



**RPT 21-71**

**TITLE:** SGEU Tax Agreement

**DATE:** February 12, 2021

**TO:** City Council

**PUBLIC:** X

**INCAMERA:**

**RECOMMENDATION:**

1. That for purposes of economic development pursuant to Section 263(6) of *The Cities Act* approval, be granted for a partial tax exemption applicable to the improvement to be developed on the property at 435 and 451 40<sup>th</sup> Street East;
2. That the tax exemption be conditional upon the Saskatchewan Government Employees Union (SGEU) executing the attached Tax Exemption Agreement on or before conditions expire under the Agreement for Purchase and Sale dated January 28, 2020 as follows:

Exemption		Exempt	Taxable
Year 1	Closing Date 2021 to December 31, 2021	0%	100%
Year 2	January 1, 2022 to December 31, 2022	0%	100%
Year 3	January 1, 2023 to December 31, 2023	100% re improvement 0% Land	0% re improvement 100% Land
Year 4	January 1, 2024 to December 31, 2024	100% re improvement 0% Land	0% re improvement 100% Land
Year 5	January 1, 2025 to December 31, 2025	100% re improvement 0% Land	0% re improvement 100% Land

3. That the Mayor and City Clerk be authorized to execute the attached Tax Exemption Agreement on behalf of the City.

**TOPIC & PURPOSE:**

To approve the granting of a tax exemption to the Saskatchewan Government and General Employees Union for the investment of a new office development at 435 and 451 40<sup>th</sup> Street East.

**BACKGROUND:**

On January 27<sup>th</sup>, 2020 City Council approved the following resolution:

- *That the offer to purchase from Saskatchewan Government and General Employees Union for the City owned properties at 435 and 451 – 40<sup>th</sup> Street East, legally described as Parcel RR, Plan No. 102187470 and Parcel SS, Plan No. 102187470, be approved for the offered price of \$800,000 subject to the following:*
  - *That the sale price be mutually agreed upon by PA Diversified Properties Ltd. As per Subsection 9(c) of the Land Development Agreement between the City and PA Diversified Properties Ltd. Dated October 4, 2013; and*
- *That the Mayor and City Clerk be authorized to execute the Agreement on behalf of the City.*

**PROPOSED APPROACH AND RATIONALE:**

All of the conditions of the sale agreement have been lifted as of February 5<sup>th</sup>, 2021 with the exception of clause 10.1.4 which speaks to an abatement of taxes.

As per *The Cities Act*, Section 263, City Council has the authority to exempt property as per the following legislation:

- (6) Notwithstanding subsection (2) but subject to subsection (7), **if, for the purposes of economic development**, a council enters into an agreement pursuant to subsection 262(4) to exempt or partially exempt any property from taxation, the city is not required, for the term of the agreement, to replace the tax revenues lost by any other taxing authority on whose behalf the city levies taxes.
- (7) If a council enters into an agreement for the purposes mentioned in subsection (6), the council shall, before February 1 of the first year in which the tax exemption is to take effect, give written notice of the tax exemption to any other taxing authority on whose behalf the city levies taxes.

- (8) Notwithstanding subsection 262(4), any other taxing authority on whose behalf the city levies taxes may agree to an extension of an agreement entered into for the purposes mentioned in subsection (6).
- (9) If another taxing authority agrees to an extension pursuant to subsection (8), the other taxing authority is deemed to have waived, for the extended term of the agreement, the city's obligation to the other taxing authority to replace lost tax revenues.

A tax exemption agreement has been prepared and is attached for Council's consideration. The intent is to construct a 6,500 square foot building to accommodate office use.

### **CONSULTATIONS:**

The Director of Planning and Development has discussed this proposal with the City Manager, City Solicitor, and Director of Financial Services in relation to the economic benefit to the community relating to the brand new construction and the additional employment in our community, along with future tax revenues to the City.

### **COMMUNICATION AND/OR ANNOUNCEMENT PLAN:**

Once approved by City Council, Administration will finalize the Tax Exemption Agreement with the City Solicitor.

### **FINANCIAL IMPLICATIONS:**

The following information has been provided by the City Assessor:

The following is a preliminary assessment and taxation estimate for the above noted property.

The estimate is based on the following information that was provided:

- 1.55 acres of commercial land
- 6,544 square foot steel frame building
- Office building valued as good quality construction
- 13 foot high wall height
- Heating and air conditioning added
- Does not include any exterior patio area

### **Assessed Value**

Land Value: \$ 184,000

Improvement Value: \$1,316,500

Total Estimated Assessment \$1,500,500

This assessment estimate is a preliminary estimate based on the information provided and the final assessment will be determined through an inspection from an assessment appraiser once the building construction is complete. This estimate is also based on the 2020 assessment rates.

**Taxation Estimate**

The estimated taxation amount on a commercial assessment of \$1,500,000 based on the 2020 mill rates and base taxes would be approximately **\$47,914.83**.

**OTHER CONSIDERATIONS/IMPLICATIONS:**

There are no policy, privacy implications or official community implications at this time.

**STRATEGIC PLAN:**

Sustainable Growth – This incentive supports and conforms to the core value providing an efficient and effective service to help foster long term investment in the City, while also broadening the City's tax base.

**OPTIONS TO RECOMMENDATION:**

That City Council denies a tax exemption requested by the Saskatchewan Government and General Employees Union.

This option is not recommended as this new construction, bringing economic and employment benefits to our community. As well, this new development will provide future tax revenues to the City.

**PUBLIC NOTICE:**

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

**PRESENTATION:**

None

**ATTACHMENTS:**

1. SGEU Tax Agreement
2. Sale of 435 and 451 40th Street East - January 27 2021 Report to Council

Written by: Director of Planning and Development Services

Approved by: City Manager and City Solicitor