

# Policy Title: Creating a Strong & Diverse Local Economy

*Policy Considerations for the Medicine Hat & District Chamber of Commerce Policy Council*

Issue: Economic activity in our region is below the desired pace with residents of Southeastern Alberta earning some of the lowest average wages in the Province.<sup>1</sup> Slowed economic activity impacts everyone in our region, with a reduced tax base and lower wages eventually leading to a standard of living below that of our neighbors. Effort to attract new industry and expand existing businesses are met with strong competition in neighboring regions, provinces, states and globally; many of whom are implementing business incentive programs to promote their regions.

## EXECUTIVE SUMMARY

Competition to create semi-skilled and skilled employment opportunities has never been higher with regions who are trying to attract new employers now facing global competition. Many municipalities have begun to focus on Business Incentive Programs to incentivize business to relocate or expand in their region, identifying that when businesses make expansion or relocation decisions factors such as costs (land, utilities, taxes), availability of labour and transportation are often considered. In order for the south east Alberta region to remain competitive and sustain future economic growth the Medicine Hat & District Chamber of Commerce is requesting the City of Medicine Hat, Town of Redcliff and Cypress County each develop a Business Development Incentive Plan designed to attract new employers and expand existing industries in our region.

## BACKGROUND

Alberta's economy is slowly recovering from some of the most serious challenges it has faced in 30 years. As our region slowly re-establishes its economic footing we are also faced with stiff competition amongst regions and municipalities to attract and retain major industry and skilled labour within certain regions. Businesses looking to expand or relocate are now offered a variety of different incentives and options to encourage establishment in particular regions, challenging municipalities to maintain their growth rates and standards of living for those calling the area home.

Historically, Medicine Hat was able to attract and retain major industry to our region, along with skilled labour, with the availability of natural gas and low utility rates. However, in more recent years the City of Medicine Hat has noticed a stagnated population growth, experiencing only a moderate growth of approximately 5.5% growth in the last 10 years with only 1.8% growth between 2014 to 2018.<sup>2</sup> In addition, our region has faced challenges, specifically in the oil and gas sector, with several major employers deciding to relocate or reduce their operations because of low commodity prices, decreased oil and gas production and challenges with access to markets. These recent economic challenges have driven home the need to diversify our local economy in order to insulate our local economy from the boom and bust cycles that have characterized the economy of Alberta.

While various groups have been active in business recruitment attempts, competitive incentive plans in other regions add to the difficulty of achieving this goal. A recent report on the factors that companies base site selection plans and priorities for locating a new facility include, in order of importance, skilled labour and associated labour cost, highway accessibility, corporate tax rates, tax exemptions, quality of life, incentives energy availability and costs, and construction costs.<sup>3</sup>

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<sup>1</sup> Government of Alberta, *2017 Alberta Wage & Salary Survey*

<http://work.alberta.ca/documents/wage-and-salary-survey-overview.pdf>

<sup>2</sup> Economic Regional Dashboard: <https://regionaldashboard.alberta.ca/region/medicine-hat/population/#/?from=2009&to=2018>

<sup>3</sup> Area Development, *33rd Annual Corporate Survey & the 15th Annual Consultants Survey*

<https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2019/33nd-annual-corporate-survey-15th-annual-consultants-survey.shtml>

The Municipal Government (Property Tax Incentives) Amendment Act<sup>4</sup> now allows Alberta municipalities to offer tax breaks for up to 15 years to business willing to set up in commercial or industrial areas of their town or city. In response the City of Medicine Hat passed Bylaw 4585, the Brownfield Tax Incentive Bylaw, resulting in opportunities for the old arena site and 603 1<sup>st</sup> Street.

In addition, recent investments by two large companies as a result of incentives through offsite levy fees and energy rates, show that there is a very favourable response from developers when incentives are offered, indicating that governments can, and do, have a very real role to play in providing the appropriate environment to spur economic development.

## **ANALYSIS**

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To enjoy stable economic growth in the future, making it possible for residents to maintain or improve their standard of living, an effort must be made to diversify our industry base, attract those employers who offer skilled labour or professional positions, and to develop or find individuals willing and able to fill these positions.

Identifying incentives that are both appealing to business, existing and new, and beneficial to tax-payers is an important step towards developing a healthy and diverse economic base in our region and a step towards creating a growing economic environment in which business can prosper. In turn, residents benefit through well-paid employment opportunities and increased tax revenue.

A key driver of a consistently high standard of living is an economy diverse enough to weather weakness in one sector by enjoying strength in others. While our region has historically relied primarily on the oil and gas and agricultural industries, the time has come to diversify our economy. This is especially important considering the cyclicity of these specific sectors.

To be competitive in efforts to attract and expand industries, regions must consider the factors affecting these major decisions made by businesses. Feedback from existing and potential businesses to our area has frequently focused on availability of labour, appropriate land, development processes and start-up costs.

However, as a community, we must have a clear understanding of what type of investment we are looking for and what investments are a fit for our community. Additionally, investment will more likely come to a community that is prepared and has the right tools and information readily available, regardless of the level of site selector, type of investment or their process.

