



CITY OF  
FORT SASKATCHEWAN

**Request for Decision  
Regular Council Meeting\_Dec12\_2023**

**Industrial Competitiveness Strategy and Toolset – Implementation Plan**

**Motion:**

1. That Council approve the Industrial Competitiveness Strategy and Toolset Implementation Plan as presented during the December 12, 2023 regular Council meeting.
2. That Council allocates \$30,000 from the Municipal Operating Projects Reserve for the purpose of creating incentive programs, as outlined in the December 12, 2023 regular Council meeting Industrial Competitiveness Strategy and Toolset – Implementation Plan report.

**Purpose:**

The Industrial Competitiveness Strategy and Toolset was presented for information during the October Committee of the Whole meeting. Based on Council's feedback, the Strategy has been updated. Furthermore, Administration has developed an implementation plan to advance the Strategy's recommendations.

**Background:**

In 2019, the Provincial Government introduced Bills 7 and 29 which amended the *Municipal Government Act* (MGA) to allow for municipalities to offer property tax incentives to attract non-residential development. Following passage of these bills, Alberta's Industrial Heartland Association (AIHA) began work on a regional policy, which established guidelines that member municipalities agreed to follow when implementing incentives directed at heavy industrial development.

In [December 2020](#), Council adopted Bylaw C28-20, establishing the [Heartland Incentive Program](#). The Heartland Incentive Program provides a tax exemption of up to 2.5% of eligible capital costs for energy value chain projects with a capital expenditure of over \$50 million that employ a minimum of 250 personnel during the construction period, or a minimum of 15 permanent skilled jobs during operations. This incentive program was the result of significant research into the region's competitiveness within the Petrochemical and Energy sectors.

On [May 24, 2022](#), Council adopted Downtown Development Grants Policy ([FIN-015-C](#)) and the Brownfield Tax Exemption Bylaw ([Bylaw C15-22](#)) to encourage downtown development / redevelopment and affordable housing.

On April 28, 2022, Administration received the final draft of the Fort Saskatchewan Investment Attraction Strategy. This report provided a high-level analysis of the municipality and surrounding region to identify sectors and industries which the City could target for investment attraction.

On October 18, 2022, Council heard information from an industrial property owner regarding the city's competitiveness within the region.

On November 8, 2022, Council passed the following motion:

*“That Council direct Administration to compile a study that:*

- *identifies obstacles and challenges to attracting investment within specific sectors to our industrial lands;*
- *benchmarks the City’s competitiveness for each sector;*
- *quantifies any competitive gaps that may exist within these sectors;*
- *provides an environmental scan of what other jurisdictions are doing; and*
- *recommends options and priorities for financial and non-financial tools to encourage investment;*

*and further that the study be funded from the Economic Development Reserve up to \$50,000 and be presented to Council by the end of September 2023.”*

On [October 17, 2023](#), the Industrial Competitiveness Strategy and Toolset report was presented for information. Next steps included development of an implementation plan based on the recommendations within the report and Council’s feedback, and a commitment to share the implementation plan prior to the end of 2023.

### **Summary Analysis:**

Based on feedback received during the October 17, 2023 Committee of the Whole meeting, the recommendations within the Industrial Competitiveness Strategy and Toolset have been updated. The updates can be found on pages 36-37 and are shown as italicized blue text within Appendix A. Furthermore, an implementation plan has been prepared based on the updated Strategy and is being presented for Council’s approval.

Land absorption has been below the regional average for the light / medium industrial lands north of Josephburg Road and south of Highway 21. The [2015 Fort Saskatchewan Growth Study](#) concluded the city’s Light and Medium Industrial land supply would not be fully absorbed until 2074 (assuming a medium growth scenario).

On October 18, 2022, Council heard information from an industrial property owner regarding the city’s competitiveness within the region. Even though industrial land in Fort Saskatchewan is priced competitively, the property owner advised that land sales / transactions volumes remained below other municipalities within the region. This may be an indication of a competitive disadvantage compared to neighbouring jurisdictions. The property owner made a request to consider implementing development incentives for light / medium industrial areas to help improve industrial competitiveness.

