



Saskatoon Regional Economic Development Authority (SREDA)
Suite 103, 202 Fourth Avenue N | Saskatoon, SK

MEMO

TO: Kerry Tarasoff, Chief Financial Officer/General Manager
Asset & Financial Management, City of Saskatoon

FROM: Jonathan Huntington, Chair, SREDA Board of Directors

RE: Brandt Properties Ltd. Business Development Tax Incentive Application

DATE: July 26, 2017

The Saskatoon Regional Economic Development Authority (SREDA) has received an application from Brandt Properties Ltd., under the Business Development Incentives Policy C09-014 (the Policy), of which SREDA administers on behalf of the City of Saskatoon, related to the company's purchase of properties 819,827,859 59th St E and 826,858 58th St E (the Properties).

Under this application, Brandt plans to develop a "Green Energy Center of Excellence for Brandt Manufacturing". Brandt has purchased the former Mitsubishi/Hitachi manufacturing facility that was being organized for liquidation by its former owners. Through this acquisition, Brandt plans to manufacture wind turbines to support not only Sask Power's target to reach 50% green energy by 2030, but also the City of Saskatoon's Environmental Leadership Targets, outlined in the City of Saskatoon Strategic Plan (2013 – 2023).

Based on Brandt's application and the eligibility requirements of the Policy, SREDA is recommending the City of Saskatoon approve a **100% tax abatement on the property taxes assessed to the Properties for a 5 year period (2018-2022)**.

This represents a tax abatement of approximately \$370,000 annually for the 5 year period. Although this is a significant tax abatement, the Business Development Incentives policy allows for special consideration to be given to the manufacturing or processing sectors based on section 3.1 (e). This section of the policy states that a manufacturer creating 100 or more full-time jobs may be eligible for tax abatements of up to 100% of new property taxes for up to 5 years.

Saskatoon's manufacturing sector has a significant impact on the Saskatoon Region economy, creating both products for export and long-term, well-paying jobs for Saskatoon residents. Brandt's initial plan is to create direct employment opportunities for 300 people. Including the economic impact of indirect and induced employment, the number increases to 381 full-time equivalent positions, with an estimated annual labour income impact of \$20.4 million. This level of employment in the turbine equipment manufacturing sector is estimated to support annual economic output of \$47.2 million and GDP of \$26.5 million (based on the recently released 2013 Statistics Canada Input-Output Model). Although it is difficult to determine the exact provincial and thus regional tax benefits from Brandt's investment in Saskatoon, SREDA considered the tax implications of the long term nature of Brandt's operating plan in our tax abatement assessment.

Summary:

In SREDA's view, Brandt's application meets the purpose, eligibility criteria, and amount of incentives under the Policy.

Policy Purpose:

"To make incentives available to businesses meeting the eligibility requirements listed within this Policy, to:

- Encourage them to locate or expand their operations in Saskatoon in order to create long term, skilled or semi-skilled jobs;
- Provide tax relief that will flow to companies creating new jobs;
- Place Saskatoon in a competitive position in attracting businesses that it would not otherwise occupy;
- Increase the long term viability of a project; or
- Demonstrate the City's commitment to a business or industry."

Policy Eligibility Criteria

Brandt's application fulfils all 10 criteria listed in the Policy as summarised in the attached eligibility criteria checklist form.

Amount of Incentives

Brandt's application qualifies for a 100% tax abatement under section 3.1 (e) of the Policy because the expansion is creating 100 or more full-time jobs in the manufacturing sector:

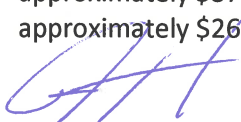
"The value of incentives for new or local expansions in the manufacturing or processing sectors that will create 100 or more new, full-time or full-time equivalent employees may be eligible for tax abatements of up to 100% of new or incremental property taxes for a period of five years."

As such, the Saskatoon Regional Economic Development Authority's Board of Directors approved the following resolution on July 26, 2017:

Recommendations

THAT the SREDA Board of Directors approves the recommendation by the SREDA Incentive Review Committee for SREDA to submit Brandt's tax incentive application to the City of Saskatoon for a 100% property tax abatement for a 5 year period (2018 – 2022).

In SREDA's view, this business development incentive represents an economic win for the City of Saskatoon, our regional manufacturing sector, and local job creation. The tax abatement of approximately \$370,000 annually provided by the City of Saskatoon is expected to stimulate approximately \$26.5M of annual GDP impact.



Jonathan Huntington
Chair, Board of Directors
SREDA