Of particular interest are the prominent categories that are highlighted within location selection processes including<sup>5</sup>:

- Market characteristics (local and regional)
- Costs (labour, taxes, transportation and other)
- Taxes (corporate taxes, property taxes, etc.)
- Labour (costs, availability, quality, etc.)
- Natural resources (availability and quality of raw materials)
- Land availability (cost, size, site readiness, etc.)
- Climate (weather, floods, earthquakes, seismic activity, etc.)
- Infrastructure (electric rates, telecommunication, etc.)
- Policy structure (incentives)
- Quality of life
- Business support and promotion

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<sup>4</sup> Bill 7 – *Municipal Government (Property Tax Incentives) Amendment Act, 2019*

[https://www.assembly.ab.ca/ISYS/LADDAR\\_files/docs/bills/bill/legislature\\_30/session\\_1/20190521\\_bill-007.pdf](https://www.assembly.ab.ca/ISYS/LADDAR_files/docs/bills/bill/legislature_30/session_1/20190521_bill-007.pdf)

<sup>5</sup> Economic Developers of Alberta, *Investment Readiness Toolkit*,

<http://www.edaalberta.ca/Resources/Documents/Alberta%20Investment%20Readiness%20Toolkit%20FINAL%20December%2031%202012.pdf>

In the Strategic Plan 2019-2022 City Council outlined its Vision for Medicine Hat in 2040. The first area of Vision capturing the essence of Council's future aspirations for Medicine Hat was a growing economy. This vision will be exemplified with a healthy, prosperous and diversified economy.<sup>6</sup>

## RECOMMENDATIONS

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To achieve our goal of a healthy, prosperous and diversified economy, the Medicine Hat & District Chamber of Commerce recommends the City of Medicine Hat, Town of Redcliff and Cypress Community:

1. Define the role and responsibilities of an Investment Readiness Team to ensure that personnel are adequately trained to act as the primary point of contact for businesses inquiring or working throughout the stages of an investment program.
2. Develop and implement investment readiness tools and techniques, including establishing our community profile, building an investment strategy, action plans and an effective marketing plan, along with determining what metrics will be used to measure success.
3. Develop and adopt a Business Development Incentive Plan for new and existing business with eligibility requirements that may include: the type of industry the region is trying to attract, the type of employment positions created (skilled, semi-skilled), the number of full-time equivalent positions that will be created, minimum investments for plant, land, and/or leasehold improvements, financial backing to complete the project in question, review of business plan, ownership or leasehold agreements, etc.

Recommended incentives may include:

- a. **Property Tax Rebates** - Council to consider the perceived value of the application in determining the amount of the incentive. The number of years and percentage of tax relief based on the value of new property and/or the increased value due to an expansion/upgrade.
- b. **Discounted Utilities** – Based upon the long term investment of major industrial businesses.
- c. **Transportation Commitments** - Upgraded transportation for employers with large workforces (ie: dedicated bus routes).
- d. **Land Cost Abatements** - Partial rebates on land purchases based on meeting minimum construction and long-term job commitments.
- e. **Workforce Development** – Work with industry partners and stakeholders to have a pre-determined plan to support HR recruitment and development of skilled and semi-skilled workers through sponsored recruitment trips, hiring events, and supported skills training at local education institutions.
- f. **Flexible Plans** – Consider including a criteria for council to be flexible for businesses seeking to make large economic commitments to relocate or expand. Commitments could be measured by long-term job creation, investment size (\$) or creation of property tax revenue. This process would apply to businesses considering an economic investment far above a typical size. Examples could include major manufacturing or processing facilities.

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<sup>6</sup> City of Medicine Hat, *Medicine Hat City Council Strategic Plan 2019-2022*:

<https://www.medicinehat.ca/home/showdocument?id=14548>

4. Create and implement a marketing strategy for the Business Development Incentive Program by creating promotional materials to incent businesses to choose our region as their community of choice.
5. Streamline complex application processes, such as those managed through the Technical Coordinating Committee, to ensure that personnel have the proper training and authority to review, provide recommendations and approve applications in a timely and efficient manner.
6. Develop working relationships with educational organizations and institutions, along with key stakeholders operating within the region, to establish an investment readiness community action plan, which would include provision of business supports, resources, training and employee recruitment strategies.
7. Hold periodic reviews of businesses participating in incentive plans to ensure incentives are only provided if the agreed upon criteria are being met, therefore providing incentives on a 'perform or forfeit' basis.

Date Drafted: June 10, 2014

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Date Updated: July 16, 2019

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Date Approved: September 11, 2019

#### **Resources**

Saskatoon Region Economic Development Business Incentive Policies

[http://sreda.com/isl/uploads/2016/03/BU-Incentives-16-002-Brochure\\_electronicversion.pdf](http://sreda.com/isl/uploads/2016/03/BU-Incentives-16-002-Brochure_electronicversion.pdf)

Louisiana Economic Development, *Incentives*

<http://www.opportunitylouisiana.com/index/incentives>