

Corridor Growth Incentives and Financing Tools

ISSUE

This report presents preliminary information on Administration's work to develop a set of tools for incentivizing development and financing infrastructure improvements to support infill development within the Corridor Growth Area. This report provides an overview of potential tools that are being explored. Internal and external communications and engagement will continue as these tools are further explored.

BACKGROUND

In January 2020, City Council endorsed the [Corridor Transformation Plan](#), which provides a transformative long-term vision for Saskatoon's major corridors and high-level direction for future deliverables of the Corridor Planning Program. One deliverable is the preparation of a development financing and incentives framework geared toward infill development within the Corridor Growth Area.

Bylaw No. 9700, The Official Community Plan Bylaw, 2020 (OCP) incorporates the goals of Corridor Growth established in the Growth Plan to Half a Million, including accommodating 15% of total growth within Corridor Growth Areas. In addition, the OCP states that the City of Saskatoon (City) will:

- “Facilitate and promote the development or redevelopment of infill sites by addressing regulatory barriers and through the use of incentives and partnerships.” (G.1.3.(2)(c))
- “appropriately distribute the costs of public utilities and services associated with land development among utility agencies, consumers, and the development industry.” (G.2.3.(1)(a))
- “Ensure the City's cost of servicing development is captured as authorized through provincial and federal legislation, while considering a balance of factors and funding sources to address cost recovery, competitiveness, affordability and transparency.” (G.6.1.(1)(b))

CURRENT STATUS

The Corridor Planning team has identified a preliminary list of potential Corridor Growth incentives and financing tools through research on practices by other municipalities and discussions with internal subject matter experts within Administration. This report provides a high-level overview of potential tools. More in-depth analysis will be provided in future reports, as the viability of each tool is further developed.

DISCUSSION/ANALYSIS

Development Incentives

Development incentives should address and alleviate perceived or real barriers to infill development in the Corridor Growth Area. Through discussions with the development industry, such as the 2017 Infill Roundtable hosted by the Saskatoon & Region Home

Corridor Growth Incentives and Financing Tools

Builders' Association, individual conversations with development applicants, as well as discussions with subject matter experts within Administration, the project team has identified a number of potential barriers to Corridor Growth:

- 1) uncertainty about development site conditions and requirements;
- 2) uncertainty of demand for types of development envisioned for the corridors;
- 3) development process timelines;
- 4) potential high servicing costs for the first-in developer (the first developer to initiate significant development in an area);
- 5) high land costs on portions of the corridors; and
- 6) costs to fulfill parking and storm water management requirements.

Neighbourhood opposition and aversion to change has also been identified as a significant factor in infill development, whether along the corridors or generally in Saskatoon's established areas. Tools being explored in this report may not specifically address this condition; however, in response to previous City Council direction, Administration is exploring ways to improve communication, engagement and administrative processes around infill development. In particular, the Corridor Plan process itself is intended to involve neighbourhood residents and other stakeholders, in part to identify and address concerns arising from Corridor Growth.

The team has identified the following potential incentive mechanisms, some of which are in use by the City in existing programs, while others are used by other municipalities and can be considered by the City (refer to Appendix 1 for descriptions of each item):

- 1) property tax abatements;
- 2) development grants;
- 3) exemptions or discounts on development servicing charges;
- 4) administrative development assistance;
- 5) density bonusing;
- 6) City-initiated rezoning;
- 7) reducing servicing costs for the "first-in" developer; and
- 8) land development by Saskatoon Land.

Infrastructure Improvement Financing Tools

While it will generally be supported by existing infrastructure, some infrastructure improvements will be needed to support Corridor Growth. These vary by location, but may include sanitary sewer upgrades, storm sewer upgrades, water system upgrades, upgrades and installation of fire hydrants, power servicing upgrades, paving of back lanes, new or enhanced park and recreation spaces, construction and reconfiguration of sidewalks and streetscaping and public realm improvements such as landscaping and street furnishings.

The team has identified the following potential infrastructure financing tools, some of which are already in use by the City, while others are used by other municipalities and can be considered by the City (refer to Appendix 1 for descriptions of each item):

- 1) servicing agreement fees for subdivision development;
- 2) utility bill levy;
- 3) senior government funding;
- 4) city-wide property tax;
- 5) development levies for non-subdivision development;
- 6) community amenity contributions;
- 7) tax increment financing;
- 8) local improvement charge; and
- 9) area-specific property tax.

FINANCIAL IMPLICATIONS

There are no financial implications at this time; however, this is expected to vary depending on the incentives and financing tools pursued. Financial implications will be identified and presented to Committee during further phasing of this project.

OTHER IMPLICATIONS

There are no legal, privacy, social or environmental implications at this time. Some of the potential incentives and financing tools may require changes to existing bylaws, introduction of new bylaws or amendments to provincial legislation. Specific legal implications will be identified and presented during further phasing of this project. In addition, the next phase of this project will include a Triple Bottom Line assessment on the options presented, which can identify potential social and environmental implications, including consideration for affordable housing and sustainability initiatives.