In 2022, the City’s Investment Attraction Strategy was updated, identifying five target sectors that could enhance the local economy. The five target sectors included:

- Long-Duration Battery Storage;
- Specialty Metals Manufacturing;
- Plastic Component Manufacturing (carbon fibre);
- Hydrogen; and
- Agricultural Processing.

To help better understand Fort Saskatchewan's competitiveness within the five target sectors, EBP (an economic analysis and research consulting firm) was engaged to prepare a detailed analysis that built upon on the results of the Investment Attraction Strategy.

EBP worked with local interested parties and Administration to create recommendations for both financial and non-financial interventions which could bolster Fort Saskatchewan's international and regional competitiveness. EBP has created a list of financial and non-financial interventions to improve Fort Saskatchewan's competitiveness within each sector. Each individual intervention will enhance Fort Saskatchewan's competitiveness, but as a collective, the recommendations represent a comprehensive strategy for attracting and developing the target sectors.

***Strategy Recommendations:***

The Industrial Competitiveness Strategy presented in October of 2023 included the following recommendations:

- Marketing:
  - o Work to improve market awareness, specifically regarding specialty metals, carbon fibre, and long-duration battery sector. Coordinate efforts with regional entities, such as AIHA and Edmonton Global.
  - o Engage with interested parties from Specialty Metals and Plastic Component Manufacturing (carbon fibre) to better understand target markets.
- Organizational Readiness:
  - o Work with regional economic development partners to engage with the Alberta government to share information and promote eligible pore space in the region.
- Site Readiness:
  - o Work with the development community to understand market trends, including preferred parcel sizes, uses, and infrastructure / servicing needs.
  - o Review existing planning documents and zoning to determine if upzoning the lands is feasible.
  - o Review existing infrastructure plans for the area, including cost estimates, and consider front-ending servicing to improve developability of vacant parcels.
- Tax Exemption Programs:
  - o Consider establishing a new Hydrogen Incentive Program to supplement the Heartland Incentive Program. Eligible projects would include new or expanded projects that result in:
    - Over \$10 million in capital investment; and
    - At least 30 permanent employees.
  - o Consider an Agricultural Processing and Manufacturing Incentive Program. Eligible projects would include new or expanded projects that result in:
    - Over \$20 million in capital investment; and
    - At least 15 permanent employees or 50 construction employees.

The updated Strategy includes the following adjustments and addition to the recommendations:

- Tax Exemption Programs
  - o Adjust the eligibility requirements for the Hydrogen Incentive Program:
    - Reduce the employment threshold from 30 to 15 permanent employees, to better align with the existing Heartland Incentive Program.
  - o Adjust the Agricultural Processing and Manufacturing Incentive Program to offer two tiers of incentive programs:
    - Minor: 1.5 – 2.0% of eligible capital for a maximum of 10 years for new or expanded projects that result in:

**Industrial Competitiveness Strategy and Toolset – Implementation Plan**

**Regular Council Meeting\_Dec12\_2023**

**Page 4**

- Over \$20 million in capital investment; and
- At least 15 permanent employees or 50 construction employees.
- Major: 2.5% of eligible capital over a maximum of 10 years for new or expanded projects that result in:
  - Over \$50 million in capital investment; and
  - At least 15 permanent employees or 250 construction employees.
- Consider establishing a new Manufacturing and Services Tax Incentive. Eligible projects could receive up to 1.5% of eligible capital.

**Implementation Timeline:**

To execute the proposed Industrial Competitiveness Strategy and Toolset, Administration is proposing a two-year Implementation Plan. The recommendations within the Strategy can be divided into three categories:

1. Site and organizational readiness;
2. Marketing, promotions, and advocacy; and
3. Incentives.

The Implementation Plan is summarized in Table 1 below.

