
Vacant Lot and Adaptive Reuse Incentive Program – 210 1st Avenue South – Midtown

ISSUE

The Midtown Renewal Project, which included investments of over \$80 million in the property, is substantially complete and is generating a tax increment in 2024. The Vacant Lot and Adaptive Reuse Incentive Agreement between the City of Saskatoon and Midtown Plaza Inc. required the project be substantially complete by December 31, 2021, and anticipated the approved property tax abatement was to begin no later than January 1, 2022. However, project completion was delayed and there has been no increment in property taxes until 2024. The purpose of this report is to request approval to amend the existing Incentive Agreement for the five-year tax abatement to commence on January 1, 2024.

RECOMMENDATION

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

1. The five-year tax abatement, equivalent to 100% of the incremental municipal and library taxes for the redevelopment of Midtown, be approved to commence January 1, 2024;
2. Corporate Revenue be requested to resubmit an application under the Province of Saskatchewan'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 redevelopment of Midtown;
3. The City Solicitor be requested to amend the existing agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal; and
4. The five-year tax abatement on the incremental taxes be applied to the subject property, commencing January 1, 2024.

BACKGROUND

City Council, at its Regular Business meeting held on March 7, 2011, approved Vacant Lot and Adaptive Reuse Incentive Program (VLAR Program), [Council Policy No. C09-035, Vacant Lot and Adaptive Reuse Incentive Program Policy](#) (Policy). The VLAR Program is designed to encourage infill development on vacant sites and the adaptive reuse of vacant buildings within established neighbourhoods in Saskatoon.

The Standing Policy Committee on Planning, Development and Community Services, at its [meeting](#) on June 13, 2018, approved a tax abatement incentive as an exception to the Policy for the extensive renovation and revitalization of Midtown at 201 1st Avenue South. The project was considered an exemption to the Policy as it does not apply to retail uses or renovation projects.

The Policy defines an adaptive reuse as a building used as an industrial or commercial use and repurposed to a different category of use. Although Midtown was undergoing a major and comprehensive renovation of an entire building, as well as major changes to the exterior, parking area, roof and mall area, there was no change to the category of use as it remained a commercial use.

DISCUSSION/ANALYSIS

The Midtown ownership group has invested over \$80 million in the property; \$50.65 million into the former Sears building space and food court renovation, plus an additional \$30 million into the common areas of the mall. Tenant improvement costs are estimated at an additional \$25 million. The project has taken longer than anticipated and a tax increment did not result until this year for the subject property. Administration and Midtown Plaza Inc. are in agreement that the work is substantially complete, and the commencement of the abatement can be applied, starting January 1, 2024, for five years.

While the abatement was approved as an exception to the Policy, the terms of the incentive agreement were those that would otherwise have been standard in any other approved agreement in the VLAR Program. The terms, therefore included a requirement that the project be substantially complete by December 31, 2021, with the abatement to begin no later than January 1, 2022, in accordance with the completion deadline requirements set out in the Policy, at that time. Due to the expiration of the completion deadline in the incentive agreement, City Council approval to amend the timeline in the incentive agreement is required for the five-year tax abatement to commence.

The total estimated abatement amount over five years is \$2,130,330, and includes \$1,416,775 in Municipal and Library property taxes, as well as \$713,555 in Education property taxes. The annual abatement includes an estimated \$283,355 in Municipal and Library property taxes and \$142,711 in Education property taxes, for five years. The foregone Municipal and Library property taxes for 2024 and 2025 were approved as part of the Multi-Year Budget. 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. This approval was received in 2019; however, Corporate Revenue will resubmit the abatement request to confirm support from the Provincial Government.

The calculations are based on current occupancy with 2024 tax rates. The taxable assessment is anticipated to increase with further tenant improvements, that in combination with annual mill rate adjustments results in increased abatement costs. As well, it is noted that 2025 is a property tax reassessment year, which can result in changes from previous estimates.

FINANCIAL IMPLICATIONS

Incremental property tax abatements provided by the VLAR Program are considered forgone revenue. For the Midtown Renewal Project at 210 1st Avenue South, the City of Saskatoon will forgo an estimated total of \$1,416,775 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 \$713,555 of Education tax revenue, which will be abated to the property owner.

OTHER IMPLICATIONS

There are no other implications.

NEXT STEPS

The five-year tax abatement for 201 1st Avenue, if approved, will begin January 1, 2024.

REPORT APPROVAL

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