Executive Committee

Wednesday, October 16, 2019
11:45 AM

Henry Baker Hall, Main Floor, City Hall

OFFICE OF THE CITY CLERK

Public Agenda
Executive Committee
Wednesday, October 16, 2019

Approval of Public Agenda

Adoption of Minutes

Minutes from the meeting held on September 18, 2019

Tabled Reports

EX19-32 Tax Policy - Relative Share of Taxes

Recommendation

1. That this report be received and filed.

2. That item CM18-15 be removed from the list of outstanding items.

Administration Reports

EX19-33 Solar Project - Dream Request

Recommendation

1. That notwithstanding section 4.8 of the *Administration and Calculation Servicing Agreement Fees and Development Levy Policy*, the request that the Solar Project development described in this report be exempt from the payment of the transportation, parks and recreation and administration portions of the Servicing Agreement Fees (SAFs) at the time of subdivision be approved including such exemption on the following conditions:

    a. The 10MW Solar Project is awarded by SaskPower to Company A on the land owned by Dream Asset Management Corporation (Dream) as described in this report;

    b. An application for subdivision with respect to the lands to be used for the Solar Project is submitted to the City, and such application complies with all applicable requirements and development standards other than the payment of SAFs;

c. At the time of any subsequent application for new development on the lands used for the Solar Project, the land owner shall pay SAFs and or development levies (as the case may be) equal to those portions exempted at the rates in effect at the time of the subsequent development, not the rates in effect at the time of subdivision; and

d. The City shall register an interest against the title(s) of the subject lands in the ISC Land Registry at the time of subdivision identifying the outstanding payment owing to the City and the obligation of the landowner to make payment to the City prior to obtaining any future development permit or certificate of approval.

2. That conditional support be provided for a property tax exemption as described in Option 2 in this report for five years to Dream Asset Management Corporation for the portion of the land located at 4800 E Dewdney Ave, tax account number 10268981, as described on the assessment roll as Plan: 101396853 Block: B; NE 26-17-19-2 required for the proposed solar project.

3. That the Executive Director, Community Planning and Development be delegated authority to finalize the terms of a servicing agreement as outlined in this report.

4. That the specific tax exemption as described in Option 2 in this report come forward to a future Executive Committee and Council meeting for approval once the following conditions are met:

    a. The 10MW Solar Project is awarded by SaskPower to Company A on a portion of the land owned by Dream Asset Management Corporation (Dream) as described in this report; and

    b. That the construction of the of the solar project as awarded to Company A by SaskPower is complete on the land owned by Dream and as described in this report.

5. That City Council request Economic Development Regina (EDR) to work with City Administration to begin steps to develop a policy that would provide guidelines for future requests for economic development support within the City of Regina.

6. That this report be forwarded to the October 28, 2019 City Council meeting for approval.

Resolution for Private Session

AT REGINA, SASKATCHEWAN, WEDNESDAY, SEPTEMBER 18, 2019

AT A MEETING OF EXECUTIVE COMMITTEE

HELD IN PUBLIC SESSION

AT 11:45 AM

These are considered a draft rendering of the official minutes. Official minutes can be obtained through the Office of the City Clerk once approved.

Present:	Councillor Mike O'Donnell, in the Chair Mayor Michael Fougere Councillor Lori Bresciani Councillor Sharron Bryce Councillor John Findura Councillor Jerry Flegel Councillor Bob Hawkins Councillor Jason Mancinelli Councillor Joel Murray Councillor Barbara Young
Regrets:	Councillor Andrew Stevens
Also in Attendance:	City Clerk, Jim Nicol Deputy City Clerk, Amber Ackerman City Manager, Chris Holden A/City Solicitor, Jana-Marie Odling Exec. Dir., Citizen Experience, Innovation & Performance, Louise Folk Exec. Dir., Financial Strategy & Sustainability, Barry Lacey Exec. Dir., City Planning & Community Development, Diana Hawryluk Exec. Dir., Citizen Services, Kim Onrait Director, Citizen Experience, Jill Sveinson

(The meeting commenced in the absence of Councillor Mancinelli)

APPROVAL OF PUBLIC AGENDA

Mayor Michael Fougere moved, AND IT WAS RESOLVED, that the agenda for this meeting be approved, as submitted.

ADOPTION OF MINUTES

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the minutes for the meeting held on August 7, 2019 be adopted, as circulated.

ADMINISTRATION REPORTS

EX19-32 Tax Policy - Relative Share of Taxes

Recommendation

1. That this report be received and filed.

2. That item CM18-15 be removed from the list of outstanding items.

Jim Elliot addressed the Committee.

(Councillor Mancinelli arrived at the meeting)

John Hopkins, representing Chamber of Commerce, Leasa Gibbons, representing Regina Warehouse Business Improvement District, and Terri Klyne, representing Harvard Property Management, addressed the Committee

Mayor Michael Fougere moved, AND IT WAS RESOLVED, that this report be tabled to October 16, 2019 meeting of Executive Committee.

RESOLUTION FOR PRIVATE SESSION

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that in the interest of the public, the remainder items on the agenda be considered in private.

RECESS

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the Committee recess for two minutes.

The Committee recessed at 12:10 pm.

Chairperson

Secretary

EX19-32

September 18, 2019

To: Members
Executive Committee

Re: Tax Policy - Relative Share of Taxes

RECOMMENDATION

1. That this report be received and filed.

2. That item CM18-15 be removed from the list of outstanding items.

CONCLUSION

Administration recommends maintaining the current approach to tax policy which is to:
- Maintain the relative tax share split between residential and non-residential properties; and
- Review tax policy at the time of revaluation (often referred to as reassessment).

