Webster Street, the City will forgo an estimated total of \$956,205 of Municipal and Library property tax revenue over five years, which will be abated to the property owner. Over five years the Provincial Government will forgo an estimated total of \$490,825 of Education tax revenue, which will be abated to the property owner.

For the project at 2302 22nd Street West, the grant will not exceed the annual Municipal and Library taxes assessed to the property, which has an estimated post-construction value of \$7,674. The grant will be funded from the VLAR Reserve.

The abatement calculations are based on 2024 tax rates and would change with any alterations to the design plans and annual mill rate adjustments. As well, it is noted that 2025 is a property tax reassessment year, which can result in changes from previous estimates. An actual assessment value will be determined upon final inspection of the completed projects.

OTHER IMPLICATIONS

There are no other implications.

NEXT STEPS

Development of 312 Avenue C South was completed in Spring 2024, with the five-year tax abatement, if approved, to begin on January 1, 2025. Construction of the proposed projects at 620 Webster Street and 2302 22nd Street West are expected to begin in 2024. The five-year tax abatement for 620 Webster Street, if approved, will begin the earlier of January 1, 2028 or the taxation year following completion of the project. The proposed project at 2302 22nd Street West must be completed within three years from City Council approval, in order to receive a grant based on the annual Municipal and Library taxes assessed to the property.

APPENDICES

1. Project Location – 312 Avenue C South
2. Project Photos – 312 Avenue C South
3. VLAR Project Evaluation – 312 Avenue C South
4. Project Location – 620 Webster Street
5. Project Rendering – 620 Webster Street
6. VLAR Project Evaluation – 620 Webster Street
7. Project Location – 2302 22nd Street West

REPORT APPROVAL

Written by: Mark Emmons, Senior Planner
Reviewed by: Melissa Austin, Neighbourhood Planning Manager
Lesley Anderson, Director of Planning and Development
Approved by: Celene Anger, General Manager, Community Services