

Bylaw 62-2020, Industrial Heartland Incentive Tax Exemption Bylaw**Report Purpose**

To seek three readings of Bylaw 62-2020, Industrial Heartland Incentive Tax Exemption Bylaw, a bylaw that would provide criteria and a process for certain exemptions from taxation granted for the purpose of encouraging the development or revitalization of properties in certain assessment classes for the general benefit of Strathcona County.

Recommendation

THAT Bylaw 62-2020, Industrial Heartland Incentive Tax Exemption Bylaw, be given first reading.

THAT Bylaw 62-2020 be given second reading.

THAT Bylaw 62-2020 be considered for third reading.

THAT Bylaw 62-2020 be given third reading.

Our Prioritized Strategic Goals

Goal 3 - Cultivate economic diversification, within the petro-chemical industry and beyond, through a business-friendly environment

Goal 5 - Foster collaboration through regional, community and governmental partnerships

Report

In 2019 the province passed an amendment to the *Municipal Government Act* (MGA) that added a new section 364.2 to allow municipalities to provide certain tax exemptions for the purpose of attracting new commercial or industrial investment. Attracting this new investment would increase the industrial tax base in the County. The County has worked with other municipalities through the Alberta Industrial Heartland Association (AIHA) to develop a program, known as the Heartland Incentive Program or "HIP," to encourage investment in the Alberta Industrial Heartland (AIH). In the spring of 2020, the AIHA member municipalities voted to encourage energy value chain development in the AIH through passage of bylaws with similar criteria for participation in a tax exemption incentive program.

In the past three to four years, reporting of North American petrochemical investments has shown that Canada's share was shrinking from the usual 10% of annual investments to less than 2% (a loss of ~\$20 billion). The AIHA engaged an international consulting firm in 2017 and again in 2020 to conduct a cost comparison of locating a petrochemical complex in the AIH versus the United States Gulf Coast. Considerations included: location factor, actual capital cost, tax rates, netbacks, depreciation schedules, incentives, and more. The result identified a gap of 12% in additional capital costs for locating in the AIH. To eliminate this capital cost gap, provincial incentives in the range of 9% to 11% and municipal incentives in the range of 1% to 2.5% would be required.

On October 30, 2020 the Government of Alberta announced the Alberta Petrochemical Incentive Program (APIP) that grants 12% of the capital cost for eligible projects, available once a project is operational.

The County's proposed Bylaw 62-2020, Industrial Heartland Incentive Tax Exemption Bylaw, provides for tax exemptions of up to a maximum of one percent (1%) of eligible capital costs for new or expansion projects for up to a 10-year period, or up to an 11-year period if

a supplementary assessment applies to the property which would otherwise result in taxes being assessed for only a portion of the first taxation year. The additional year ensures a fair opportunity for the taxpayer to achieve the maximum exemption.

The Bylaw establishes eligibility criteria and a process for applying for the exemptions. It provides for a maximum exemption of up to 25% of eligible incremental non-residential and machinery and equipment taxes in each year, once the project is operational or complete. The criteria are designed to ensure that each project will contribute 250 full-time jobs per year during construction, or a minimum of 15 full-time skilled jobs per year after construction and throughout the exemption period. Taxpayers must continue to meet the criteria under the Bylaw throughout the 10-year period. The tax exemption would not be granted in any year when the criteria are not met throughout the year.

The Bylaw, if passed, will incentivize additional investment in the County through new or expanded energy value chain projects and will help to achieve Goals 3 and 5 of Council's Strategic Plan.

Council and Committee History

Nov 24, 2020 Council was provided with an update on the Heartland Incentive Program (HIP). Council passed the following motion: THAT Enclosures 6 and 7 be created and added to item 3.6 on the November 24, 2020 Council Agenda, and that they remain private pursuant to sections 24, 27 and 29 of FOIP; THAT Administration prepare a tax incentive bylaw for Council's consideration at the December 8, 2020 Council meeting, based upon Enclosure 6; and THAT Administration include provisions as set out in Enclosure 7 in the proposed tax incentive bylaw to be brought forward on December 8, 2020.

Other Impacts

Policy: 2013-2013 Strathcona County Strategic Plan

Legislative/Legal: A recent amendment to the MGA (section 364.2) allows for tax incentives for assessment classes as set out in section 297(1)(b) – non-residential and (d) machinery and equipment.

Interdepartmental: Legislative and Legal Services, Economic Development and Tourism, Assessment and Taxation; Intergovernmental Affairs

Master Plan/Framework:

Communication Plan

If passed, the bylaw will be posted on the County's website.

Enclosure(s)

- 1 Bylaw 62-2020 Industrial Heartland Incentive Tax Exemption Bylaw
- 2 Industrial Heartland Incentive Tax Exemption Bylaw PowerPoint Presentation (*to be distributed*)