From 1997 to present, City Council has reviewed tax policy with each reassessment and adopted the policy that mill rate factors be established such that the relative share of property taxes between residential and non-residential property classes does not change due to reassessment. This policy decision has been centered around three main themes:
1. Stability, predictability and sustainability.
2. Equity, fairness and transparency.
3. Decisions must be in the best interest of the community.

A property tax system should provide stable and predictable revenues for the municipality, be visible and transparent, fair and should not result in unanticipated changes over time. The next reassessment will occur for 2021. Tax policy for reassessment and communications with property owners is scheduled to be complete in 2020. A shift in tax burden to commercial properties at this time, may conflict with the above principles as a shift will create a significant impact for commercial property owners while providing a minimal decrease for residential property owners.

BACKGROUND

On December 10, 2018, City Council considered report CM18-15 (2019 General and Utility Operating and 2019-2023 General Utility Capital Plan) and approved the following resolution:

"That Administration return to Executive Committee in Q3 of 2019 with a report outlining the implications of revising existing tax polices related to commercial/industrial and resource property classes in the interest of offering relief for residential rate payers."

This report responds to that resolution. In order to understand the implications of any policy changes, it is important to understand the current policy and how it was established.

Ad Valorem Property Tax

The role of a municipality is to deliver services that support the public good. While vital to the community, these services come at a cost. The primary revenue source for municipalities to fund these services is typically property tax. Given the necessity of the services provided, property tax is generally understood as a given for property owners. The question then becomes, how should the property tax burden be distributed amongst property owners?

Municipalities in Canada operate on an ad valorem property tax system. Ad valorem is Latin for "according to value". An ad valorem property tax system means that property taxes are levied based on the assessed value of the property. In this system the factors determining the amount of property tax levied are the assessed value and the tax tools adopted by City Council.

Property Assessment

While the relationship between assessment and taxation is complex, the assessment system operates independently of tax policy. The purpose of the assessment system is to provide fair and equitable property values.

In Saskatchewan, the assessment system is governed by the formulas, rules and principles established by the Saskatchewan Assessment Management Agency (SAMA) and is further regulated by the legislation set down in *The Cities Act.*

Tax Tools in Saskatchewan

The Cities Act outlines tax tools available to determine the distribution of the property tax burden. Some tools are provincial, allowing the Government of Saskatchewan to determine a provincial tax split, while others are available for use at City Council's discretion. Percentages of value are a provincial tax tool used to adjust the amount of assessed value. The Government of Saskatchewan reviews the percentages of value every four years with each reassessment. The current percentages of value for each property class are shown in Table 2 below. These percentages were set with the 2017 reassessment.

Table 2: Current Percentages of Value

Formula for percentages of value	
Assessed Value Assessment X Provincial Percentage = Taxable Assessment	
Property Class	**Provincial Percentage**
Residential (includes Condominium)	80%
Multi-Residential	80%
Commercial and industrial	100%
Agricultural	55%
Resource	100%

The tools available to municipalities are described in Table 3 below. Currently the City of Regina utilizes a mill rate, property classes and subclass, mill rate factors and a tax phase in plan for commercial and industrial properties.

Table 3: Tax Tools Available to Municipalities

Tax Tool	**Description**
Mill (Tax) Rate	The rate that when applied to assessment values will raise the amount of taxes required to meet the revenue required in the City's budget.
Property Class and subclass	City Council may establish classes and sub-classes of property for the purposes of establishing tax rates. If a property class or subclass is established, the assessor shall determine to which class or sub-class any property belongs.
Mill Rate Factor	City Council may determine a mill rate factor, that when multiplied by the uniform tax rate, will determine the tax rates for each property class and subclass established. Mill rate factors are used to distribute tax burden amongst property classes.
Minimum Tax	City Council may establish a minimum tax payable for all properties or for a property class or subclass. This allows municipalities to establish a minimum amount of tax with respect to any property. Minimum tax can only be applied to municipal taxes.
Base Tax	City Council may establish a base tax payable for all properties or for a property class or subclass. The base tax is a specific amount of property tax levied regardless of the assessed value of the property. Base tax can only be applied to municipal taxes.
Tax phase-in plan	City Council may phase in a tax increase or decrease for taxable property, or a class or sub-class of taxable property, resulting from a reassessment. This only applies to the municipal portion; however, it may apply to other taxing authorities but only if agreed upon by the other taxing authority.

City of Regina Tax Policy – 1997 to Present

The assessment system determines stable and reliable values upon which tax policy can be developed. For an ad valorem system to be effective, property assessments are updated regularly so assessed values are reflective of general property values. In Saskatchewan, provincial legislation dictates that assessment values be updated every four years. This process is commonly referred to as reassessment. Historically, the City of Regina has reviewed tax policy with each reassessment.

1997 Reassessment

The City of Regina experienced a major reassessment in 1997. Prior to 1997, the same tax rate applied to both residential and non-residential properties. Non-residential properties were also subject to business tax.

The City of Regina sought substantial public input and consultation with various groups throughout the city. The removal of business tax and the tax distribution between residential and non-residential property classes was part of these discussions.

The following recommendation was approved by City Council in 1996:

> "City Council use mill rate factors to control the total taxes paid by the residential and non-residential (commercial/industrial) property classes, with the mill rate factors applied to shift the current distribution of taxes (58 per cent residential and 42 per cent commercial/industrial) to a distribution of approximately 63 per cent residential/37 per cent non-residential by 1999. The shift for 1997 would be to approximately 60 per cent residential and 40 per cent non-residential."

A factor in this recommendation was City Council's decision to phase out business tax by 1999. To lessen the impacts of the reassessment, a complex tax phase in policy was established to phase in tax increases and decreases for all properties.

