

CITY OF SASKATOON COUNCIL POLICY

NUMBER
C09-014

POLICY TITLE <i>Business Development Incentives</i>	ADOPTED BY: <i>City Council</i>	EFFECTIVE DATE <i>October 15, 1991</i>
		UPDATED TO <i>March 26, 2012</i>
ORIGIN/AUTHORITY <i>City Commissioner Report No. 29-1991; City Council Resolution of June 21, 1993, Committee of the Whole Report No. 7-1995; Administration and Finance Committee Report No. 4-2002; Executive Committee Reports No. 7-1996, 13-2000, 7-2005 and 17-2005; and Administrative Reports 6-2008; 7-2009; 13-2011 and 5-2012</i>	CITY FILE NO. <i>CK. 3500-1, 3500-13 and 1860-1</i>	PAGE NUMBER <i>1 of 8</i>

1. PURPOSE

To make incentives available to businesses meeting the eligibility requirements listed within this Policy, to:

- Encourage them to locate or expand their operations in Saskatoon in order to create long term, skilled or semi-skilled jobs;
- Provide tax relief that will flow to companies creating new jobs;
- Place Saskatoon in a competitive position in attracting businesses that it would not otherwise occupy;
- Increase the long term viability of a project; or
- Demonstrate the City's commitment to a business or industry.

2. DEFINITIONS

- 2.1 Incentives - includes, but not necessarily limited to, the following: exemptions or reductions of any civic tax or fee; waiving of statutory rights (e.g. utility deposits, down-payments on land); and exemptions or reductions of prepaid-servicing levies.
- 2.2 Eligible Businesses - refers to those businesses which meet all of the eligibility requirements outlined within this Policy.
- 2.3 Long Term Jobs - refers to jobs that are expected to remain in existence for at least five years.
- 2.4 Manufacturing Activity - refers to making by machinery and fabricating.

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- 2.5 Processing Activity - refers to subjecting to a series of actions or continuous operation or treatment.
- 2.6 Technology Activity - refers to the manufacturing of products that utilize technology, depend upon scientific knowledge, or rely on advanced biology, biotechnology and chemistry.
- 2.7 Telecommunications and Data Processing – Telecommunications refers to the operating and maintaining of network facilities for the transmission of voice, data, text, sound and full motion picture videos between network termination points, not including call centres. Data processing refers to electronic data supplied by the customer and specialized services such as automated data entry.
- 2.8 S.R.E.D.A. - Saskatoon Regional Economic Development Authority Inc.
- 2.9 Incentives Review Sub-Committee - a committee struck by the Chair of the SREDA to review each incentive application, consisting of five members of SREDA’s Board of Directors, one of which is a representative of City Council and the General Manager of Corporate Services or designated appointee.
- 2.10 Incremental Taxes – The difference between the taxes payable based on the original assessed value and the taxes payable due to the increased assessed value resulting from the improvements.
- 2.11 FTEs – refers to the number of jobs the company has created and expressed as though all jobs were full-time with at least 30 hours per week of work. For example, 2 part-time workers of 15 hours per week each would be considered 1 FTE. One worker working 37.5 hours per week would be considered 1 FTE.
- 2.12 Transportation/Distribution Activity – refers to companies that are principally involved in providing full truck movement of freight from origin to destination or managing the flow of materials, including inventory management, warehousing and distribution, tracking of shipments, simple assembling, repackaging, slight modification, labelling, inspection, merchandising, distribution management, trucking and consolidation, customs brokerage.
- 2.13 Mining – is the process or business of extracting ore or minerals from the ground.

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2.14 Oil and Gas Extraction – is exploration and production of oil and gas.

2.15 Energy – refers to electric power generation, transmission, and distribution.

3. POLICY

Businesses may, subject to the criteria and conditions set out in this Policy, be eligible to receive incentives from the City to locate or expand operations in Saskatoon.

3.1 Amount of Incentives

- a) City Council will consider the perceived value of the application in determining the amount of the incentive. Perceived value is to be measured by the number and quality (i.e. secure, safe and degree of compensation) of jobs to be created, the long-term impact the eligible business will have on tax revenues and any other factors City Council deems as contributing value to an application.
- b) If the applicant is leasing property from another corporation with which it is affiliated, City Council may, in its discretion, deem that the applicant is the owner of the property for the purpose of determining the value of the incentive to be provided. For the purposes of this Policy, “affiliated corporation” shall mean an affiliated corporation as defined in subsections 2(2), (3) and (4) of *The Business Corporations Act*.
- c) City Council will consider the applicant’s ownership of the property or leasing arrangements in determining the value of the incentive.
- d) All corporations meeting the eligibility requirements for a property tax incentive may qualify for a tax abatement of up to 100% of new or incremental taxes in year one, 80% in year two, 70% in year three, 60% in year four, and 50% in year five.
- e) The value of incentives for new or local expansions in the manufacturing or processing sectors that will create 100 or more new, full-time or full-time equivalent employees may be eligible for tax abatements of up to 100% of new or incremental property taxes for a period of five years.

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3.2 Timing of Incentives

Incentives will be provided on a “perform or forfeit” basis (i.e. an eligible business is not to receive incentives until it has met all of the conditions associated with an incentive).

