

A) Request for Boundary Alteration (Annexation) – East, University Heights, and North Industrial Sectors
File No. 4060-12

RECOMMENDATION:

- 1) that City Council agree to the annexation of lands identified in Attachment 1;
- 2) that the assessed owners and school divisions affected by the annexation be served notice in accordance with Section 43 of *The Cities Act*;
- 3) that the City Clerk be instructed to request a complementary resolution from the Rural Municipality of Corman Park;
- 4) that the effective date of annexation and taxation be set at January 1, 2010;
- 5) that compensation in the amount of \$1,485,300, being 15 times the municipal portion of the taxes levied on the subject lands in 2008, be paid to the Rural Municipality of Corman Park upon annexation of the subject lands; and
- 6) that in the event that an objection to the annexation is received by October 5, 2009, that the Administration be authorized to advertise a public meeting, in accordance with Section 43 of *The Cities Act*, to be held on November 16, 2009.

BACKGROUND

At its meeting on January 16, 2006, the Executive Committee resolved, in part, “that the Administration report back to the Executive Committee on future growth and recommended timing for annexation in due course.” The City of Saskatoon (City) and Rural Municipality (RM) of Corman Park Councils and Administrations subsequently worked to clarify the City’s growth strategies and develop an annexation proposal, now referred to in *The Cities Act* as “boundary alterations” to implement those growth strategies.

During its December 1, 2008 meeting, City Council passed the following resolution:

- “1) that the annexation proposal shown on Attachment 1 of this report be endorsed in principle;
- 2) that the City Administration be instructed to work with the Rural Municipality of Corman Park Administration to take the steps necessary to proceed with the annexation;

- 3) that the Administrations be instructed to review and recommend a compensation formula for annexation to the municipal Councils by April 30, 2009, or such later date as may be mutually agreed to by the municipal Councils; and
- 4) that in the event a compensation formula cannot be agreed upon by both municipal Councils by May 31, 2009, or such later date as may be mutually agreed to by the municipal Councils, the compensation of five (5) years of taxes for agricultural and residential property and ten (10) years of taxes for commercial and industrial property shall be used for the annexation.”

REPORT

In accordance with City Council’s instructions, the Administration has met with the RM of Corman Park.

Planned Growth

The RM and the City agree on the importance of continuing to plan for the growth of Saskatoon. Expansion of the City boundaries has a significant effect on both municipalities as well as the land owners in the annexed areas. Annexations that are done in an ad hoc way are not in the best interests of the municipalities, the land owners, or the development industry. This annexation proposal is consistent with the growth strategy identified in the “Future Growth of Saskatoon” study, which was endorsed by City Council and the RM Council in 2000. The proposed annexation will allow the City to proceed with more detailed land use and servicing plans in preparation for development in the East Sector, the remainder of the University Heights Sector, and portions of the North Industrial Sector.

Compensation

The requirements for annexation are set out in *The Cities Act*. There are no legislative requirements for payment of compensation for annexation; however, for more than 30 years, the City has paid compensation to the RM for annexation. Compensation has been paid for the following reasons:

- 1) to compensate for loss of municipal tax revenue and allow time for the RM to adjust to the loss of revenue and/or expand its tax base;
- 2) to compensate for lost investment (for example, to compensate for infrastructure that was developed by the RM); and
- 3) to prevent hardship (for example, to compensate when significant development was being removed from the RM’s tax base).

Compensation has been paid on the municipal portion of the taxes, not the education portion of the taxes. The financial effects of annexation on the school divisions will be addressed by the province.

This annexation proposal is the predictable result of the City's identified future growth strategy. For annexations like this, the traditional compensation arrangement has been five years of taxes for agricultural and residential property and ten years of taxes for commercial and industrial property.

The RM expressed concerns with the traditional compensation arrangement and requested that a formula be developed that reflects the current best practices of other Canadian municipalities. The Administrations conducted an extensive review, but the review did not yield a clear numerical formula or a conclusive best practice. To move forward with the current annexation proposal in a timely way, it is proposed to compensate the RM with 15 times the previous year's taxes, and work with the RM over the next five months on a tax loss compensation formula for future annexations.

This increase to the traditional compensation arrangement recognizes the compensation arrangements made by other Canadian municipalities and the efforts the RM has made to ensure that the City's future growth areas have been protected from incompatible land use and development. These efforts have been of significant benefit to the Saskatoon region because they have ensured that the City can grow in a cost-effective way and minimized the effect of urban expansion on rural developments.

In summary, the recommended terms of the annexation are:

- 1) the City will provide a one-time payment of \$1,485,300 as compensation for the annexation of land, payable January 1, 2010;
- 2) the compensation payment will not include the education portion of taxes; and
- 3) the City will pay out any tax arrears owed to the RM as of January 1, 2010.

As of July 15, 2009, the tax arrears owed to the RM are \$9,172.82.

Complementary Resolution from the RM of Corman Park

If City Council agrees to the recommendations, the City Clerk will request a complementary resolution from the RM Council. The RM will refer the annexation proposal to the Saskatoon District Planning Commission for review and recommendation. If the RM Council passes a complementary resolution, the City will submit the annexation request to the Minister of Municipal Affairs for approval. If the RM Council does not pass a complementary resolution but City Council wishes to proceed with the annexation, the annexation request will be submitted to the Saskatchewan Municipal Board for a decision.

OPTIONS

1. City Council may approve the annexation proposal and the compensation figure. (Recommended)
2. City Council may direct that a different annexation proposal be pursued and that a different compensation figure be used. This option is not recommended because the City

Approved by: “Lynne Lacroix for”
Paul Gauthier, General Manager
Community Services Department
Dated: August 11, 2009

Approved by: “Murray Totland”
Murray Totland, City Manager
Dated: August 12, 2009

cc: His Worship the Mayor

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