2001 – 2017 Reassessments

For the 2001 reassessment, mill rate factors were established such that there was no shift in taxes to or from the commercial and industrial group of properties.

The Reassessment 2005 Tax Policy Report noted that "[t]here is no City Council policy with respect to the percentage of total property taxes that are to be collected from commercial and industrial properties". For 2005, City Council adopted the principle that the share of taxes between classes of properties will remain the same after reassessment, meaning that there would be no shifting of taxes from one class to another due to reassessment results.

For the 2009, 2013 and 2017 reassessments, City Council continued the trend of establishing mill rate factors such that the relative share of property taxes between classes did not change due to reassessment.

While the relative share of taxes between residential and commercial properties was not changed with each reassessment, there has been a significant variance within the commercial property class. As such, a tax phase in policy was approved for commercial properties for each reassessment.

Relative Tax Share Distribution – 2005 to 2018

The charts in Appendix A: City of Regina Relative Share of Tax Distribution show the changes in the distribution of residential and non-residential tax share since 2005. Chart 1 shows the percentage split between residential and non-residential classes. Graph A is a graphical depiction of these percentages. Graph A illustrates that both residential and non-residential taxes have remained relatively stable since 2005 with the residential tax share increasing slightly over this timeframe.

Graph B shows three trends in the dollar amount collected from 2005 to 2018:

1. The total dollar amount of taxes levied over the same timeframe has increased;
2. The residential share of taxes is higher than the non-residential share (64.5 per cent vs. 35.5 per cent in 2018); and
3. The residential share of taxes has slightly increased relative to the non-residential share from 2005 to 2018.

DISCUSSION

City of Regina Approach to Tax policy
City Council initiated a change in relative tax share between residential and non-residential property groups for the 1997 reassessment to reduce the relative tax share to approximately 63 per cent residential and 37 per cent non-residential by 2000. From 1997 to present, City Council has adopted the following tax policy:

1. Tax policy is reviewed with each reassessment.
2. Mill rate factors be established such that the relative share of property taxes between residential and non-residential property classes does not change due to reassessment.

Various reports that have accompanied the reassessments from 1997 through 2017, provide common themes and principles adopted by City Council. Past policy decisions have been centered around three main themes:

1. **Stability, predictability and sustainability**. Stable property taxes are sustainable and provide a viable economic environment. This stability is ensured through the City creating and employing a predictable tax policy framework
2. **Equity, fairness and transparency.** Tax policy principles and decisions must reflect the concepts of equity and fairness. These principles strongly align with the applications of a mass appraisal assessment system and an ad valorem tax system.
3. **Decisions must be in the best interest of the community.** Tax policy principles must be in the best interest of the community, not the best interest of a specific property group or class. A breach of this principle can jeopardize both the first theme of stability and predictability and the second theme of equity and fairness.

Based on these three guiding principles, the long-standing policy of the relative share of taxes remaining stable after a reassessment has been adopted by City Council with each reassessment.

Comparison to Other Major Prairie Cities.
The table below provides a summary of the current state (as of 2018) of property taxation results and approaches for the five major Prairie cities. The City of Saskatoon is the only major Prairie city that has an established tax policy concerning the tax share split between residential and non-residential property groups. Saskatoon's tax policy goal is to achieve a targeted non-residential to residential property tax ratio of 1.75.

Table 4: Tax Share and Assessment Split for Major Prairie Cities

City	Tax Share		Assessment Base		Tax Policy Approach
	Residential	Commercial	Residential	Commercial	
Calgary	46%	54%	75%	25%	No interference with ratio. Currently under review.
Edmonton	52%	48%	75%	25%	Maintain Relative Share of Tax Burden prior to growth.
Saskatoon	70%	30%	74%	26%	Targeted Ratio of 1.75 – non-residential to residential tax rate.

Winnipeg	70%	30%	74%	26%	Maintain relative share of tax burden.
Regina	65%	35%	75%	25%	Maintain relative share of tax burden - Revenue neutral in reassessment years.
Average	60%	40%	75%	25%	

Calgary has the highest share of tax for non-residential properties at 54 per cent, followed by Edmonton with 48 per cent. At the low end of the order are both Winnipeg and Saskatoon at non-residential shares of 30 per cent. Regina falls in the middle of the order at a non-residential share of 35 per cent.

While the relative share of taxes varies amongst the municipalities shown, what is consistent across all municipalities is the tax principle of maintaining the split with each reassessment.

In the City of Calgary, a steep and rapid decline in the market value of a small number of high valued non-residential properties redistributed the property tax responsibility to other non-residential properties resulting in untenable property tax increases for some properties. As a result, the City of Calgary approved some interim options for short term support for the most impacted properties and is undergoing a review of the relative share of tax between classes.

Concerned Stakeholders
The Regina Chamber of Commerce and Economic Development Regina have identified several impacts of changes to the relative share of taxes. The main concerns raised in the discussion were:

- The impacts on business will be significant and affect financial viability.
- Shifting taxes to commercial properties will result in instability and unfairness, a perception of picking winners and losers.
- Commercial properties pay more due to higher assessed values, higher provincial percentages and higher mill rate factors but do not receive more services.
- In addition to paying property taxes, commercial properties contribute to the community in a wide variety of areas including community development, social needs, the arts, and sport.

Formal stakeholder engagement with Regina Chamber of Commerce, Economic Development Regina and other major stakeholders should take place if there are any changes to the current tax policy.

Impact on Taxes Payable if Shifts in Tax Policy
A shift to a higher relative tax share for non-residential properties will increase taxes on individual non-residential properties and decrease taxes on individual residential properties.

