

BYLAW 62-2020
INDUSTRIAL HEARTLAND INCENTIVE
TAX EXEMPTION BYLAW

December 8th, 2020



Strathcona County's 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

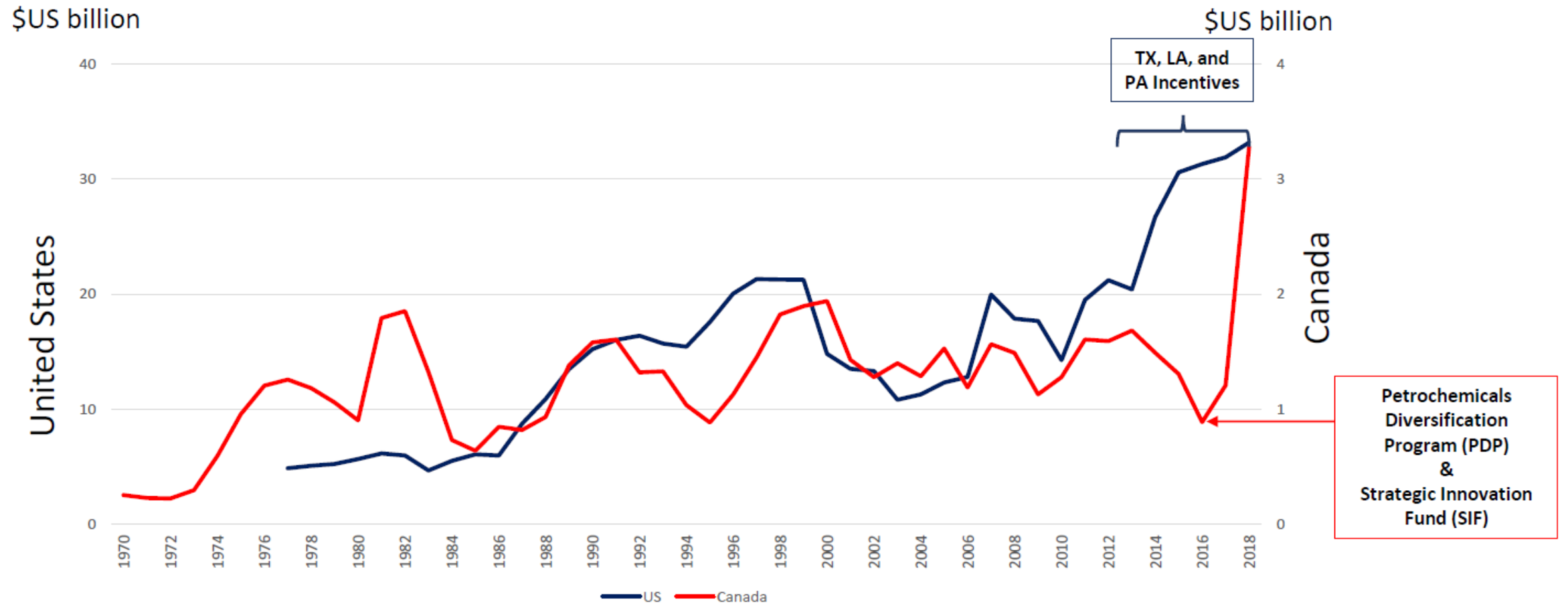


The Benefits of Major Investment

- Property taxes
- Employment
 - construction, permanent, indirect
- Local procurement
 - trades, manufacturing, logistics, hospitality, etc.
- Economic diversification
- Community sponsorship and donations



