

Request for Decision

Title	10:00 a.m. Bylaw 1600/22 – Sturgeon County Major Investment Incentives Bylaw – First Reading
Proposed Motion	That Council give first reading of Bylaw 1600/22.
Administrative Recommendation	Administration recommends that Council give first reading of Bylaw 1600/22.
Previous Council / Committee Direction	<p><u>December 14, 2022 Regular Council Meeting</u> Motion 549/21: That Council approve the proposed Operating and Capital Budget as amended by motions passed on November 30, 2021.</p> <p><u>November 30, 2021 Regular Council Meeting</u> Motion 532/21: That Council approve the 2022 Service Enhancements within the proposed Operating and Capital Budget as recommended, which reflects a 1.8% tax rate increase.</p> <p><u>June 8, 2021 Regular Council Meeting</u> Motion 313/21: That Council give third reading of Bylaw 1552/21.</p>
Report	<p><u>Background Information</u></p> <ul style="list-style-type: none"> • Sturgeon County is committed to domestic and global competitiveness, and the attraction of significant investment within target industries. • The County’s competitive positioning relative to other jurisdictions around the world is a matter of ongoing review and reflection. Through careful analyses, it has been confirmed that targeted public incentives would help the County to better compete and attract development. • In 2021, through the approval of 2022 operating budget service enhancements, Council directed Administration to complete an Economic Development Strategic Plan Update and Major Investment Incentive Program Design. • As part of assessing the need and design of investment incentives, Administration assessed sectors outside of the energy value chain, the comparative competitiveness of capital and operating costs within the county, and the appropriate design for long term sustainability. Incentives must be evidence-based and proportional to the municipal share of investor costs, including taxes.

- To respond to current investment interest, consideration of Value-Added Agriculture and Solar Power Production investment were reviewed first.
- Bylaw 1600/22, the Sturgeon County Major Investment Incentives Bylaw, addresses the competitive “gap” (capital or operating expenditure increases, project Internal Rate of Return or Net Present Value decreases) that exist for target industry projects locally versus competitor jurisdictions.
- The program is complementary to incentive programs offered by other orders of government and continues to align Sturgeon County with the global movement toward Environmental, Social, and Governance (ESG) criteria.
- Components of the Sturgeon County Major Investment Incentives Bylaw include the following:
 - Eligibility criteria:
 - Project is within Sturgeon County (Value-Added Agriculture Project), or within Sturgeon County’s portion of Alberta’s Industrial Heartland (Solar Power Production Project);
 - New construction or expansion project with a minimum investment size of \$20 million (Value-Added Agriculture Projects) or \$200 million (Solar Power Production Projects);
 - Minimum employment of 50 personnel during construction, or 30 personnel during operation.
 - Eligible Value-Added Agriculture Project applicants can access a tax exemption in the amount of 1.5% of eligible capital costs of the Project, or 2% of eligible capital costs if project-level Environmental, Social, and Governance criteria are met.
 - Eligible Solar Power Production Project applicants can access a tax exemption in the amount of 1% of eligible capital costs of the Project.
 - Benefit term length will not apply for more than 10 years, with a maximum 80% exemption on the incremental increase in the annual property taxes for successful applicants.
- Administration would administer applications and process approvals based on the bylaw criteria. Council is designated as the appeal authority for applicants who have been denied or cancelled or where the tax incentive agreement is inconsistent with the bylaw or the *Municipal Government Act*.
- Future potential incentive categories or geographies would be assessed in 2023.

External Communication

- If the bylaw is passed at a future Council meeting, Administration will share the new program details with existing businesses, potential investors, and industry organizations.

	<p><u>Relevant Policy/Legislation/Practices</u></p> <ul style="list-style-type: none"> • Bylaw 1552/21- Heartland Incentive Bylaw • Section 364.1 of the <i>Municipal Government Act (MGA)</i> allows Council to provide tax incentives, through bylaw, for brownfield properties. • Section 364.2 of the <i>Municipal Government Act (MGA)</i> allows Council to provide tax incentives, through bylaw, for non-residential properties. • Bill 7: Municipal Government (Property Tax Incentives) Amendment Act, 2019 • Bill 29: Municipal Government (Machinery and Equipment Tax Incentives) Amendment Act, 2019
<p>Implication of Administrative Recommendation</p>	<p><u>Strategic Alignment:</u></p> <p>Planned Growth Supports the attraction of Value-Added Agriculture and Solar Power Production and associated infrastructure investment into Sturgeon County, which will contribute to the County’s strong economic base.</p> <p>Environmental Stewardship The inclusion of ESG criteria in Bylaw 1600/22 signals to the community, investors, and other governments that Sturgeon County seeks to foster a healthy environment and aligns with growing domestic and international investment policy requirements, and sustainable development goals. Further incentivizing Solar Power Production in Sturgeon County’s portion of Alberta’s Industrial Heartland helps to decarbonize industry and drive emission reductions.</p> <p>Collaborative Governance Bylaw 1600/22 will provide consistent and accountable leadership through transparent and action-oriented decision making based on sound rationale. The Bylaw will be a public document which initiates a public process for successful proponents.</p> <p>Operational Excellence Bylaw 1600/22 signals strong leadership to the community, investors, and other governments that Sturgeon County is proactively responding to emerging opportunities and challenges, while sustainably balancing the community’s long-term finances.</p> <p><u>Organizational:</u></p> <ul style="list-style-type: none"> • Administration has sufficient capacity to administer the program. As applications are received and the program administered, there may be additional resourcing requirements needed to facilitate good growth of, and access to, the program. <p><u>Financial:</u></p> <ul style="list-style-type: none"> • The Sturgeon County Major Investment Incentives Bylaw is designed to offer Value-Added Agriculture Projects a competitive incentive of 1.5% of eligible capital costs, and a 2% maximum incentive for applicants demonstrating ESG criteria at the project level. The Bylaw is designed to offer Solar Power Production Projects an incentive of 1% of eligible capital costs. • With the minimum eligible capital cost set at \$20 million for Value-Added Agriculture Projects, and \$200 million for Solar Power Production

