

Subject: Niagara Gateway Application from City of Port Colborne – E-Materials Canada Corporation

Report to: Planning and Economic Development Committee

Report date: Wednesday, September 11, 2024

Recommendations

1. That Report ED 12–2024 **BE RECEIVED**; and
2. That the Gateway CIP Tax Increment Grant Application for E-Materials Canada Corporation **BE APPROVED**; and
3. That notice of the approval decision **BE CIRCULATED** to the City of Port Colborne.

Key Facts

- E-Materials Canada Corporation has submitted an application under the Niagara Gateway Economic Zone and Centre Community Improvement Plan (Gateway CIP) for a Tax Increment Grant (TIG) to support a significant facility expansion at 5088 Highway 140 City of Port Colborne, ONT L3K 5V5.
- The Gateway CIP is a collaborative program between the City of Port Colborne and Niagara Region, with the City considering E-Materials Canada Corporation's application for approval at their September 10th, 2024, Council Meeting.
- The Parent Company, Asahi Kasei was founded in 1922 with their global headquarters located in Tokyo, Japan. The company employs nearly 46,000 worldwide, and more than 11,000 in North America.
- The project is a manufacturing facility which will manufacture lithium-ion battery separators to support electric vehicle manufacturing.
- The proposed development will significantly improve the vacant land and enhance the company's production capacity, contributing to job creation and economic growth within the City of Port Colborne and the Niagara Region.
- E-Materials Canada Corporation is applying to commence Phase 1 of their development later this year, with the potential for a second and third phase in the future, contingent upon company approval. Each subsequent phase will be considered based on the success and strategic alignment of the ongoing project. Phase 1's construction value is estimated to be \$841,441,624, resulting in an

estimated annual grant of \$2,462,455 per year for 10 years, resulting in a total grant amount of \$24,624,550

Financial Considerations

As part of the annual budget process staff try to align budget approval of tax increment grants (TIGs) to the timing of when the actual grants will be paid out. To accomplish this, staff work with area municipalities to determine the anticipated date of reassessment on these properties and budget for the tax increment grant beginning in the budget year of estimated reassessment. Per the Budget Planning By-law (By-law 2019-79) TIGs are funded from net assessment growth which is prioritized for TIGs first prior to being utilized to offset the overall annual budget increase on the levy.

The Gateway CIP Tax Increment Grant (TIG) for E-Materials Canada Corporation is structured to be equal to the increased taxation that results from the increase in the MPAC assessment of the property following the completion of each phase of development. The project is planned to occur in three distinct phases, each triggering its own MPAC reassessment. As a result, three separate grants would be calculated, one for each phase, contingent upon the successful completion and assessment of each phase.

Economic Performance:

E-Materials Canada Corporation's significant investment in construction value surpasses the highest threshold of \$40,000,000+, securing the maximum 4 points for construction value. In terms of job creation, the project's employment impact is substantial, with 350 full-time jobs estimated in phase 1 with an additional estimated 400 jobs in phase 2, and 260 jobs in phase 3. The hiring commitment exceeds the 100+ jobs threshold, which grants the company an additional 11 points.

Environmental Design Performance:

E-Materials Canada Corporation has committed to achieving the highest standards of sustainability by conforming with all six of the Niagara Region's Smart Growth Design Criteria, earning the full 5 points available in this category.

By meeting these criteria, E-Materials Canada Corporation's project may receive the full 100% rebate on the property tax increment. The annual grant payment for each phase will only be disbursed if the company pays its property taxes in full and provides

satisfactory verification that it continues to meet the construction value, employment, and design criteria as outlined above.

The grant payments for each phase would commence after the first full year in which 12 months of taxes at the new, higher assessment rate have been collected. Importantly, the annual grant payment amount for each phase would remain constant throughout the grant period. This means that as property taxes increase over time due to rising assessments and tax rates, the amount of the grant does not increase. Consequently, the net taxes collected by the City and the Region (taxes collected minus grants dispersed) will increase over time, providing a growing financial benefit to the City and the Region as the project progresses.