Table 1- Implementation Plan for the Industrial Competitiveness Strategy

Timeline	2023	2024	2025
Site and Organizational Readiness	Engage with regional economic development partners and target-sector businesses		
	New Land Use Bylaw (led by P&D)		
		Industrial Area Structure Plan Update (led by P&D)	
			Potential zoning review (1)
			Front-ending services exploration
Marketing, Promotions, and Advocacy	Engage with regional economic development entities		Increased sector engagement
	Update marketing materials		
	Promote Fort Sask advantages		
Tax Incentive Programs		Agriculture Processing Incentive	
		Hydrogen Incentive	
	Collaborate with property owner	Manufacturing and Service Incentive	

(1) The zoning review will depend on the results of the Area Structure Plans Update.

To improve site and organizational readiness, Administration has begun targeted outreach with regional economic development partners. Administration met with Alberta’s Industrial Heartland Association on November 7, 2023, and meetings are scheduled with both the marketing and hydrogen initiative project teams with Edmonton Global in December of 2023. Furthermore,

Continued outreach and engagement will focus on creating a better understanding of market trends and target sector specific requirements, as well as increasing awareness of the opportunities within Fort Saskatchewan.

The Strategy recommends increasing the availability of shovel-ready medium industrial lands. The City of Fort Saskatchewan 2024 Operating Budget includes funding to update the City's existing Industrial Area Structure Plans. The update will review the current land use designations and explore appropriate actions should the City wish to increase the amount of land identified for medium or heavy industry. Depending on the outcomes from the Area Structure Plans, a review of the zoning would likely be undertaken. Furthermore, the City is currently preparing a new Land Use Bylaw, which will incorporate best practices and reflect current industrial development trends.

The Industrial Area Structure Plans Update will also review servicing plans for the area. Should the updated Area Structure Plans recommend increasing the land designation to allow more intense industrial land uses, the servicing needs for the area may change. This servicing review will ensure plans for the area reflect industry's needs, as well as provide preliminary costs estimates that can inform discussions around front-ending servicing.

To improve marketing, promotions, and advocacy, Administration will incorporate the results of the Strategy into the City's marketing materials. The City of Fort Saskatchewan 2024 Operating Budget includes funding to improve Economic Development's marketing and outreach. The City's primary economic development marketing asset is [investfortsask.ca](https://investfortsask.ca), a website designed to attract and educate companies and businesses looking to locate or expand within the city. In 2024, the Invest Fort Sask website will be updated, as well as the creation of a new suite of marketing materials to promote Fort Saskatchewan's advantages. Increased sector engagement and promotion of materials will begin once sector specific marketing materials are available. Throughout the process, Administration will engage with regional entities to align marketing efforts to ensure the materials are accessible and promoted with desired audiences.

The Strategy also recommends the creation of three new incentive programs to attract new industrial investment:

1. Hydrogen Incentive Program;
2. Agricultural Processing and Manufacturing Incentive Program; and
3. Manufacturing, Construction, and Industrial Support Services Incentive Program.

Administration is proposing that the City follow the recommendations of EBP for both the proposed Hydrogen Incentive Program and proposed Agricultural Processing and Manufacturing Incentive Program.

Collaborative discussions are ongoing with the property owner regarding the Manufacturing Construction, and Industrial Support Services Incentive Program. The property owner indicated in October that the incentives need to be broader and more achievable for medium and small size businesses. Administration met with the property owner on November 9, 2023. Both parties agreed that any incentive proposed for the industrial areas should be designed to generate long-term economic growth for the city and should not incentivize temporary or low return uses. Both parties also agreed that the incentive should be designed to catalyze investment in the light and medium industrial areas, and encourage manufacturing, construction, and industrial servicing companies to locate within the area. Furthermore, both parties agreed that a sunset clause would support the large-scale heavy industrial expansions in the area and promote quick action.

Administration will continue engagement with the property owner and consult with EBP to determine the tax exemption percentage and to define specific eligibility criteria. Once the details

## **Industrial Competitiveness Strategy and Toolset – Implementation Plan**

**Regular Council Meeting\_Dec12\_2023**

**Page 6**

are defined, Administration will work with EBP and our legal advisors to draft the incentive bylaws. Administration will bring these proposed incentives to Council for consideration before the end of the second quarter in 2024.