Petrochemical Investment Trends

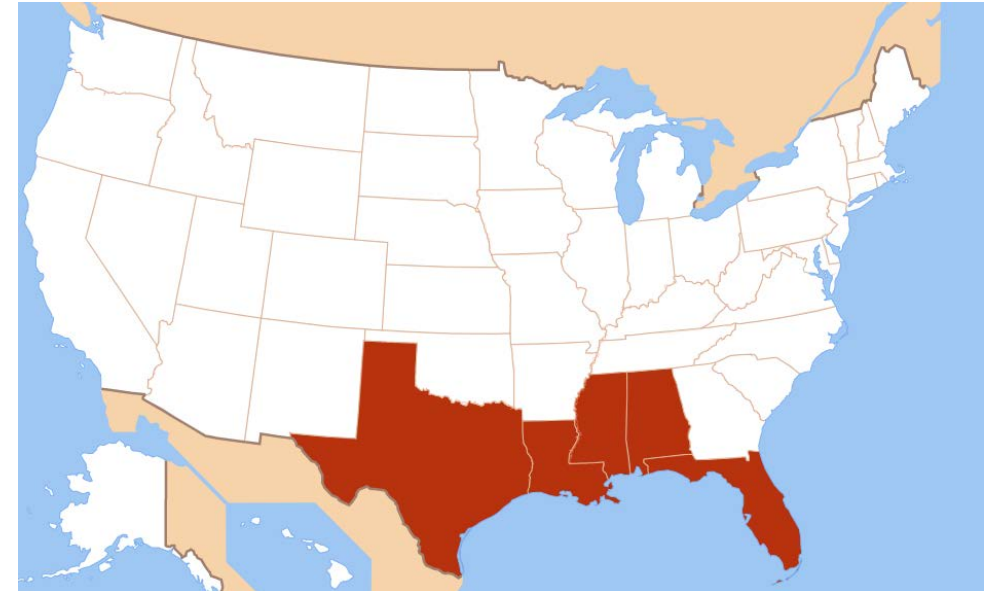


Source: Chemistry Industry Association of Canada Graphic using Statistics Canada and U.S. Census Bureau Data

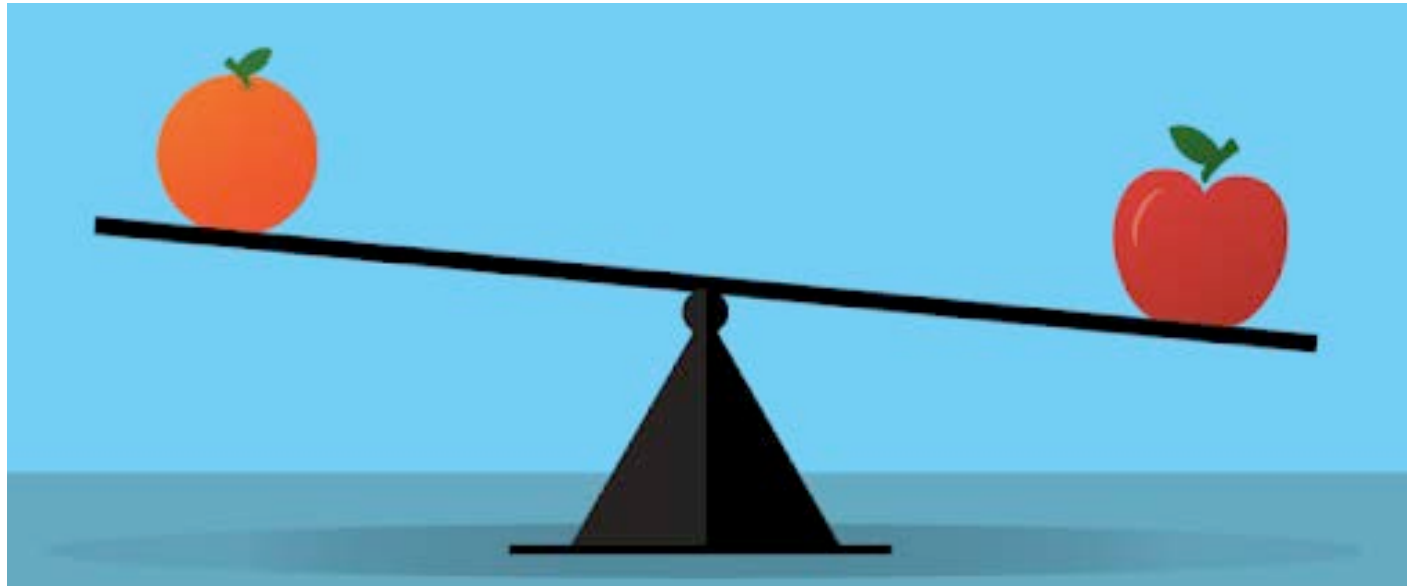
Competitive Analysis

Alberta's Industrial Heartland Association (AIHA) engaged an international consulting firm in both 2017 and 2020 to conduct a cost comparison of locating a petrochemical complex in Alberta's Industrial Heartland (AIH) versus the United States Gulf Coast (USGC).

This analysis models cash flows to assist in determining AIH's relative competitiveness.



