



PORT COLBORNE

Subject: Niagara Gateway CIP Application- E-Materials Canada Corporation (Asahi Kasei)

To: Council

From: Office of the Chief Administrative Officer

Report Number: 2024-149

Meeting Date: September 10, 2024

Recommendation:

That Chief Administrative Officer Report 2024-149 be received; and

That the Gateway CIP Tax Increment Grant for E-Materials Canada Corporation (Asahi Kasei) for property located at 5088 Highway 140 to 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 E-Materials Canada Corporation (E-Materials) 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 5088 Highway 140 and this investment will encourage ongoing and future economic growth.

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 property tax 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.

In August 2023, Invest Ontario arranged a site visit and tour of the City of Port Colborne and the greater Niagara area for representatives of Asahi Kasei, who were looking for a home for their new North American battery separator facility.

After many visits and meetings, it was announced on May 14, 2024, that Port Colborne had been selected as the site for the facility. The company in Canada will now be known as E-Materials Canada Corporation.

Discussion:

The project that is proposed at 5088 Highway 140 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 \$1,700,000,000 and the total estimated grant over the ten-year period from the City and Niagara Region is \$57,598,560 (City - \$32,974,014 & Region - \$24,624,546) beginning in 2027 for the initial phase. There is potential for an additional two phases. The agreed upon conditions for phase one must be met before future phases would be included in the CIP. In order for subsequent phases to be included in the CIP they must be outlined and detailed in the original agreement and cannot be added later. A property can only have one Gateway CIP TIG at a time unless included in the original agreement.

The final schedule of grant payments will be contingent upon the new assessment by the Municipal Property Assessment Corporation (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. 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. E-Materials 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 ten-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. E-Materials staff would like to submit conditional 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.

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 requests 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).

Internal Consultations:

The Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) application, submitted by E-Materials, 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 20 points. This score makes the applicant eligible for an 100% reduction on the incremental tax

assessment. The applicant would be eligible for a ten-year grant from the City and ten years from Niagara Region for the first phase.

As outlined earlier, 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. The potential subsequent phases as outlined by E-Materials, would also score 20 points for further 100% TIG Grant should they proceed and continue to meet the Gateway CIP guidelines.

Financial Implications:

Over the next ten 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 E-Materials Canada Corporation 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 100%, which, over the initial ten-year period, amounts to an estimated \$32,974,014. The additional phases would be eligible for a 100% TIG Grant respectively if they are constructed and the company continues to meet the criteria. Phases I, II, and III are attached as Appendix A, B, and C, respectively.

When the applicant completes additional phases and, provided the applicant meets the Gateway CIP program criteria annually, they will be entitled to a tax rebate of 100% of the assessment increase for each of the two subsequent phases, which, over the fourteen-year period across all three phases, amounts to an estimated \$99,158,490 from the City (see Table A). With the estimated three phases, differing amounts of TIG Grant would be paid out over fourteen years as phase payouts start and end.

It is important to note that the TIG amount is a fixed amount determined when the developed property is first assessed by MPAC. This set amount is used each year for the ten years of each phase. The City continues to see the yearly increase each tax year and at the end of the fourteen year period in 2041 (the conclusion of all three phases) will realize the full amount of the tax assessment.

In this respect, Appendix A and D highlight that the City currently receives \$52,030 in property taxes for the property. Appendix D highlights just one year into operations property taxes received could increase to \$152,000 based on the assumptions highlighted in Appendix D. This illustrates that, even with the TIG Grant, the City will begin to see immediate property tax benefits.

Strategic Plan Alignment:

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

- Welcoming, Livable, Healthy Community
 - Economic Prosperity
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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 E-Materials Canada Corporation, located at 5088 Highway 140, is making a significant investment and has expressed that the Gateway CIP program 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 of the site. The tri-party agreement and by-law will be brought to a future Council meeting for approval.

Appendices:

- a. E-Materials Phase 1 TIG Calculation
- b. E-Materials Potential Phase 2 TIG Calculation
- c. E-Materials Potential Phase 3 TIG Calculation
- d. City Tax Increase over 14-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.