### **Financial Implications:**

The City's legal advisors will support the creation of the incentive programs. Administration is requesting that Council allocates a one-time budget of \$30,000 from the Municipal Operating Projects Reserve for the purpose of creating thoroughly vetted incentive programs.

As incentives provided under the proposed programs are only available for projects that result in new tax assessment, tax exemptions granted under the program would not have an impact to the City's current tax base or revenues.

The municipal incentive programs could complement provincial programs, such as Alberta Petrochemical Incentive Program (APIP) and the Agri-processing Investment Tax Credit (APITC).

### **Internal/External Impacts:**

Planning & Development is leading the review of the industrial ASPs, as well as any resulting zoning reviews and changes. Engineering will be consulted regarding through the servicing review.

Legislative Services will support the creation of the incentive programs.

The Industrial Competitiveness Strategy and Toolset, as well as this implementation plan, will influence the marketing strategies. Corporate Communications will support the creation of new marketing materials.

The updated Industrial Competitiveness Strategy and the proposed Implementation Plan have been shared with the industrial property owner. Collaboration will be ongoing as the Tax Incentive Programs are developed.

### **Diversity Impacts:**

There are no anticipated impacts with respect to diversity in the implementation of the Industrial Competitiveness Strategy and Toolset, and best practices will be followed to ensure an inclusive communication plan and marketing strategies.

### **Risk Analysis:**

If the proposed Implementation Plan is not approved, investment could stagnate as new facilities are built in competitive jurisdictions. Similarly, potential investment could locate in neighbouring municipalities should their industrial attraction strategy and programs better meet the needs of potential investors.

If funding is not allocated for the creation of the incentive programs, Administration will not proceed with development of the tax incentive programs. The proposed incentive programs are intended to mitigate competitiveness gaps for specific sectors, and work to elevate the opportunities in Fort Saskatchewan.

### **Plans/Standards/Legislation:**

**Industrial Competitiveness Strategy and Toolset – Implementation Plan**

**Regular Council Meeting\_Dec12\_2023**

**Page 7**

City's Strategic Plan:

Goal - Well-Planned Community and Resilient Economy (strategically plan, prepare, and manage responsible and sustainable growth for our residents and businesses).

The 2023 – 2026 Strategic Plan initiatives includes: “Ensure strong business retention, support and attraction strategies and programs are in place to retain and grow business and industry.”

The City's ability to offer development incentives is governed by the *Municipal Government Act*, specifically Bills 7 and 29 which amended the *Municipal Government Act* to allow for municipalities to offer property tax incentives to attract non-residential development.

**Alternatives:**

1. That Council approve the Industrial Competitiveness Strategy and Toolset Implementation Plan as presented, and further allocates \$30,000 from the Municipal Operating Projects Reserve to support the creation of new industrial tax incentive bylaw.
2. That Council refers this item back to Administration to obtain more information regarding \_\_\_\_\_.

**Administrative Recommendation:**

1. That Council approve the Industrial Competitiveness Strategy and Toolset Implementation Plan as presented during the December 12, 2023 regular Council meeting.
2. That Council allocates \$30,000 from the Municipal Operating Projects Reserve for the purpose of creating incentive programs, as outlined in the December 12, 2023 regular Council meeting Industrial Competitiveness Strategy and Toolset – Implementation Plan report.

**Attachments:**

1. Appendix A – Updated Industrial Competitiveness Report
2. Appendix B – Incentives Matrix

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Prepared / Approved by: Erin Brush Duncan Date: December 1, 2023  
Director, Economic Development

Approved by: Jeremy Emann Date: December 5, 2023  
Chief Financial Officer, Finance Services

Approved by: Janel Smith-Duguid Date: December 5, 2023  
General Manager, Infrastructure & Planning Services

Approved by: Troy Fleming Date: December 6, 2023  
City Manager