Table 5 illustrates three impact scenarios – a one per cent increase, three per cent increase and five per cent increase in the relative share of taxes payable by the non-residential property group.

These three scenarios are applied to typical non-residential properties in the non-residential group. The opposite downward adjustments are applied to several typical residential properties.

Table 5: Impacts of a Shift in Tax Share

Property	Assessed	Impact on Annual Taxes ($)		
Type	**Value**	**1%**	**3%**	**5%**
Local Retail	789,500	213	640	1,067
Local Restaurant	1,057,800	286	858	1,429
Local Motel	2,309,100	599	1,797	2,994
Local Shopping Centre	135,226,200	36,544	109,632	182,720
Residential	250,000	- 23	- 70	- 116
Residential (Average)	350,000	- 32	- 97	- 162
Residential	500,000	- 46	- 139	- 232

The table above illustrates that any change in the relative tax share between residential and non-residential properties results in a small change to the annual taxes of a residential property, but a significant change to the annual taxes of a commercial property. Using the motel property and a $500,000 residential property as examples, a one per cent change only reduces the residential property's annual taxes by $46 but increases the motel property's annual taxes by $599. A five per cent shift towards the non-residential property group again results in a relatively modest decrease to the residential property's annual tax of $232 but a significant $2,994 increase to the motel property's annual tax.

RECOMMENDATION IMPLICATIONS

Financial Implications

The discussions in this report are about shifting tax burden amongst property classes. There is no impact on the total levy.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The City of Regina's approach has been to make tax policy decisions that are in the best interest of the community while ensuring tax policy is equitable, transparent, stable, predictable and sustainable. These themes are aligned with *Design Regina*: *The Official Community Plan Bylaw*

No. 2013-48 (OCP). The *Economic Development* section of the OCP contains three goals: Economic Vitality and Competitiveness, Economic Growth and Economic Generators**.** Priorities outlined for these goals are to establish tax rates that consider the sustainability of services, to implement mechanisms to expand and diversify the economy, promote the attractiveness of Regina as a place to live, invest and do business and to encourage entrepreneurship.

A change in the relative share of taxes at this time is in contradiction with these priorities. Non-residential properties are taxed at higher rates than residential properties, which creates equity concerns in that business properties are subsidising the costs of government services used by residential properties. Increasing property tax for non-residential will affect competitiveness and can discourage investment.

Property taxes can influence a firm's location decision in the same way as any other cost of production. A disruption to the current tax policy could reduce Regina's competitiveness within the region for the placement of business.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

The Regina Chamber of Commerce and Economic Development Regina provided comments on the impacts of tax shift from residential to commercial. Both will be provided a copy of this report.

DELEGATED AUTHORITY

The recommendation contained within this report is within the delegated authority of the Executive Committee.

