



**Subject: Niagara Gateway CIP Application 1555 Elm Street
Jungbunzlauer Canada Inc.**

To: Council

From: Office of the Chief Administrative Officer

Report Number: 2023-220

Meeting Date: December 12, 2023

Recommendation:

That Officer of the Chief Administrative Officer Report 2023-220 be received; and

That the Gateway CIP Tax Increment Grant for Jungbunzlauer Canada Inc. for property located at 1555 Elm Street be approved; and

That the Economic Development Officer be directed to send notice of the approval to the Niagara Region.

Purpose:

The purpose of this report is to provide Council with a recommendation for the application made by Jungbunzlauer Canada Inc. (JBL) for a Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) Tax Increment Grant (TIG). The applicant proposes to undertake a significant facility build at 1555 Elm Street to produce a new product line and supports the expansion of existing businesses within the City while encouraging future economic development.

Background:

The Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) provides eligible projects with property tax reductions of between 40% and 100% for five to ten years to eligible property owners in the municipalities of Fort Erie, Niagara Falls, Port Colborne, Thorold, and Welland. Those same projects are also eligible for grants to cover Regional Development Charges. Projects that promote private sector investment, development, redevelopment, and construction activity in strategic zones identified in each City may be eligible.

The Tax Increment Based Grant Program provides an incremental tax grant to completed projects within the Gateway Project Area based on the project's economic and environmental design performance. Successful applicants will receive a tax rate rebate of a percentage of the post-project values, for a period of five or ten years depending on the location of the project. The tax savings resulting from this program can be a significant incentive for development.

The City acts in partnership with the Niagara Region on the assessment and monitoring of this program and will ensure that the applicant continues to meet all obligations of the City prior to the tax rebate being paid each year.

Discussion:

The project that is proposed at 1555 Elm Street is an eligible project under the terms of the Gateway CIP and will result in significant improvements to the vacant land. Development costs are estimated to be well in excess of \$100,000,000 and the total estimated grant over the ten-year period from the City and Niagara Region is \$15,020,121 for the initial phase. There is potential for an additional two phases. Conditions in phase one must be met before future phases would be included in the CIP.

The final schedule of grant payments will be contingent upon the new assessment by MPAC following completion of the project. The applicant will be required to enter into a Tri-Party Agreement with the City and Region outlining the terms and conditions of the funding. This agreement would be authorized and signed by the Mayor and Acting City Clerk and forwarded to the Region for signature. The payment of grants will commence upon verification of the program requirements and reassessment of the property by MPAC (Municipal Property Assessment Corporation). Applicants are given 365 days from the issuance of an occupancy permit within which to contact the City regarding the achievement of the eligibility points outlined in their submission. The City of Port Colborne and Niagara Regional Economic Development staff will verify that all conditions are met. JBL will be required to provide proof yearly that the conditions of the agreement continue to be met prior to receiving the tax rebate. The rebate amount remains constant throughout the 10-year period.

For the applicant to continue to be eligible for the tax rebate grant, approval must be granted by the City prior to building permits being issued. JBL staff would like to submit building permit applications as soon as possible to the City for review. To this end, they are seeking approval of the Gateway TIG incentives from the City and the Region to allow them to proceed with building permit applications to keep the project timelines on track. Staff will bring the Grant Agreement and by-law to a future meeting of Council in 2024.

The agreement will also outline the terms and conditions of the grant payments over the ten-year period. Key terms and conditions include the following:

- Property owner must maintain property taxes in good standing. Properties must have no outstanding work orders and/or orders or request to comply from a City department or other regulatory authority.
 - Annual grant payments after the first grant payment are adjusted downward in the event the municipal tax increment in any subsequent year has been reduced.
 - If the property taxes are owing for more than one full year, the City will have the option, without notice and at its own discretion, to terminate all future grant payments.
 - In the event of the sale, conveyance, transfer or entering into any agreement of sale or transfer of the title of the property, the City shall have absolute discretion in ceasing any further grant payments.
 - Where, in the opinion of Council, the commercial relationship between the City and the Applicant has been impaired by, but not limited to, the Applicant being involved in litigation with the City, the City may, at its discretion and without notice, terminate all future grant payments. Applicants are individuals, corporate entities, and individuals behind the corporation (Officers/Directors/shareholders).
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Internal Consultations:

The Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) application, submitted by JBL, has been reviewed by the Niagara Region and City of Port Colborne Economic Development staff.

Based on the points-based scoring system, a preliminary review of the information for the criteria of construction value, number of full-time jobs created and Environmental Design Performance (Smart Growth Criteria) the applicant has scored 17 points. This score makes the applicant eligible for an 85% reduction on the incremental tax assessment. The applicant would be eligible for a 10-year grant from the City and 10 years from Niagara Region for the first phase. The potential subsequent phases would score 19 for a 95% TIG Grant and 20 for 100%, should they proceed and continue to meet the Gateway CIP guidelines.

There is potential for an additional two phases of expansion in the medium and longer term bringing further investment and increases in jobs and tax assessment to the City.

Financial Implications:

Over the next 10 years the City will see an increase in tax assessment for this property, to be determined by MPAC. There will be no negative tax impact to the City as JBL will be required to pay 100% taxes on the property on an annual basis. Provided the applicant meets the Gateway CIP program criteria annually, they will be entitled to a tax rebate of 85%, which, over the initial ten-year period, amounts to an estimated \$8,615,984.63. The two additional phases would be eligible for a 95% and 100% TIG Grant respectively if they are constructed and the company continues to meet the criteria. Phase one, two, and three are attached as Appendix A, B, and C, respectively.

The estimated increase in City property taxes to be received from the first project resulting in TIG 1 (Appendix A), is \$4,133,500 over the 10 years of TIG 1. This figure is over and above the grant that will be funded from the project, as illustrated in Appendix D.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillars of the strategic plan:

- Welcoming, Livable, Healthy Community
- Economic Prosperity

Conclusion:

The City of Port Colborne has put in place a number of CIP programs aimed at increasing industrial development, tax assessments, and employment within the City. The Gateway CIP is one of these programs and Jungbunzlauer Canada Inc., located at 1555 Elm Street, is making a significant investment in expansion and has expressed that the Gateway Grant was an important consideration in their decision-making process. The applicant has met all the criteria of the grant, and the approval of the Gateway CIP TIG supports the principles of the program including development and regeneration. The tri-party agreement and by-law will be brought to a future Council meeting for approval.

Appendices:

- a. JBL Phase 1 TIG Calculation
- b. JBL Potential Phase 2 TIG Calculation
- c. JBL Potential Phase 3 TIG Calculation
- d. City Tax Increase over 10-year TIG

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.