

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,

Respectfully submitted,


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


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

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