NEXT STEPS

Administration will investigate the tools presented in this report in greater detail, including conducting further communications and engagement with internal and external stakeholders, and will return with further information regarding the viability of the options and potential implementation of identified best options.

APPENDICES

1. Potential Corridor Growth Incentives and Financing Tools

REPORT APPROVAL

Written by: Patrick Lo, Planner, Planning and Development
Reviewed by: Chris Schulz, Manager of Planning Project Services
Lesley Anderson, Director of Planning and Development
Approved by: Lynne Lacroix, General Manager, Community Services

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Potential Corridor Growth Incentives and Financing Tools

This document briefly describes potential incentives and financing tools that could be explored by the City of Saskatoon (City) to support Corridor Growth.

Development Incentives

1. Property tax abatement – Abatement of property taxes for a number of years after development completion, similar to the five-year abatement of the incremental increase in property tax currently offered by the City through the Vacant Lot & Adaptive Reuse Incentive Program and Innovative Housing Incentive for affordable housing.
2. Development grants – Reimbursement grants that can be targeted for specific types of development or for specific development costs, similar to existing grants offered by the City through the Vacant Lot & Adaptive Reuse Incentive Program and Innovative Housing Incentives for affordable housing.
3. Exemptions or discounts on development servicing charges – Currently, development servicing charges/levies are only imposed on development that involves subdivision of property, including land subdivision and condominium subdivision, through the City’s prepaid service rates. In addition, prepaid offsite servicing fees are currently waived for all sites located in City Centre and Established Neighbourhoods (excluding University of Saskatchewan lands) that are zoned for multiple-unit residential or mixed-use development with a residential component¹.
4. Administrative development assistance – This refers to establishing a dedicated staff resource for Corridor Growth development inquiries, similar to the current City Centre Planner position. This can also refer to proactively providing developers with pertinent development information where possible (subject to availability, staff resources and legal requirements), such as information on the condition of existing infrastructure, potential site requirements and costs to develop.
5. Density bonusing – Current provisions in Bylaw No. 8770, Zoning Bylaw, 2009, permit developments in the B6 Downtown Commercial District to exceed the maximum building height in exchange for contributing specific community benefits or amenities such as public plazas, public parking, and sustainability features. Similar ideas for bonus development potential, by permitting additional density or relaxing zoning requirements, in exchange for specified community benefits could be contemplated for Corridor Growth development.
6. City-initiated rezoning – This refers to Administration initiating the rezoning of specific lands prior to development applications coming forward from private parties. This could potentially be initiated as part of the Corridor Plan process.
7. Reducing servicing costs for the first-in developer – Because the first large-scale development in an area may often require simultaneous construction or

¹ Regular Business Meeting of City Council, November 18, 2019, Item 8.1.9: Streamlining Downtown Development – Boundary Options for Interim Exemption of Offsite Levies.

upgrading of offsite infrastructure necessary to support this first development, the first-in developer may often be the party that fronts the bill for the infrastructure improvements. The City could consider arrangements for sharing the upfront costs and/or for reimbursement by subsequent developers.

8. Land development by the City – There may be opportunity for the City to participate in Corridor Growth development to stimulate development interest, facilitate catalyst projects that showcase the types of development envisioned for the corridors and potentially capitalize on development demand for Corridor Growth. Saskatoon Land has typically focused on greenfield land offerings in its planned developments, but this focus has shifted in recent years to include more infill development opportunities in support of the Growth Plan to Half a Million.

Infrastructure Improvement Financing Tools

1. Servicing agreement fees for subdivision development – These are the development servicing charges the City currently imposes on development that involves land subdivision or condominium subdivision, through the City's annually-adjusted prepaid service rates for offsite and direct services. The applied fees vary depending on whether a development is on a greenfield site or an infill site.
2. Utility bill levy – A charge for infrastructure upgrades is currently included on the monthly bill of every Saskatoon Water customer.
3. Senior government funding – Grant funding from the provincial and federal governments.
4. City-wide property tax – Financing infrastructure through the mill rate.
5. Development levies for non-subdivision development – Provincial legislation permits the collection of development servicing charges from any development not involving subdivision, if the development will cause the municipality to incur increased capital costs for sewage, water, drainage, roadway or park and recreation infrastructure. The City does not currently impose these charges.
6. Community amenity contributions – This refers to a municipality requiring or negotiating with a development proponent to provide monetary or in-kind contributions toward specified community benefits as a condition of granting additional development rights.
7. Tax increment financing – Where a municipality pays the upfront cost of redevelopment or infrastructure improvements in a specified area, with a plan to recover that cost through property tax revenue collected specifically on any increase in the assessed value of properties within that area.
8. Local improvement charge – Where a municipality undertakes new work or an improvement, beyond regular maintenance work, on the condition that the cost is charged to the owners of those specific lands that benefit from the work or improvement.
9. Area-specific property tax – Funding area improvements through property taxes collected from properties in that specific area.