



## **Administrative Report**

### **Office of the Manager, Planning Services**

**To:** Warden McNamara and Members of Essex County Council

**From:** Rebecca Belanger, MCIP, RPP  
Manager, Planning Services

**Date:** Wednesday, September 07, 2022

**Subject:** Request from the Town of Tecumseh to Initiate an OPA to incorporate revised CIP Policies

**Report #:** 2022-0907-IPS-R02-RB

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#### **Purpose**

To request direction from County Council to initiate a process to amend the County's Official Plan for the purpose of incorporating Community Improvement Plan policies that would allow for the County to participate in grant programs of lower-tier Community Improvement Plans (CIP) specific to attracting large scale industrial development.

#### **Background**

Attached to this Council Report is correspondence from the Town of Tecumseh providing a resolution which states "*that County Council be requested to initiate a process to amend the County Official Plan in order to incorporate revised Community Improvement Plan policies that would allow for the County to participate in grant programs of lower-tier Community Improvement Plans that have been adopted in accordance with Section 28 of the Planning Act*".

The Town of Tecumseh has finalized the process to put in place a new Town-wide Community Improvement Plan aimed at targeting and incentivizing large-scale industrial development. The proposed CIP focusses on attracting major new industrial investment and development in the Town. The industrial CIP will allow the Town to provide rebates for eligible costs through financial incentive programs. It is common practice by municipalities through the use of CIPs to provide a suite of incentives including municipal

rebates on property tax, development charges, and Planning and Building application fees. The intention of this industrial CIP is to strategically focus on incentivizing significant industrial development, in alignment with Federal and Provincial incentive programs, in order to generate broad economic development benefits to the Town and region. The Town's Official Plan currently contains policies that support the establishment of a CIP (S.10.8) and has recently been updated to provide broadened application.

As the Town has embarked on this process, it was noted due to the two-tier municipal structure in Essex County, local municipalities are only able to provide tax increment rebates for their portion of the property tax. The County and Education portions would still require full collection. For the Town of Tecumseh, this results in potential rebate to only 48.5% (municipal levy) of the total tax bill. The balance of the tax bill (31% County levy and 20.5% Education levy) would not be eligible for rebate. Adopting a matching CIP policy at the County level would afford local municipalities the ability to increase the financial incentive to qualifying developments. It should be noted; Education levies must still be collected.

In 2021, the Province released Driving Prosperity: Ontario's Automotive Plan Phase 2 with a main objective to transition and expand Ontario's automotive sectors towards vehicle and parts production for more hybrid and EVs by building at least 400,000 electric vehicles and hybrids by 2030. The County is well positioned to support the transition of the automotive sector as directed by the Provincial and Federal government in recent announcements.

With the recent major announcement regarding Stellantis/LG, Essex County is poised to attract similar companies, or large-scale feeder plants and enhance local synergies within the automotive sector. The intent of the CIP initiative would be to offer similar tax incentives that are available to single tier municipalities or cities. In order to attract the \$5 billion-dollar electric vehicle battery plant, the City of Windsor along with senior levels of government reportedly contributed significant incentives including a 20-year incremental property tax rebate. Incentives offer the region methods to further diversify and expand local economies in Essex County to ensure long-term sustainability and substantial job creation.

The County's Official Plan contains limited policies regarding Community Improvement Plans. Currently, the County Official Plan has policy 3.2.4.1 (f) encouraging CIPs for downtown/uptown areas. County Planning has conducted research regarding the method to support Tecumseh's request to contribute matching municipal tax increment rebates for large scale industrial investment and additional OP policies are required. Under Section

28(7.2) of the *Planning Act*, the County has the ability participate with the Town of Tecumseh for Community Improvement Plan grants and incentives and the County does not need a CIP to do so. Although, the Town of Tecumseh's request provides the impetus for the addition of policies in the County OP to participate in local CIP's, it should be noted that the OPA will generally allow the County to partner with all local municipalities offering financial incentives for economic stimulus for large scale industrial development.

## **Discussion**

The County obtained an Outline of Services from Dillon Consulting to provide planning assistance to advance the project through the planning approvals process. Due to statutory requirements associated with an Official Plan Amendment under the *Planning Act*, this process is expected to take a minimum of three months to complete. Public consultation will form part of the work program and stakeholders such as Invest-WindsorEssex will be contacted to obtain their feedback. All seven municipalities will be consulted throughout the development of the OPA to ensure local municipalities have the ability to participate and respond to the language of the proposed amendment. Following receipt of County Council's approval, the work program will commence immediately with the intention of bringing the OPA back to County Council for approval expeditiously completing the amendment prior to advancing to Phase 2 of the County's Official Plan review.