Competitive Analysis – Factors



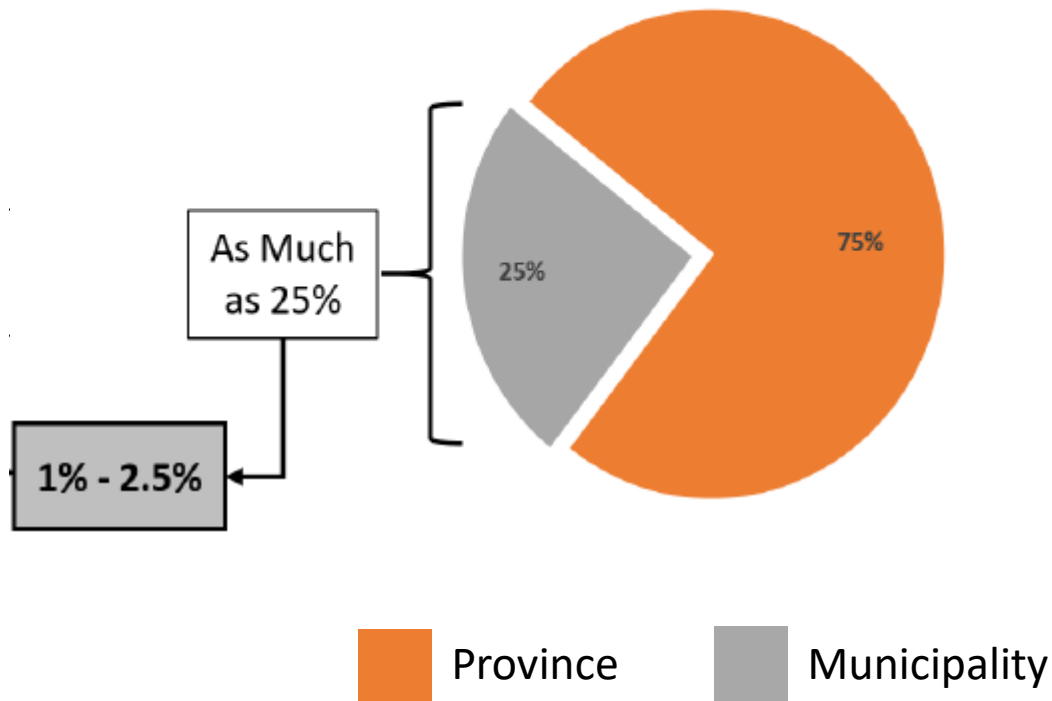
Considerations included:

- Actual capital cost
- Operating costs
- Feedstock costs
- Tax rates
- Depreciation
- Incentives
- And more

In most cases, to bridge the USGC competitiveness gap, a project may require incentives approximately equivalent to 10-12% of the capital cost.

Shared Tax Burden and Shared Benefit

2-Gov Share of Tax Revenue/Burden



Share of Tax Revenues = Share of Incentive

Alberta Petrochemicals Incentive Program (APIP)

Grants 12% of eligible capital costs to projects that meet specific criteria:

- Physical location in Alberta
- Capital investment of at least (CAD) \$50 million
- Must create permanent jobs in Alberta
- Facility must utilize natural gas, natural gas liquids, or petrochemical intermediaries in the manufacturing of products
- And more



Regional Collaboration – Investment Attraction



Alberta's Industrial Heartland Incentive Program:

- Gets Albertans back to work
- Encourages growth and diversification within the petrochemical sector
- Supplemental to provincial petrochemical program
- Increases tax base in or region with additional facilities

Tax Exemption Bylaw Authority: STRATHCONA COUNTY

MGA Section 364.2



Province of Alberta

MUNICIPAL GOVERNMENT ACT

Revised Statutes of Alberta 2000
Chapter M-26

Current as of September 1, 2020

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Allows municipalities in Alberta to incentivize investment through exemptions on:

- Non-Residential taxes
- Machinery & Equipment taxes

for the general benefit of the municipality.

Industrial Heartland Incentive Tax Exemption Bylaw

BYLAW 62-2020

Would provide criteria and a process for certain exemptions from taxation to be granted for the purpose of encouraging the development or revitalization of properties in certain assessment classes for the general benefit of Strathcona County.

Industrial Heartland Incentive Tax Exemption Bylaw Bylaw 62-2020

Overview:

- Tax Exemption Criteria
- Tax Exemption - Additional Requirements
- Amount of Exemption
- Period of Exemption
- Cancellation and Re-instatement of Exemption
- Process and Effective Date

Heartland Incentive Tax Exemption - Criteria

- Energy Value Chain Project or Associated Infrastructure
- Must be physically located within Strathcona County's Industrial Heartland
- New construction or expansion project
- Capital cost greater than \$50 million CAD
- +250 construction workers, or +15 permanent staff after construction concluded during tax exemption period
- Cannot be transitioning development from one Alberta's Industrial Heartland municipality to another

Heartland Incentive Tax Exemption – Additional Requirements

The Applicant must:

- Submit Complete Application before construction commences, or by April 1, 2021
- Provide all information required by the County to verify eligibility for exemption
- Not furnish false information within an exemption application, or furnish false information or misrepresent any fact or circumstance to the County during the term of the exemption
- Enter into a tax incentive agreement that reflects the bylaw requirements

Heartland Incentive Tax Exemption - Amount

- Maximum incentive value = 1% of eligible capital costs
- Maximum annual tax exemption = 25% of new eligible taxes