Respectfully Submitted, Respectfully Submitted,

Deborah Bryden, Director, Assessment & Taxation 9/10/2019

Barry Lacey, Exec. Director, Financial Strategy & Sustainability 9/10/2019

Report prepared by:
Tony Petrulias, Manager, Property Tax & Utility Billing

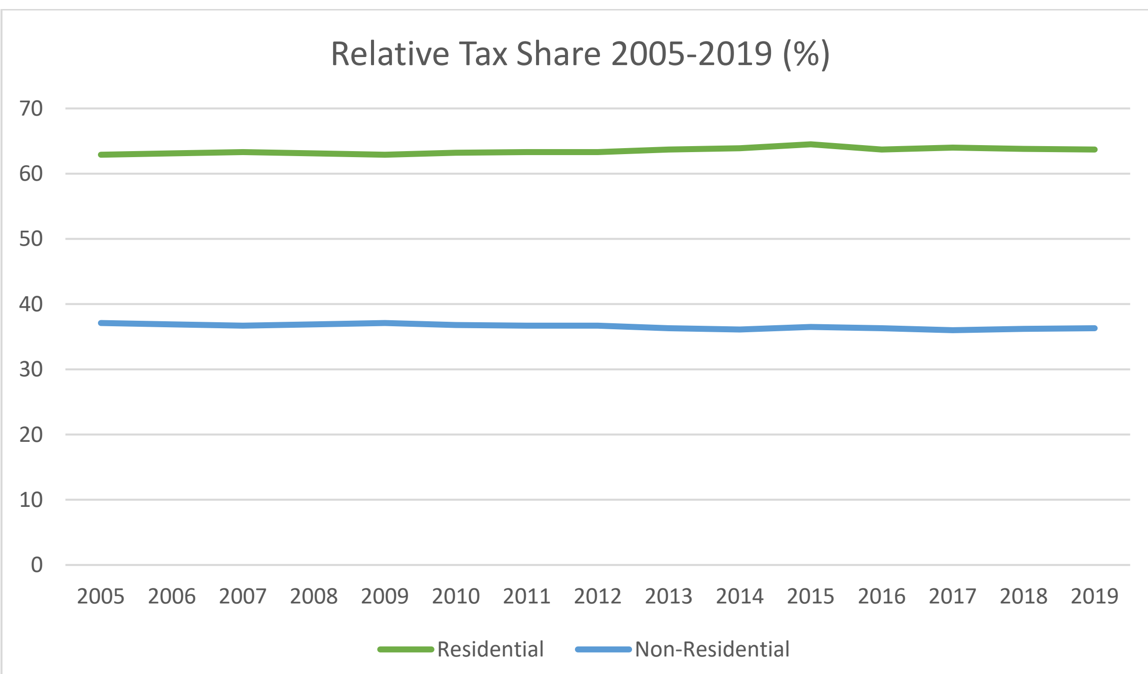
Appendix A

City of Regina Relative Share of Tax Distribution

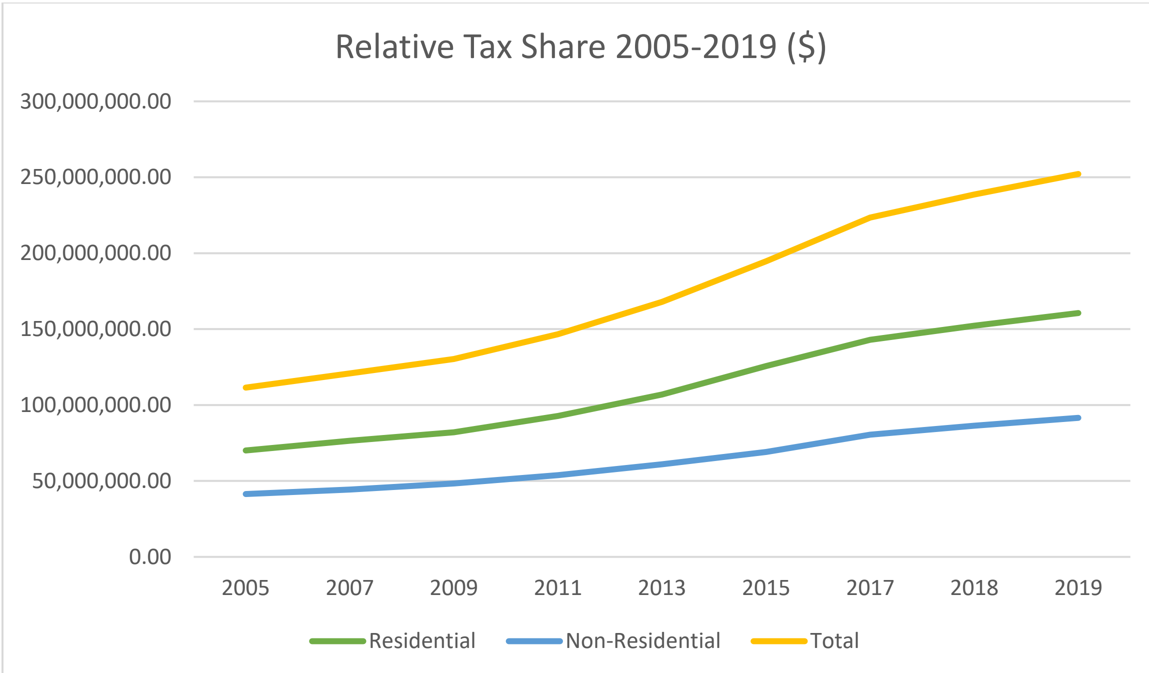
Chart 1: Relative Tax Share

Relative Tax Share Distribution – 2005 to 2019 Residential and Non-Residential					
Year	Residential Share (%)	Non-Residential Share (%)	Year	Residential Share (%)	Non-Residential Share (%)
2005	62.9	37.1	2013	63.7	36.3
2006	63.1	36.9	2014	63.9	36.1
2007	63.3	36.7	2015	64.5	35.5
2008	63.1	36.9	2016	63.7	36.3
2009	62.9	37.1	2017	64.0	36.0
2010	63.2	36.8	2018	63.8	36.2
2011	63.3	36.7	2019	63.7	36.3
2012	63.3	36.7			

Graph A: Relative Tax Share (%)



Graph B: Relative Tax Share ($)



EX19-33

October 16, 2019

To: Members
Executive Committee

Re: Solar Project - Dream Request

RECOMMENDATION

1. That notwithstanding section 4.8 of the *Administration and Calculation Servicing Agreement Fees and Development Levy Policy*, the request that the Solar Project development described in this report be exempt from the payment of the transportation, parks and recreation and administration portions of the Servicing Agreement Fees (SAFs) at the time of subdivision be approved including such exemption on the following conditions:

    a. The 10MW Solar Project is awarded by SaskPower to Company A on the land owned by Dream Asset Management Corporation (Dream) as described in this report;

    b. An application for subdivision with respect to the lands to be used for the Solar Project is submitted to the City, and such application complies with all applicable requirements and development standards other than the payment of SAFs;

    c. At the time of any subsequent application for new development on the lands used for the Solar Project, the land owner shall pay SAFs and or development levies (as the case may be) equal to those portions exempted at the rates in effect at the time of the subsequent development, not the rates in effect at the time of subdivision; and

    d. The City shall register an interest against the title(s) of the subject lands in the ISC Land Registry at the time of subdivision identifying the outstanding payment owing to the City and the obligation of the landowner to make payment to the City prior to obtaining any future development permit or certificate of approval.

2. That conditional support be provided for a property tax exemption as described in Option 2 in this report for five years to Dream Asset Management Corporation for the portion of the land located at 4800 E Dewdney Ave, tax account number 10268981, as described on the assessment roll as Plan: 101396853 Block: B; NE 26-17-19-2 required for the proposed solar project.

3. That the Executive Director, Community Planning and Development be delegated authority to finalize the terms of a servicing agreement as outlined in this report.

4. That the specific tax exemption as described in Option 2 in this report come forward to a future Executive Committee and Council meeting for approval once the following conditions are met:

    a. The 10MW Solar Project is awarded by SaskPower to Company A on a portion of the land owned by Dream Asset Management Corporation (Dream) as described in this report; and

    b. That the construction of the of the solar project as awarded to Company A by SaskPower is complete on the land owned by Dream and as described in this report.

5. That City Council request Economic Development Regina (EDR) to work with City Administration to begin steps to develop a policy that would provide guidelines for future requests for economic development support within the City of Regina.