	<p>Projects, the minimum incentive (and associated non-residential property or machinery and equipment tax exemption) and hence forgone County revenue would equate to:</p> <ul style="list-style-type: none"> ○ For Value-Added Agriculture Projects, a total of \$300,000 (at 1.5%) or \$400,000 (at 2.0%) amortized for up to a 10-year period. ○ For Solar Power Production Projects, a total of \$2,000,000 (at 1.0%) amortized for up to a 10-year period. • Council has authority to repeal the Bylaw at any time; however, tax incentive agreements that have been put in place would continue until their conclusion. • Program-based fees and charges are required for a complete application, and the fee is proposed at \$3,000 to account for administrative costs related to the application processing and additional legal review costs for subsequent Tax Incentive Agreements.
<p>Alternatives Considered</p>	<p>Council could choose not to give first reading of Bylaw 1600/22.</p>
<p>Implications of Alternatives</p>	<p><u>Strategic Alignment:</u> A decision not to give first reading of the Sturgeon County Major Investment Incentives Bylaw would be contrary to embodying the competitive focus of Sturgeon County for significant domestic and international investment.</p> <p><u>Organizational:</u> Administration would cease further analysis of these sectors, and potentially other sectors or geographies.</p> <p><u>Financial:</u> A decision not to pass the Sturgeon County Major Investment Incentives Bylaw may compel potential investors to locate elsewhere and investment to be lost from the County/region. This could result in negative implications around future investment engagements and success for Sturgeon County's growth in employment opportunities, construction contracts, or ongoing operational investment.</p>
<p>Follow up Action</p>	<p>1. Bring Bylaw 1600/22 to the December 13, 2022 Council meeting for consideration of second and third readings (Economic Innovation & Growth, December 2022)</p>

Attachment(s)	<ol style="list-style-type: none">1. Attachment 1: Bylaw 1600/22 – Sturgeon County Major Investment Incentives Bylaw2. Attachment 2: Economic Development Strategy and Major Investment Incentives Presentation
Report Reviewed by:	Michael Richard, Acting Director, Economic Innovation & Growth Andrew Hayes, General Manager, Financial Services & Chief Financial Officer Travis Peter, General Manager, Development & Strategic Services Jesse Sopko, Acting County Commissioner – CAO

Strategic Alignment Checklist

Vision: *Offering a rich tapestry of historical, cultural, and natural experiences, Sturgeon County is a municipality that honours its rural roots and cultivates desirable communities. Uniquely situated to provide world-class agricultural, energy, and business investment opportunities, the County prioritizes responsible stewardship and dreaming big.*

Guiding Principles: Collaboration | Accountability | Flexibility | Excellence | Safety | Future Readiness | Affordability | Innovation

Community Outcome	Not consistent	Consistent	N/A
Planned Growth			
<ul style="list-style-type: none"> Internationally competitive to attract, grow and sustain diverse businesses; tenacious focus on new growth and innovation 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Modern broadband and digital capabilities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Low cost, minimal red-tape regulations 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Reliable and effective infrastructure planning; comprehensive land use and infrastructure planning 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Thriving Communities			
<ul style="list-style-type: none"> Beautiful, surprising places with high standards; integrated natural spaces & trail systems; healthy and resilient 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Engaging cultural, historical, and civic amenities; strong community identity and pride 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Safe, welcoming, and diverse communities; small community feel and personal connection; commitment to high quality of life 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environmental Stewardship			
<ul style="list-style-type: none"> Clean air, land, and water; Carbon neutral municipal practices; circular economy opportunities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Conservation of natural areas and agricultural lands; enhanced greening and biodiversity; safekeeping ecosystems 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Sustainable development; partnerships with industry and others to drive emission reductions 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Collaborative Governance			
<ul style="list-style-type: none"> Predictable and stable external relationships; volunteer partnerships 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Meaningful connections with Indigenous communities 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Ongoing community consultation and engagement; transparent and action-oriented decision making based on sound rationale 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Respectful and informed debate; clear and supportive governance processes 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Operational Excellence			
<ul style="list-style-type: none"> Engaged and effective people – Council, Admin and Volunteers; continuous learning and improvement mindset; nimble and bold, with strong leadership 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Quality cost-effective service delivery; robust procurement and operational practices and policies; asset management and performance measurement; careful debt and reserve stewardship; long-term financial planning and sustainability 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Future focused thinking to proactively respond to emerging opportunities and challenges 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Alternative revenue generation and service delivery models integrated strategic and business planning 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>