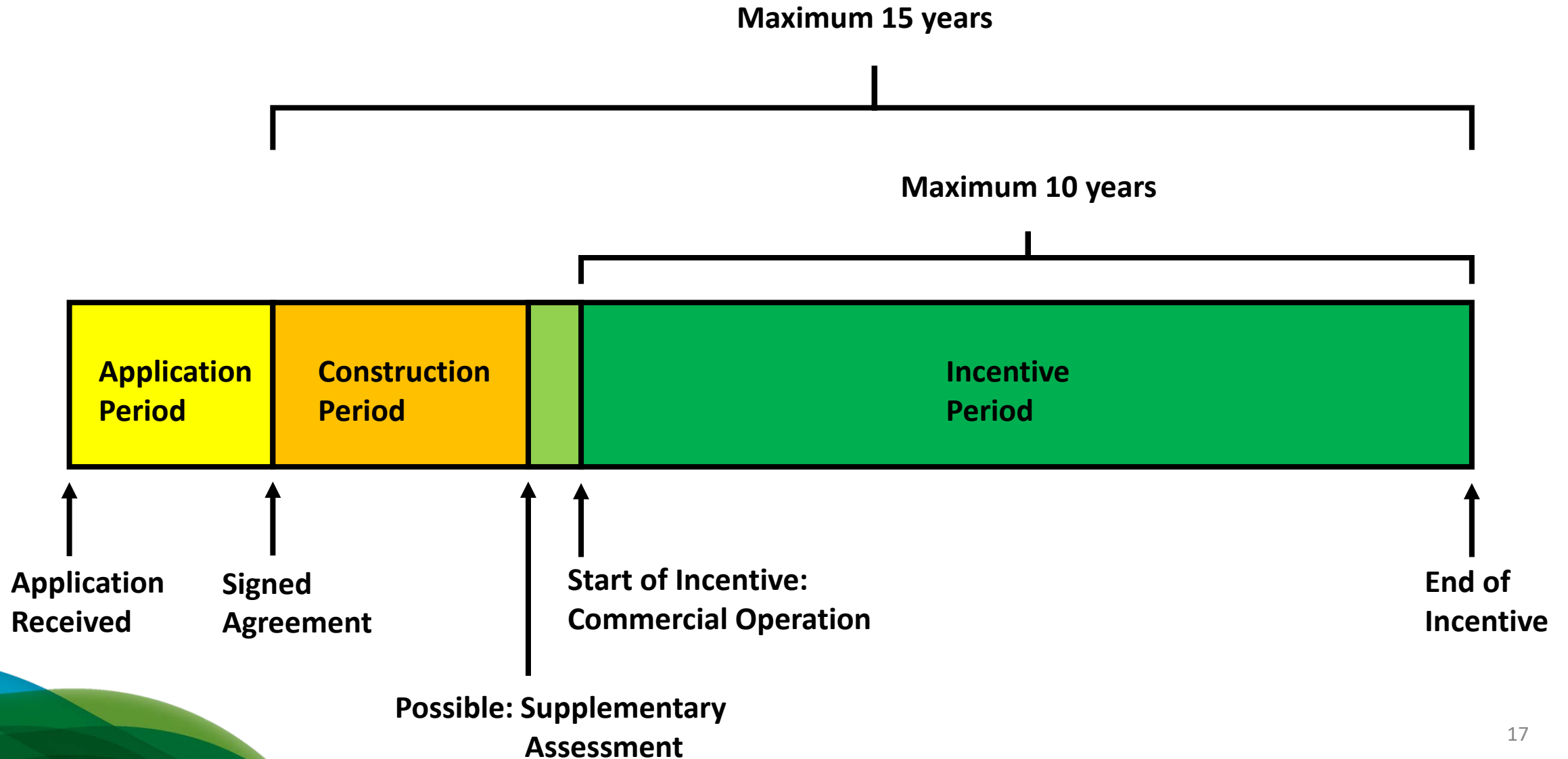
Tax exemption is applied once the project is complete and operational i.e. at the point at which the complete project is assessable and taxable

Heartland Incentive Tax Exemption – Period of Exemption

Tax exemption is applied:

- Generally, for a maximum period of 10 years
- In the case of a Supplementary Assessment, 10 years plus the additional period of the Supplementary Assessment

Tax Exemption Period & Process



Heartland Incentive Tax Exemption – Cancellation and Re-Instatement

The tax exemption will be cancelled:

- If one or more of the criteria for exemption are no longer met, or a condition for exemption is breached

The tax exemption would be re-instated:

- Once the criteria or condition is again met, within the exemption term

Heartland Incentive Tax Exemption – Process and Effective Date

The bylaw sets out:

- Process for application
- Issuing decision
- Process for appeal of decision to Council

The effective date of the bylaw is January 1, 2021.

Next Steps

If three readings of the draft bylaw are received. Next steps would include:

- Development of documentation and processes
 - Application template
 - Application agreement
 - Application processes
- Communication campaign with stakeholders and industry

Questions and Discussion