6. That this report be forwarded to the October 28, 2019 City Council meeting for approval.

CONCLUSION

SaskPower is procuring 10 megawatts of solar power under a 20 year power purchase agreement through a Request for Proposal (RFP). The RFP includes the right to award an additional 10 megawatt contract to the successful proponent. An international renewable energy company (known as Company A) is putting forward a proposal to SaskPower for the project. The proposed site for the Solar Project is within City of Regina limits on land to be leased to Company A by Dream Asset Management Corporation (Dream). As part of the submission, several criteria are scored including the contract price, siting and environment, and community engagement. The landowner of the proposed site is requesting support from the City of Regina for the Solar Project. The City's support would consist of a deferral of SAFs and conditional support for a property tax exemption.

The recommendation for implementation of deferral of SAFs would be delegated to the Executive Director, Community Planning & Development for implementation. A property tax exemption agreement and bylaw would only be considered and approved by Council at a later date once the conditions for the project have been met, which include that Company A is awarded the solar project and that the solar project has been constructed on the land.

BACKGROUND

SaskPower is procuring 10 megawatts of solar power under a 20-year power purchase agreement through a RFP. It includes the right to award an additional 10-megawatt contract to the successful proponent. The proposal is for 35,000 – 40,000 solar photovoltaic modules and requires approximately 60 to 80 acres of land. SaskPower has qualified thirteen proponents for this project. The SaskPower evaluation process will score several criteria including but not limited to the contract price, site and environment, community benefit and community engagement.

Company A is a Canadian company with several similar projects throughout Canada and the United States. Administration was requested to hold back on revealing the name of the company due to the competitive nature of the RFP.

Dream is the property owner of the proposed site for the project. Company A and Dream are proposing the project would require 80 – 100 acres of land. The land proposed for the project is located at 4800 E Dewdney Ave, tax account number 10268981, as described on the assessment roll as Plan: 101396853 Block: B; NE 26-17-19-2. Dream submitted a letter as appendix A requesting a deferral of the service agreement fees normally collected at the time of subdivision as well as a tax exemption for the increase in property tax as a result of the construction of the solar project for 5 years.

In 2018 Council passed a motion in favor of being 100 percent renewable by 2050 and tasked administration to improve the environmental sustainability of Regina. The proposed solar project would generate enough electricity to power 2,200 Saskatchewan homes and charge 1.7 billion smartphones. The offset emissions would be equivalent to 2,800 passenger vehicles taken off the road each year, 14.5 million pounds of coal not burned each year, and 219,000 tree seedlings grown for 10 years each year. This project would complement Council's goal for a policy framework and plan that would contribute to meeting that target.

Economic Development Regina (EDR) fully supports Company A in their efforts to be successful under the SaskPower Renewable Project RFP. A letter indicating support from EDR is attached as Appendix B. In its letter, EDR encourages the City of Regina to join EDR in providing support as research indicates this project will be environmentally beneficial.

DISCUSSION

Dream is requesting support for Company A to be successful in the RFP for a Solar Project as procured by SaskPower. There are several criteria which SaskPower will consider in the selection process, one of which is the financial sustainability of the project. Council's approval of the deferral of SAFs and conditional support for a property tax exemption may improve the financial viability of the proposal.

Servicing Agreement Fees

Based on the proposal, it is understood that the development is temporary in nature and will not require connection to the City water or wastewater services. According to section 4.8 of the Administration and Calculating of Servicing Agreement Fees and Development Levy Policy, where the City permits development of land that is not required to connect to the City's water or wastewater service at the time of the initial development, the land will be exempt from paying the water and wastewater portions of the fees until the development does connect to the City water or wastewater services.

In addition, Administration is recommending Council defer the transportation, parks and recreation, and administration portions of the Servicing Agreement Fees pursuant to section 4.8 of the *Administration and Calculating of Servicing Agreement Fees and Development Levy Policy*. The development is temporary in nature and does not require access to City services. At a future time when new development occurs on the lands used for the Solar Panel project, payment of applicable SAF fees will be required.

Table 2 shows a breakdown of the deferred Servicing Agreement Fees based on a 100 acre site (assuming the long-term intent of the area is to be residential/commercial development):

Table 2 Servicing Agreement Fees: 40.5 hectare (100 acre) Site		
Area (hectares)	40.5	
Servicing Agreement Fee (SAF)		**Residential/Commercial-zoned**
Drainage		$0
Water		$4,341,600
Wastewater		$1,822,500
Drainage, Water, Wastewater SAF Total		**$6,164,100**
Transportation		$9,436,500
Parks/Rec		$874,800
Administration		$1,830,600
Trans, Parks/Rec, Admin SAF Total		**$12,141,900**
Total SAF		**$18,306,000**

Property Tax Exemptions

Section 262(4) of *The Cities Act* allows for Council to enter into a multiple year agreement with a property owner for the purpose of providing a property tax exemption. A tax exemption agreement must be authorized through a bylaw and may impose any terms and conditions Council may specify. Administration is proposing that in order for Dream to qualify for an exemption Company A must be awarded the contract by SaskPower and the construction of the solar project must be complete.

The education portion of the taxes payable to the Government of Saskatchewan is subject to *The Education Property Tax Act* which specifies that any exemption of education taxes that is $25,000 or greater in any given year, must be approved by the Government of Saskatchewan.

Once conditions have been met, Administration will prepare a further report to Executive Committee for Council's consideration. Options for Council's consideration regarding a property tax exemption include the following:

Option 1 – Exemption on the Incremental Increase in property tax after construction is complete.

