



Subject: Gateway CIP Application 1338277 Ontario Inc. located at 72 Killaly Street

To: Council

From: Chief Administrative Office

Report Number: 2022-33

Meeting Date: March 22, 2022

Recommendation:

That Chief Administrative Office Report 2022-33 be received;

That Council approve the Gateway CIP Tax Increment Grant for 1338277 Ontario Inc., for the property located at 72 Killaly Street and the Economic Development Officer be directed to send notice of the approval to the Niagara Region;

That the Mayor and Clerk be authorized to execute a Grant Agreement between the City of Port Colborne and 1338277 Ontario Inc., subject to project completion approval from the Niagara Region and City of Port Colborne Economic Development Department; and

That a Bylaw to enter into a Grant Agreement with 1338277 Ontario Inc. be brought forward at a future meeting of Council.

Purpose:

The purpose of this report is to provide Council with a recommendation for the application made by 1338277 Ontario Inc. requesting a Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) Tax Increment Grant (TIG) for the redevelopment of 72 Killaly Street. The applicant proposes to undertake a significant expansion of the warehouse and improvements to the structures, efficiency and functionality of the grounds and improvements to the entire parcel of land.

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 for 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 10 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 Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) application, submitted by 1338277 Ontario Inc., 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 13 points. This score makes the applicant eligible for a 65% reduction on the incremental tax assessment. The geographic location of the property makes the applicant eligible for 5 years of incremental tax assessment reduction from both the City and the Region and an additional 5 years from the City. This is a total of 5 years from the Niagara Region and 10 years from the City of Port Colborne.

| | Industrial | Residential | Commercial - Vacant and Excess Land | Total Pre- Project Taxes | Commercial | Commercial - Vacant and Excess Land | Industrial | Total Post Project Taxes | Tax Increment | Annual Grant amount |
|------------------------------------|------------|-------------|---|-----------------------------|---|---|------------|-----------------------------|---------------|------------------------|
| Class Code | IT | RT | CX | | CT | CX | IT | | | |
| Assessment Value ¹ | \$0.00 | \$88,000.00 | \$0.00 | | \$3,868,395.00 | \$0.00 | \$0.00 | | | |
| Municipal Taxes ^{2,3,4} | \$0 | \$818 | \$0 | \$818 | \$94,560 | \$0 | \$0 | \$94,560 | \$93,742 | \$60,932 |
| Regional Taxes ^{5,6,7} | \$0 | \$598 | \$0 | \$598 | \$69,161 | \$0 | \$0 | \$69,161 | \$68,563 | \$44,566 |
| Provincial Taxes ^{8,9,10} | \$0 | \$135 | \$0 | \$135 | \$34,042 | \$0 | \$0 | \$34,042 | N/A | |
| | | | | | Total | | | | \$162,304.80 | |
| | | | | | % of Tax Increment Year 1 ¹¹ | | | | 65.00% | |
| | | | | | Annual Grant Payment ¹³ | | | | \$105,498.12 | |

SUMMARY FORECAST (excluding education)

| Event | Year | Grant % | Municipal Grant Estimate | Regional Grant Estimate | Total Grant Estimate |
|----------------|-------------------|---------|--------------------------------|-------------------------------|-------------------------|
| Base year | 2021 | | | | |
| Grant Year 1 | 2021 | 65% | \$ 60,932.22 | \$ 44,565.90 | \$ 105,498.12 |
| Grant Year 2 | 2022 | 65% | \$ 60,932.22 | \$ 44,565.90 | \$ 105,498.12 |
| Grant Year 3 | 2023 | 65% | \$ 60,932.22 | \$ 44,565.90 | \$ 105,498.12 |
| Grant Year 4 | 2024 | 65% | \$ 60,932.22 | \$ 44,565.90 | \$ 105,498.12 |
| Grant Year 5 | 2025 | 65% | \$ 60,932.22 | \$ 44,565.90 | \$ 105,498.12 |
| Grant Year 6 | 2026 | 65% | \$ 60,932.22 | | \$ 60,932.22 |
| Grant Year 7 | 2027 | 65% | \$ 60,932.22 | | \$ 60,932.22 |
| Grant Year 8 | 2028 | 65% | \$ 60,932.22 | | \$ 60,932.22 |
| Grant Year 9 | 2029 | 65% | \$ 60,932.22 | | \$ 60,932.22 |
| Grant Year 10 | 2030 | 65% | \$ 60,932.22 | | \$ 60,932.22 |
| Total Estimate | Total Estimate | | \$ 609,322.21 | \$ 222,829.50 | \$ 832,151.70 |

*The actual assessment value(s) tax classification(s) to be determined by the Municipal Property Assessment Corporation (MPAC).

Internal Consultations:

The project that is proposed at 72 Killaly Street is an eligible project under the terms of the Gateway CIP and will result in significant improvements to the vacant land. Development costs were estimated at \$3,400,000 and the total estimated grant over the ten-year period from the City is \$609,322.21.

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 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. 1338277 Ontario Inc. 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 5 and 10-year period.

In order 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.

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).

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 1338277 Ontario Inc. 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 65%. Over a ten-year period, this amounts to \$609,322.21.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Attracting Business Investment and Tourists to Port Colborne
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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 1338277 Ontario Inc., located at 72 Killaly Street is making a significant investment in expansion. 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. This sends an important message that the City of Port Colborne is supportive of businesses expanding within and locating to the City.

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.