3.3 Eligibility Requirements

To be eligible for an incentive, **all** of the following criteria must be met:

- a) The applicant must be a legally incorporated entity.
- b) The applicant must be involved in energy, oil and gas extraction, mining, manufacturing, processing, technology, transportation/distribution, telecommunications, or data processing. Head office relocations will be reviewed on a case-by-case basis if, by the nature of their business, they do not fit the categories enumerated herein.
- c) The applicant of an existing business must demonstrate that a minimum of 5 new full-time or 5 new full-time equivalent positions will be created within one year from the date the incentive is approved by City Council; and the applicant of a new business must demonstrate that a minimum of 15 new full-time jobs or 15 full-time equivalent positions will be created within 3 years from the date the incentive is approved by City Council.
- d) A new or existing business applying for a business incentive must make a minimum investment of \$500,000 in plant, land, and/or leasehold improvements.
- e) The applicant must demonstrate to the City Manager and/or the General Manager of Corporate Services that the applicant possesses the required financial resources to show that the applicant is an ongoing company and has the financial backing to complete the project in question.
- f) The applicant must be the legal owner of the property or in the case of a lease, provide a copy of the lease agreement upon application.

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- g) The applicant must possess a realistic and acceptable business plan and/or executive summary which includes at a minimum, a clear and concise description of the new or expansion project, the number of jobs to be created, the size of the investment to be made for land, buildings and equipment, the product to be manufactured or produced, identified market analysis, financial forecasts for three years, and included clearly defined schedule for construction start and expected completion dates.
- h) The applicant must apply for an incentive prior to commencing with an expansion or new building project and prior to applying for a building permit through the City of Saskatoon. An application for abatement under this Policy shall remain open for one year from date of receipt of application. Incomplete applications will be deemed abandoned and closed if no action has been taken within the one year period. SREDA will provide written notification to the applicant 60 days prior to any application deemed abandoned.
- i) Where the unique incentive request is submitted for consideration by the Saskatoon Regional Economic Development Authority, upon the advice of the Authority and with the approval of City Council, the above criteria may be waived or modified to recognize the uniqueness of such request.
- j) The applicant's property tax account must be in good standing.

3.4 Funding

This Policy will not supersede any accounting or financing requirements pertaining to the City of Saskatoon's operations, funds and assets. Therefore, as part of the approval of any incentives under this Policy, City Council will identify a source of financing to ensure that these requirements are met.

3.5 Default

If, during the term of an incentive granted under this Policy, the applicant fails or neglects to comply with this Policy, or any condition associated with the incentive granted, any taxes previously abated shall become a debt due by the applicant to the City and shall be payable by the applicant upon demand by the City. If moneys are not repaid, the debt due is collectable by civil action.

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3.6 Workforce Reduction

- a) A reduction of workforce by an applicant does not constitute a default under this Policy, unless the reductions are permanent.
- b) Where the workforce reductions are temporary, if remedied within 9 months of the date of termination, no penalties would be payable under the default provision. The applicant is required to provide notice and documentation to SREDA of workforce reductions and/or rehiring.

4. RESPONSIBILITIES

4.1 Saskatoon Regional Economic Development Authority

- a) Receives applications for incentives and forwards them to the Chair and members of the Incentives Review Sub-Committee.
- b) Publicizes this Policy and responds to questions regarding this Policy and its operation.
- c) Requests additional information from the applicant at the direction of an Incentives Review Sub-Committee.
- d) Monitors all businesses which receive incentives under this Policy to ensure compliance with conditions under which the incentives have been provided.
- e) Provides reports annually, and as requested, to City Council outlining the compliance of businesses with conditions.

4.2 Saskatoon Regional Economic Development Authority Inc. Board

- a) SREDA Inc. will review each incentive application, recommending acceptance or denial of the request.

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4.3 Incentives Review Sub-Committee

- a) Evaluates an application.
- b) Adds to its membership, including hiring advisors or consultants at the City's expense, as it deems necessary to adequately review an application.
- c) With a recommendation in favour of an incentive, shall provide to City Council a report which includes at a minimum, the details of the proposal, the rationale for the committee's support, an overview of its analysis, the timing, nature and amount of the incentive and recommended conditions that should be attached with the provision of an incentive.
- d) When a recommendation is made against the provision of an incentive, the Committee may provide to City Council a report which includes, at a minimum, the details of the proposal, the rationale for the committee's non-support, and an overview of its analysis.
- e) Reports on routine incentive applications shall be forwarded directly to City Council. Reports on sensitive applications shall be forwarded to the Executive Committee (In Camera) for review prior to submission to City Council for approval.
- f) Advises applicant of its recommendation to Council.

4.4 Executive Committee of City Council

- a) Reviews applications of a sensitive nature, at an In Camera meeting, and forwards recommendations to City Council on acceptance or denial of the request.

4.5 City Council

- a) Decides whether an incentive will be provided, its nature, timing and amount and any attached conditions.
- b) Approves source of financing for all incentives provided under this Policy.

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- c) Decides on the prorating of an incentive when conditions are not fully met, as reported by the Saskatoon Regional Economic Development Authority Inc.
- d) Considers and, where appropriate, approves amendments to this Policy.