It is recommended that the County Official Plan Amendment allowing the County to participate in local CIP financial incentives (tax increment grants) relating only to large scale industrial investment be advanced at this time due to the recent announcement and potential for multiplier interest in feeder plants. For clarity, a tax increment grant affords an eligible property owner an annual rebate based on the increase in property tax arising from new development or re-development that generates an increase in the property's current value assessment.

Since the County has initiated the Official Plan review process, it is further proposed that this issue of matching tax increment grant funding be added to the list of topics to be included in the RFP for Phases 2 and 3 of the Official Plan review.

County Planning also recommends that a program guide should be developed to describe how the County will participate in local Community Improvement Plans and what levels of funding will be offered.

## **Financial Implications**

The Outline of Services from Dillon Consulting to provide planning assistance to advance this project through the planning approvals is \$20,000 excluding applicable taxes. This initiative was not anticipated during the development of the 2022 Budget and therefore is an unbudgeted expenditure.

Coordination with and understanding of the Town of Tecumseh's CIP program is considered to be an important aspect of awarding this consulting work. Dillon Consulting was retained by the Town of Tecumseh and Administration recommends limited tendering (direct award) to Dillon Consulting in place of a competitive procurement.

In addition to third party consultant fees, adopting matching CIP policies will generate costs related to the value of the awarded tax increment grants and the cost to administer the program (review applications, calculate and pay grants on an annual basis and maintain records). Tecumseh's tax increment grant limits the tax rebate to 50% of the year over year increase in assessment and provides for a rebate for up to 10 years. The collection of a portion of the property tax growth will help to offset the majority of the cost of the program. The balance, if any, would need to be funded from other sources. It is difficult to estimate the net cost of the program until specific applications are made and processed. Tecumseh's CIP allows for a variety of qualifying large industrial development ranging in size from 125,000 square feet all the way up to an automotive assembly plant having approximately 1,500,000 square feet. An analysis of structure values suggests an average value per square foot of \$60 (based on 2016 CVA). The table below illustrates the possible range of tax increment grant costs on an annual basis for a single application.

**Estimated Range of Annual Tax Increment Grant Cost (for a single application)**

Square Footage	Large Industrial CVA Estimate (based on \$60/sqft)	Annual County Tax Levy (Using 2022 Large Industrial Tax Rate)	50% Tax Increment Rebate
125,000	\$7,500,000	\$100,076	\$50,038
1,500,000+	\$90,000,000	\$1,200,915	\$600,458+

NOTE: The top end of the range could exceed 1,500,000 sqft if the development is an automotive assembly plant. Chart is for illustration purposes only and Council has the option of discontinuing the program in the future should strategic development targets be achieved.

The 2022 Budget does not include funding for a matching CIP Policy Program. Should Council approve the advancement of matching CIPs, the 2023 Budget would include an estimate of the financial impact.

On an annual basis, County Council may wish to establish a funding cap as part of the budget setting process. Since the County’s CIP Policy Program would be open to matching by all local municipalities within the County, the program would also need to establish the criteria for prioritizing eligible projects in the event requests exceed available funding.

The benefit of the County’s participation in providing matching tax grant funding will position the County and local municipalities at a level playing field with single-tier municipalities including the City of Windsor and play a significant role in increasing the level of large industrial development in the County. As a region with primarily residential assessment, programs that encourage growth in other tax classes help to diversify our assessment base and strengthen our ability to weather economic challenges.

**Consultations**

- Town of Tecumseh Planning and Finance Departments

- Dillon Consulting
- County of Essex Official Plan Planning Advisor
- County of Essex Director of Financial Services/Treasurer

## Recommendation

That County Council direct the Manager of Planning Services to initiate the planning process to undertake an Official Plan Amendment to modify the County's Official Plan regarding Community Improvement Plans and report back with further recommendations.

## Approvals

Respectfully Submitted,

*Rebecca Belanger*

Rebecca Belanger, MCIP, RPP, Manager, Planning Services

Concurred With,

*Allan Botham*

Allan Botham, P.Eng., Director, Infrastructure and Planning Services

Concurred With,

*Mike Galloway*

Mike Galloway, MBA, CMO, Chief Administrative Officer

Appendix Number	Title
A	Correspondence from the Town of Tecumseh, Industrial CIP