

June 17, 2024

City of Weyburn Council
157 3rd St.
Weyburn, SK S4H 0W3

Dear City of Weyburn Councilors,

Weyburn's population is predicted to reach 12,842 people by 2036, as outlined in the 2023 Investor's Guide (pg. 23). Under this assumption, Weyburn needs more housing to match the population growth. The new Show Home Incentive Program would encourage development by granting homebuilders a three-year property tax exemption on homes intended to market their product.

There is one significant concern that must be addressed before the proposal can be passed. What if the homebuilder sells the home prior to the end of the three-year exemption and would it result in the program being less effective? This letter will outline a recommendation which all parties can benefit from.

Background

Saskatoon, Regina, Martensville, and Yorkton are the only communities with a Show Home Incentive Program. The programs' purpose is to incentivize homebuilders to market their products at a reduced cost. The analysis resources for this letter came from the City of Weyburn, City of Martensville, and Government of Saskatchewan websites.

Show Home Incentive Framework

Weyburn and Martensville are the main communities analyzed in this letter. Each community has similar population and economic growth making the programs easier to compare. General components from each program include the following:

Show Home Incentive Policy, City of Weyburn

- The homebuilder can receive up to a three-year tax exemption from date of the original development permit.
- The homebuilder is eligible for a maximum of two show home exemptions during a 12-month period.
- The show home cannot be occupied during the period in which the exemptions apply.
- The show home must be completed within 12 months of the date the building permit was issued.

Development Incentive Policy, City of Martensville

- The homebuilder can receive up to a five-year tax exemption from date of the original development permit.
- The eligible phase of development has a minimum of ten lots available.
- The show home cannot be occupied during the period which the exemptions apply.

- There were no specifications on a mandatory home completion timeline.

The most important thing to compare between these two programs is their exemption period.

Martensville allows for up to five-years of exemption with their program. This is the maximum allowable exemption/abatement amounts under the Education Property Tax policies (Government of Saskatchewan). This time frame is manageable for their community given their current initiatives and housing demand. Martensville can maintain their program because they have more housing availability and high numbers of prospective buyers.

Weyburn operates on a lower capacity with their program by only providing a three-year exemption. The city would struggle to provide a longer exemption because Weyburn's budget has a heavier reliance on property tax. It accounts for 56.29% of the entire yearly budget (Weyburn's 2024 Budget Presentation, pg. 7). Additionally, Weyburn has less availability for housing lots and lower prospective buyers.

Show Homes and Spec Homes

The Show Home Incentive Program has two subcategories: show homes and spec homes. Show homes are a marketing tool for home builders. They display a company's capabilities and are meant to stay on the market long-term. A company will only build a few show homes at a time. Spec homes have a different function. They are built with the intent of selling quickly. Spec homes stay in the market short-term, and a company will build more at once.

Weyburn's Show Home Incentive Program targets show homes by having a three-year exemption. Homebuilders in Weyburn have a bigger focus on spec homes because of the housing market. The program will only incentivize show home growth and not spec home development.

Current Homebuilder Incentives

One other incentive the city has developed for homebuilders is the Weyburn Builds Program. The program offers support for new housing construction, modular homes, and exterior renovations. The program offers a similar three-year tax exemption at 75%.

The key difference between the Weyburn Builds Program and the Show Home Incentive Program is who receives the exemption. Under Weyburn Builds, property owners would contract the housing development to a homebuilder. The property owner would then receive the tax exemption. Under the Show Home Incentive Program, the homebuilder would build a spec home and then sell it to a home buyer. The homebuilder would keep to exemption until the point of sale and then it would dissolve.

The incentive makes sense for a property owner because they would receive the full three-year exemption. It does not make sense for homebuilders because of their focus on selling spec homes. Keeping a home on the market for three years is not beneficial for them. It would be riskier for them to participate in the Show Home Incentive Program.

Weyburn's Community Environment

Weyburn's community will grow substantially over the next 15 years. The Show Home Incentive Program should be reflective of that growth. The city must consider how the community environment could affect the need for housing in the future. Primarily, there needs to be a focus on current residential developments and ongoing community projects,

The community has four principal areas of residential development: Cottonwood, Creeks, Assiniboia Park, and Riverwood. Each subdivision has been set aside for future residential zoning. These lots have been sitting idle because of a poor housing market causing lower demand.