Currently, the tax on the parcel of land is estimated at $5,518, the municipal portion being $4,464. The estimate on the parcel after installation of the solar panels is $70,760, the municipal portion being $40,919. The increase would be approximately $65,242, with a municipal levy of $36,455. The exemption will be applied for 5 years. After 5 years, the exemption will expire, and Administration would recommend that Council provide another 5 year exemption as long as the Solar Project remains on said land.

The financial impact of this option is a municipal exemption of approximately $36,455 annually for 5 years.

Option 2 – 40 per cent Exemption (Recommended)

At this time the City does not have a policy or framework to guide economic requests of this type. While the project complements Council's goal toward renewable energy and improving environment sustainability of Regina, the long-term economic benefits are limited once the project is constructed. The land being considered was annexed into the City in 2014, is in the Future Long-Term Growth area (500+) and is receiving a 40 per cent exemption in order to keep the tax levels at the RM level. This option supports renewable energy projects and would continue the exemption at the same level. The exemption will be applied for 5 years. After 5 years, the exemption will expire, and Administration would recommend that Council provide another 5 year exemption as long as the Solar Project remains on said land.

The financial impact of this option is a municipal exemption of approximately $16,367 annually for 5 years.

Option 3 – No property tax exemption.

This option provides no support by way of property tax exemptions and the property would be 100 per cent taxable after the construction of the solar project is complete.

Impact of Exemptions:

Estimated Total Current Property Tax = $5,518

Estimated Total Property Tax after construction = $70,760

Property Tax Exemption Option	Estimated after Construction Municipal Property Tax Exemption	Estimated after Construction Total Property Tax Exemption		Estimated after Construction Municipal Property Tax Payable	Estimated after Construction Total Property Tax Payable
Option 1	$35,401	$65,242		$4,464	$5,518
Option 2 (recommended)	$16,367	$28,304		$24,551	$42,456
Option 3	0	0		$41,919	$70,760

The property tax amounts are an estimate. Company A provided some preliminary information in order for the Assessor to provide an estimate of the assessed value of the property after the completion of the project.

Economic Development Requests

Administration is also recommending that Council request Economic Development Regina to create a formal policy governing future economic development requests. Currently, these types of requests are dealt with on individual basis. A policy would provide further clarity and consistency on these requests, benefiting Applicants, Administration, and City Council.

RECOMMENDATION IMPLICATIONS

Financial Implications

The municipal portion of any property tax exemption will be accounted for in future years budgets. The lands are in the future long-term growth as defined by the Official Community Plan, and as such, are not within the current financial model for the collection of Servicing Agreement Fees. There is no financial impact in deferring the Servicing Agreement Fees.

Environmental Implications

The proposal is consistent with policies contained within the OCP

Policy and/or Strategic Implications

This project supports City Council’s goal for Regina to become 100 per cent renewable by 2050. The Official Community Plan (OCP) promotes conservation, stewardship and environmental sustainability. This project would directly support the conservation of energy for long-term sustainability.

Other Implications

None in respect to this report.

Accessibility Implications

None in respect to this report.

COMMUNICATIONS

Dream will receive communication with respect to the Committee's recommendation to City Council.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

Deborah Bryden, Director, Assessment & Taxation 10/8/2019

Respectfully submitted,

Barry Lacey, Exec. Director, Financial Strategy & Sustainability 10/8/2019

Report prepared by: Tony Petrulias, Manager, Property Tax & Utility Billing

Appendix A

dream
building better communities

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Deb Bryden, Director
Assessment and Tax Department
City of Regina
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September 17, 2019

Re: Tax Exemption Request to Attract Renewable Energy Economic Development

Dream is currently working with a major international renewable energy company ("the company") to facilitate a solar energy project in Regina, upon land currently owned by Dream in the northeast portion of the City. SaskPower is procuring 10 MW of solar power through an RFP process. Dream is providing 80—100 acres of land to the company through a land option/lease to facilitate the project. The land is attractive to the company as it is close to current development making it accessible to connect into the power system. At this time, due to the competitive nature of the RFP, we cannot disclose the name of the company. It is worthy to note, however, the company has over 35 operating renewable energy producing sites in North America.

The SaskPower RFP is a competitive process and the company has indicated that tax incentives are a commonly employed tool for municipalities to attract such investment. As such, on behalf of the company, Dream is requesting a tax exemption be provided on the incremental increase of taxes on the land for a five-year period. The request would apply to approximately 80-100 acres of land within NE 26-17-19 W2. The exact extent of the land area would be determined upon close of the RFP and subdivided accordingly, if selected as the successful proponent by SaskPower.

Additionally, and following past precedents, we would seek deferral of the service agreement fees that are normally collected at time of subdivision, until such time that the land is developed. Because the project will require a subdivision of the 80-100 acres from the quarter section, this would normally initiate the collection of service agreement fees. However, there will be no development on the land that would require any services (i.e. no underground pipes, no traffic generation, no water service, etc.). Following similar precedents applied in the past, we would request that the SAFs be deferred until such time that urban development occurs on the land.

Thank you in advance for your consideration. If you have any questions, please contact me at jcarlston@dream.ca or 306-347-8115.

Sincerely,

Jason Carlston
Regional Vice President, Saskatchewan Land

Economic Development Regina Inc.

Appendix B

Tourism Regina

Private & Confidential

Economic Development Regina Inc.
Property Tax Exemption & SAF Deferral Recommendation

Subject:

Property tax exemption and service agreement fee “SAF” deferral request to support a large-scale solar project.

Background:

Dream is currently working with a major international renewable energy company, hereafter referred to as the “the company” to facilitate a solar energy project in Regina. SaskPower is procuring 10 MW of solar power through an RFP process. Dream is providing 80-100 acres of land to facilitate the project.

