

Creating a Strong & Diverse Local Economy

Issue(s): *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.¹ 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. Efforts 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 southeast 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 in the best financial shape of any province in the country; a fact which provides Albertans with an abundance of opportunities and the potential for a high quality of life. Unfortunately, this economic boon in Alberta provides for 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 1% increase from 2008 to 2012. In addition, our region has faced a significant reduction in business activity, specifically in the oil and gas sector, with several major employers deciding to relocate or choose not to expand in southeast Alberta, instead favouring areas experiencing higher levels of drilling activity, and easier access to the oil sands region.

While various groups have been active in business recruitment attempts, competitive incentive plans in other regions add to the difficulty of achieving this goal. Incentives offered by other municipalities have included: land development, free or reduced land costs, property tax reductions, utility rebates, development process assistance, employee recruitment, training, and transportation commitments. Although the Medicine Hat advantage of low utility rates remains, though not to its historical relevance, this may not be enough to win the business of relocating or expanding industry in today's competitive marketplace.

In recent years the possibility of offering business incentives has been discussed within our region, at times hindering on what the Municipal Government Act (MGA) would allow a municipality to implement. In fact, the MGA establishes a framework for local government that provides municipal councils with the powers necessary to provide for the needs of their community. Municipalities in Alberta are corporations, and have the right and authority to enter into agreements and

¹ Government of Alberta, *2013 Alberta Wage & Salary Survey*, (2014)
<http://work.alberta.ca/documents/wage-and-salary-survey-overview.pdf>

to provide certain business incentives, including grants, if the elected council feels it is to the advantage of the municipality.

Section 347 of the MGA enables the forgiveness of any type of property or business tax, if council considers it equitable to do so.² The exercise of this power, of course, is subject to a number of considerations, and legal advice should be consulted when developing an incentive program that considers use of Section 347.

ANALYSIS

To enjoy 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 and, 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. These, among others, are key drivers in their location and expansion decisions.

As stated in the February 2013 *Medicine Hat Economic Development Strategic Focus* report by the City of Medicine Hat; “The world has become a much more competitive marketplace and Medicine Hat needs to assert its presence to attract and retain quality business and industry.”

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends the City of Medicine Hat, Town of Redcliff and Cypress County:

1. 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.

² Province of Alberta, *Municipal Government Act*, (2014), p182

<http://www.qp.alberta.ca/documents/acts/m26.pdf>

- 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** - 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.
2. Create, or in the case where an existing unit exists, expand a dedicated and adequately trained team to act as the primary point of contact for businesses inquiring or working throughout the stages of the incentive program.
 3. Create a position or committee to review and approve applications and to monitor compliance with the program’s requirements.
 4. Hold periodic reviews of participating businesses to ensure incentives are only provided if the agreed upon criteria are being met therefore providing incentives on a ‘perform or forfeit’ basis.
 5. Commit to planning and implementing pro-active business development and marketing activities for the Business Development Incentive Program by creating promotional materials to incent businesses to choose our region as their community of choice.
 6. Continue to support the Physician Attraction & Retention Network’s efforts to improve medical service to residents, as access to family care is an important factor to prospective employers and employees who are considering relocating to the region.
 7. Develop a working relationship with educational organizations and institutions operating within the region. This partnership should be designed to provide relevant training with limited delays for prospective employees of new or expanded businesses.
 8. Promote regional companies through strategic alliances and network opportunities with domestic and international partners including industry associations, trade associations, provincial and federal governments and other strategic partners in key sectors.

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Resources

City of Saskatoon Council Policy, *Business Development Incentives* (2012)

<http://www.saskatoon.ca/DEPARTMENTS/City%20Clerks%20Office/Civic%20Policies/Documents/C09-014.pdf>

Louisiana Economic Development, *Incentives*

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