This could be problematic for Weyburn considering the statistics from the 2023 Investor's Guide. The community's population is predicted to increase by 595 people by 2036 using the outlined 5-year growth rate (pg.23). Assuming that these are families of four people, and that the population does not decrease drastically, Weyburn would need to build 12 homes per year to maintain housing development.

Needing to build 12 homes per year is a generous prediction given the outlined limitations, however Weyburn has been struggling with housing development. Looking at the 2022 Planning and Development Department Annual Report, there were a total of 18 homes built between 2018 and 2022 (pg.3). This averages out to 3.5 homes built per year. Additionally, Weyburn's new general hospital will increase the need for housing because it will produce more jobs and could persuade more people to become residents with a newer facility. Weyburn will be in dire need of housing by 2025.

Housing concerns also overlap with a majority of Weyburn's 2024-27 Strategic Plan. The plan prioritizes having a diversified economy, infrastructure investments, and a livable community. Housing correlates to all the city's priorities and should be in the forefront of all strategies moving forward.

Summary

Weyburn's Show Home Incentive Program provides a three-year tax exemption at 100%. The time frame prioritizes show home growth more than spec home development. Homebuilders are more focused on selling spec homes given the current housing market. They want to secure buyers. A show home sitting idly is less beneficial for homebuilders because there is no guarantee of selling it.

The Weyburn Builds program offers a similar three-year tax exemption at 75%. The property owner contracts with a homebuilder and maintains the exemption after the home's completion. The Show Home Incentive Program is designed so that the exemption dissolves after the point of sale. Homebuilders receive less of an incentive because of their focus on spec homes. If a spec home sells quickly, they would only receive a portion of the exemption.

The city has housing lots ready for development, but the current housing market makes it difficult to secure buyers. There will be a greater need for housing given the population projections and the hospital completion in 2025. Based on records, Weyburn is currently producing 3.5 houses per year and is not matching the growing demand.

Recommendation

The city should maintain the three-year tax exemption even if the homebuilder sells the home earlier.

Homebuilders are focused on selling spec homes because of the housing market. They want to secure buyers and sell their homes. The way to encourage fast selling is by granting the full three years despite selling early. By transferring the remainder of the three-year tax exemption to the home buyer, homebuilders can use it as an incentive for buyers to purchase. It gives the homebuilder more incentive to join the program.

The Weyburn Builds Program already gives the exemption to the property owner for the full three years. The difference between Weyburn Builds and the Show Home Incentive is who owns the lot before new construction. Since spec homes are intended to sell before the full three years, it makes sense to give the rest of the exemption to the person who would own the lot. It would also stay within the city's allowable exemption threshold by only exempting the property for three years. The homebuilder would keep the exemption until the house sells or they reach three years of possession.

This would also be a great opportunity from the home buyer's perspective. People are looking for affordable housing in Weyburn. Securing a home could be the difference between short-term and long-term residency. Receiving the left-over tax exemption would be a great benefit for the buyer and could secure them for the long-term. Additionally, they can take the extra money they would have spent on property tax and instead put a larger down payment on their mortgage.

From the city's perspective, this is a huge opportunity. Weyburn is ready for future housing expansions. Adding this amendment would encourage homebuilders to purchase vacant lots and begin developing homes. The city would not have to spend extra money on infrastructure because of the surplus number of serviced lots in stock. Furthermore, the city would already be granting a three-year tax exemption to the home builder. Granting the remaining exemption to the buyer would not extend the exemption, but rather keep it within the three-year time frame. It would be a guarantee of the homebuilder receiving the full incentive despite selling early because it increases their likelihood of selling.

Weyburn needs more housing for the future and homebuilders are trying to avoid risk. This amendment will help homebuilders secure buyers and meet the city's needs. It will produce an effective incentive in which all parties will benefit from. **In closing, we ask that this amendment be reviewed by city council at their next meeting on June 24, 2024.**

Sincerely,



Monica Osborn
Executive Director
Weyburn Chamber of Commerce