

Municipal Business Incentives

February 26, 2013



On September 11, 2012, Council passed the following motion:

“Whereas the City of Greater Sudbury is well positioned for growth and is actively pursuing a number of large projects which have the potential to significantly impact growth;

And whereas the City of Greater Sudbury wishes to accelerate wealth-producing, job-creating private sector investment;

Therefore be it resolved that Council of the City of Greater Sudbury direct staff to research options for municipally granted incentives to entice entrepreneurs to invest, establish, and expand business in Greater Sudbury and to report those options to Council in February of 2013”



Wealth Creation

- Wealth is generated by combining materials, labour, technology and knowledge to produce goods and services that the market desires.

Incentives in Ontario

- What are the options?
 - Financial incentives (AKA “bonusing”)
- Section 106 of the *Municipal Act*, prohibits bonusing:

“a municipality shall not assist directly or indirectly any manufacturing business or other industrial or commercial enterprise through the granting of bonuses”.

Possible Incentives

- Despite this prohibition, municipalities do have some flexibility
- Incentives are possible through other provincial legislation:
 - Community Improvement Plans (*Planning Act*)
 - Development Charge Deferral (*Development Charges Act*)

Community Improvement Plans

- Permitted under section 28 of the *Planning Act*
- Area or issue specific, rather than business specific
- CIPs allow municipalities to provide grants/loans to businesses through:
 - Tax Increment Financing
 - Grants/Loans
 - Waiver of Fees (permits, tipping fees, etc.)

Development Charge Deferral

- Development Charges are collected to offset growth related infrastructure/service costs
- Typically collected at issuance of Building Permit
- Section 27(1) of the *Development Charges Act* allows municipalities some flexibility re: collection of DCs

Incentives in Greater Sudbury

- Businesses investing in Greater Sudbury have access to a range of services and incentives:
 - Economic development services
 - Small business counseling
 - Downtown and Town Centre CIPs
 - Brownfields CIP
 - NOHFC
 - FedNor

Downtown/Town Centres CIP

- Tax Increment Financing (TIF) – 100% of CVA increase over 10 years
- No DCs in Downtown or Town Centres
- Planning/Building Permit Fee Rebate – max. \$5,000
- Façade Improvement Grant – max. \$5,000
- Building Loan Improvement Program – max. \$50,000
- Feasibility Study Program – max. \$5,000

Brownfields CIP

- Tax Assistance Program – cancels municipal taxes for up to 18 mos.
- Tax Increment Equivalent Grant – 100% of increase over 5 years
- No DCs for approved Brownfield projects
- Landfill Tipping Fee Rebate – max. \$40,000
- Planning and Building Permit Fee Rebate – max. \$70,000

Incentives in the Rest of Ontario



Toronto

- Imagination, Manufacturing, Innovation and Technology (IMIT) CIP targets specific sectors
- CIP project area is city-wide
- CIP offers a TIF grant of up to 60% of property tax increase over 10 years
- No development charges for IMIT projects
- Minimum investment of \$1 million

North Bay

- Airport CIP aimed at strengthening the city's aerospace industry
- CIP offers a:
 - Rebate of municipal fees (up to \$250,000)
 - TIF grant of up to 100% of the property tax increase over 3 years

Sault Ste. Marie

- Industrial CIP focused on strengthening SSM's industrial sector
- CIP project area is city-wide
- Offers a TIF grant of up to 100% of the property tax increase over 3 years
- Min. investment of \$1 million and creation of new jobs (not including construction)

Hamilton

- LEEDing the Way CIP encourages businesses to adopt sustainable building/development practices
- CIP includes a TIF of up to 75% of the property tax increase for companies pursuing LEED certification
- Grant cannot exceed cost of attaining LEED certification

Considerations

- When contemplating municipal business incentives it is worth considering:
 - Potential budget impacts
 - Magnitude of the incentive
 - Minimum investment thresholds
 - Minimum job creation targets
 - Sectoral focus

Conclusion

- Legislative constraints re: “bonusing”
- CGS has a number of existing incentives and services in place
- Recommendation: direct staff, in consultation with the GSDC Board, to evaluate the potential for expanded or new incentives and report back to Council in June 2013