

Bylaw 20-2021 - Strathcona Industrial Area Tax Exemption Incentive Bylaw**Report Purpose**

To provide information to Council for three readings of Bylaw 20-2021, Strathcona Industrial Area Incentive Tax Exemption Bylaw, a bylaw that would provide criteria and a process for exemptions from taxation to be granted for the purpose of encouraging the development or revitalization of properties in non-residential and machinery and equipment assessment classes for the general benefit of Strathcona County.

Recommendations

1. THAT Bylaw 20-2021, Strathcona Industrial Area Incentive Tax Exemption Bylaw, be given first reading.
2. THAT Bylaw 20-2021 be given second reading.
3. THAT Bylaw 20-2021 be considered for third reading.
4. THAT Bylaw 20-2021 be given third reading.

Our Prioritized Strategic Goal

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

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.

Tax exemptions and similar incentives are needed to attract new petrochemical and energy value chain investment into Alberta municipalities, due to a recent gap in securing historical shares of investment. In the past five 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). Alberta Industrial Heartland Association(AIHA) and member municipalities engaged a leading global industrial sector research firm in 2017 and again in 2020 to conduct cost comparisons of locating a petrochemical complex in our region 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 here. 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 that grants up to 12% of eligible capital costs for eligible projects, available once a project is operational.

In 2020, Strathcona County worked with AIHA and the other member municipalities to develop a program, known as the Heartland Incentive Program (HIP), to encourage investment in the Alberta Industrial Heartland. On December 8 2020, Strathcona County Council voted unanimously to pass Bylaw 62-2020, Industrial Heartland Incentive Tax Exemption Bylaw. This bylaw provides for tax exemptions of up to a maximum of 1% of

eligible capital costs for new or expansion projects in the energy value chain that is located in Strathcona County's Industrial Heartland Area.

On December 8, 2020 Council directed the development of a similar bylaw to support new investment in the Strathcona Industrial Area (SIA).

The SIA refers to the portion of Strathcona County that is located west of Highway 216 (Anthony Henday Drive), south of Highway 16 (Yellowhead), and north of Sherwood Park Freeway that is zoned Heavy Industrial (IH) and Medium Industrial (IM). Industrial facilities located in this area include (but are not limited to): refineries, petrochemical production, manufacturing, transportation and storage of products, and associated infrastructure.

The SIA differs from Strathcona County's other IH-zoned area – the Heartland Industrial Area – in that it is predominantly brownfield and urban adjacent. However, the two areas have a significant cluster of major industrial projects within the energy value chain that have the potential to expand operations and further integrate chemicals manufacturing into their respective facilities. Adoption of an identical bylaw would position the SIA as another target area for significant growth in energy value chain assessment and employment.

The proposed bylaw establishes eligibility criteria and a process for applying for the tax exemption. 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 at least 250 jobs during construction, or a minimum of 15 full-time skilled jobs per year after construction and throughout the exemption period. The 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 that the criteria are not met throughout the year.

The proposed 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

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| December 8, 2020 | Council gave three readings to the Industrial Heartland Tax Exemption Bylaw (Bylaw 62-2020) and passed "THAT Enclosure 2 be created and added to item 3.7, Heartland Common Policy and Bylaw, and THAT administration take the steps as set out in Enclosure 2." |
| July 21, 2020 | Council received an update on the Heartland Industrial Policy work. |
| May 26, 2020 | Council received information on Bill 7 and Bill 9 and from Alberta's Industrial Heartland Association and passed the following motion: "THAT Enclosure 2 be created and added to item 4.2; THAT the Mayor take the steps set out in enclosure 2; and THAT Enclosure 2 remain private pursuant to sections 21 and 25 of FOIP." |

Other Impacts

Policy: 2013 – 2030 Strathcona County Strategic Plan

Legislative/Legal: Section 364.2 of the MGA 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: N/A

Communication Plan

If passed, the bylaw will be posted on the County's website and other marketing collateral.

Enclosures

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| 1 | Strathcona Industrial Area Incentive Tax Exemption Bylaw Presentation |
| 2 | Bylaw 20-2021 Strathcona Industrial Area Incentive Tax Exemption Bylaw |