In order to enhance the competitiveness of the proponents bid, Dream has requested a tax exemption and SAF deferral has been requested. Specifically, Dream is requesting a tax exemption be provided on the incremental increase of axes on the land for a five-year period. A letter illustrating the specifics of this has been provided to the City of Regina.

The confidentiality of the company is due to commercially confidential information associated with the bid. EDR is aware of the company, has reviewed their 35 major renewable energy projects across North America and has met with their senior leadership.

Renewable Energy: Climate Change & Production Considerations

Over the past century, average global temperatures have been on the rise. According to Environment and Climate Change Canada, Canada’s rate of warming is twice the global rate

Projections moving into the future show CO2 concentration in our atmosphere increasing. To stabilize earth’s climate GHG emissions must equate to net zero and in order to do so, Canada is one of 195 countries to sign the Paris Agreement, committing to limiting the rise of global temperatures well below the 2-degree threshold.[i]

The observed effects of climate change in Canada are noticeable. We have longer growing seasons, more heat waves and fewer cold spells, permafrost melt, earlier river ice break-up, increased precipitation, earlier spring runoff, and earlier budding of trees. Canada is already feeling the effects of warmer, wetter, and stormier weather.

As it pertains to Regina, water quality, agriculture and prairie ecosystems will be most heavily affected. Climate change could lead to impacts on agricultural production (crop yields) and related financial loss, livestock production, and farming infrastructure. Climate change may also disrupt our energy supplies during extreme weather events, increased stress of transmission infrastructure, and increased demand on electrical generation. Furthermore, buildings, roads, bridges, pipelines, and electricity transmission may become more sensitive to extreme precipitation patterns and changes in temperature.

Renewable energy is energy derived from natural sources that are replenished at a faster or equal rate by which they are consumed. Due to its geographical positioning, Canada has substantial potential to derive energy from renewable sources, and currently, renewable sources provide 18.9% of Canada's primary energy supply

Solar energy comes from radiated heat and light from the sun. Generally, solar power has been used to passively heat and provide lighting to buildings, but it can also be harnessed to produce electricity.

Regina is third in Canadian cities that get the most sunlight, totaling 322 of sunshine each year. More specifically, Regina receives approximately 1400 kWh of solar energy annually, and when we compare this to the average power consumption needs of an average household, Regina is in a favorable position to supply renewable energy to consumers. The average Regina household requires 2000 watt-hours, and a 200 kW PV system can supply this[ii]

Renewable Energy Economic Impact

Regina's potential wind, solar, biomass energy industries covers the supply chain from raw materials to component manufacturers, and system integrators to developers, retailers and distributors. We are far behind in power production technology, but in terms of components, service, repair, maintenance, and research on climate change, we have immense opportunity to support and create jobs with renewable energy development.

Regina's economy stands to benefit from a focus on, and support for, renewable energy. Supporting renewable energy projects need not come at the expense of the fossil fuel industry, but it may help support, sustain and grow the industries which serve the oil and gas sector, including professional services, financial, electrical, manufacturing, instrumentation, technological, training and transportation

There are almost 10 million renewable energy jobs around the world. Slightly over 3 million are employed in solar power. Since 2012, the world has brought more renewable than fossil power online each year—and that trend continued in 2017. Overall, the amount of new renewable power capacity installed in 2017 came in just shy of the record set in 2016, with 150 GW installed. To put that in context, last year alone the world added more clean power capacity than we have in all of Canada today, from all sources[iii]

Companies that sell appliances, lightening, green energy materials, home building supplies, HVAC systems, or steel, stand to benefit from renewable energy projects. Companies that provide financial services and loans, provide architecture, engineering and electrical services or own a construction company stand to benefit. Companies providing blockchain and smart tech can benefit across the supply chain. Multiple research disciplines can be advanced within the GRA at the University and Polytechnic, including Waste to Energy, Water, Smart Grid Technologies, Transmission Infrastructure, and Bio-Energy.

Power-Production, large and small, private, public and cooperative, including indigenous owned, stand to benefit from a system that encourages developing projects that can self-sustain, and sell into the grid. There is also a trend in clean energy projects away from large, institutionally funded energy projects, to smaller and community-based project.

In summary, "the company" and the project has the potential to rapidly advance what is currently an emerging renewable energy sector in Regina.

Alignment with City & EDR Direction

On October 29th Reina City Council voted unanimously in favor of being "100 per cent renewable" by 2050; and further directed City administration has been asked to return to council in 2019 with a proposed framework for becoming 100 per cent renewable. An amendment to the motion, suggested by Councilor Hawkins, was passed, and with it, administration is tasked to come up with four possibilities for improving the environmental sustainability of Regina for implementation in 2023.

The provincial government has promised to have 50 per cent of the province's electricity come from renewable resources by 2030. SaskPower recently said it is on track to meet that goal.

It is expected that a 10 MW solar development project in Regina will support both goals.

Economic Development Regina advances projects and initiatives, which support the metal fabrication, manufacturing, advanced technology and professional service sector. This project aligns with the interests of those industries.

Recommendation

EDR is recommending that a tax exemption consistent with option 2 in the report from City Administration be applied to the land in question as well as a deferral on the service agreement fees that are normally collected at the time of subdivision until such time that the land is developed, specifically, urban development.

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[i] Government of Canada, 2016 https://www.canada.ca/en/environment-climate-change/services/climate-change/paris-agreement.html

[ii] National Energy Board: The Economics of Solar Power in Canada, 2018, https://www.neb-one.gc.ca/nrg/sttstc/lctrct/rprt/cnmcsfslrpwr/index-eng.html

[iii] National Energy Board, National Energy Analysis, 2018