



October 5, 2017
**RE: Property Tax Abatements and
Reassessment Cycles**

Phone 306.242.3060 Fax 306.242.2205

Email
info@nsbasask.com

#9-1724 Quebec Avenue,
Saskatoon, SK S7K 1V9

The Honourable Larry Doke
Minister of Government Relations
Government of Saskatchewan
420 – 1855 Victoria Ave
Regina, SK
S4P 3T2

Dear Minister Doke,

Saskatchewan's major cities are currently engaging with the issue of high downtown office vacancy rates, slow development in city centres, and growth-motivated infill goals. In Saskatoon, low costs to build and more room to build have led to more companies choosing to operate office space in industrial areas instead of in the downtown core and surrounding areas. With a large segment of our membership working, renting, or developing in both City Centre and suburban areas this is an issue that the NSBA feels obligated to provide commentary on, both for the good of our members and the good of the City as a whole.

It has always been the position of the NSBA that incentive-based approaches are the best way to motivate development in City Centre areas, and we strongly oppose a regulation-based approach that overly restricts the size or type of office space that can operate within a specific zoning area. Alongside this position, we also recognize the importance of a strong and vibrant downtown to any city. We have made this position clear in our communication to the City of Saskatoon on this issue. However, in this communication we also indicated some specific incentives that we feel, after consultation with our membership, will be particularly effective in spurring growth and development in the City Centre of Saskatoon.

Of these suggestions, two of them are properly the legislative domain of the Province, specifically the Ministry of Government Relations. The first is to increase the length of tax abatements available to cities from the current five years to ten or fifteen years. The second is to shorten the property reassessment cycle from the current four years to two years or, ideally, one year.

With regards to the length of tax abatement currently available, our members active in commercial development were very clear that a five year term was too short for the type of projects that would add character and personality to the City Centre. These projects are typically of the size that requires a large financial commitment by the developer for relatively little financial gain. Longer-term tax abatements would increase the developer's ability to build and have space available when the right tenant comes along (rather than the current scenario where building often only starts once tenants have been secured).

The main benefit of lengthening the term for tax abatements is to remove some of the initial obstacles that keep a project in the planning stages instead of the building stages. Along with the idea to lengthen, up-front grants in lieu of tax abatements and/or rolling tax abatements on vacant space would also have a positive impact on the ability of companies to develop in City Centre areas.





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The property reassessment cycle is an issue that requires attention in and of itself in addition to as a corollary to a discussion of office space policy. However, in this context it is important to note that property values influence the taxes paid on a property which in turn affects the rental rates that a landlord must charge to make a property economically viable. In the current system, property taxes are based on the assessed value from two to six years prior. This creates the possibility of property taxes – and rental rates – increasing, while the overall economy contracts, thus making rentals in areas with higher assessed values difficult. A shorter reassessment cycle would bring property values more in line with the current economic reality, thus enabling rental rates to better reflect the actual value of the property.

We do recognize that there is a difference of opinion on these particular issues between rural and urban Saskatchewan. What is of benefit to business in Saskatoon is not necessarily of the most benefit to rural farmers with different economic realities. Where necessary, we would suggest that the government explore these suggestions with an eye to implementation in urban centres only, and quite possibly only in urban centres of a specific size (ie: largest two, three, five cities etc.).

As always, we will make ourselves available to answer any questions regarding these suggestions or the thoughts of our membership on general office space policy.

Sincerely,

Keith Moen
Executive Director

CC: The Honourable Donna Harpauer, Minister of Finance
His Worship Charlie Clark, Mayor of Saskatoon



SASKATOON'S BUSINESS ASSOCIATION