This structured approach ensures that while E-Materials Canada Corporation receives the financial incentives necessary to proceed with their development, the City and the Region also benefit from increased tax revenues and the achievement of strategic economic and environmental objectives.

Given that E-Materials Canada Corporation's development is located within a Strategic Location for Investment, it qualifies for a 10-year Tax Increment Grant (TIG). The current assessment of the property stands at \$1,833,000. Upon the completion of Phase 1, the estimated post-construction assessment is expected to increase to \$118,000,000. This increase would yield a regional tax increment grant of approximately \$2,462,455 per year for 10 years, resulting in a total of \$24,624,550 for Phase 1.

Should the company proceed with a Phase 2, the post-construction assessment is projected to reach \$235,000,000, which would generate a regional tax increment grant of \$2,480,112 per year over a 10 year period, amounting to \$24,801,120. Similarly, should the company proceed with a Phase 3, the estimated post-construction assessment of \$352,000,000 would yield a grant estimate of \$2,480,112 per year, totaling \$24,801,120 over a 10-year period.

Analysis

The application by E-Materials Canada Corporation meets the eligibility criteria set forth in the Gateway CIP, including the projected economic and environmental benefits. The project supports strategic growth in the designated Gateway Project Area, aligning with the City's and the Region's goals to attract private sector investment and promote industrial development. The approval of this TIG will facilitate the timely progression of the project, ensuring that E-Materials Canada Corporation can proceed with building permit applications and adhere to project timelines.

E-Materials Canada Corporation is actively preparing to begin construction on Phase 1 of their development by the end of 2024. The company is currently undergoing significant site preparation activities daily, ensuring that the site will be ready for construction later this year. Phase 1 is planned to be a substantial 650,000 square feet facility that will be complete by 2027, marking the initial stage of this major investment in the region.

Should the company decide to commit to additional phases of construction, Phase 2, would add an additional 700,000 square feet to the development and Phase 3 would result in an additional 650,000 square feet.

The project is expected to have a significant positive impact on the local economy, including job creation, increased tax revenues, and the stimulation of further investment in the region. The partnership between the City of Port Colborne and Niagara Region is essential to ensuring the successful implementation of this project, with ongoing monitoring and compliance checks to safeguard public investment.

Alternatives Reviewed

Not approving or delaying the grant approval may jeopardize the development, potentially leading E-Materials Canada Corporation to cancel their investment and sending a negative signal to other potential investors, indicating that Niagara may not be open to supporting large-scale business opportunities that require incentives.

Relationship to Council Strategic Priorities

- **Effective Region:** The approval of the Gateway CIP Tax Increment Grant for E-Materials Canada Corporation directly supports the strategic objective of an Effective Region by fostering collaborative efforts between the City of Port Colborne, Niagara Region, and private sector partners. This project exemplifies the efficient use of resources by leveraging public incentives to attract substantial private investment, thereby maximizing economic output and job creation in a manner that aligns with regional growth strategies. The structured partnership ensures that the development proceeds in a manner that meets all regulatory and strategic goals, contributing to a more effective and well-coordinated regional development process.

Green and Resilient Region: E-Materials Canada Corporation's commitment to meeting all six of Niagara Region's Smart Growth Design Criteria underscores the alignment of this project with the Council's objective of a Green and Resilient

Region. By prioritizing sustainable development practices, the project not only enhances the environmental performance of the region but also ensures long-term resilience against climate challenges. The project's adherence to these criteria demonstrates a proactive approach to environmental stewardship, reducing the carbon footprint of industrial activities and contributing to the broader regional goal of sustainability. This investment in green infrastructure positions the region as a leader in environmentally responsible development.

- **Equitable Region:** The significant job creation resulting from E-Materials Canada Corporation's development is a key contributor to the strategic goal of an Equitable Region. With the potential for a projected 1,010 full-time equivalent jobs created across three phases, this project will provide ample employment opportunities for residents, promoting economic inclusion and reducing disparities within the community. The equitable distribution of economic benefits, through the creation of high-quality jobs and the stimulation of related industries, ensures that all segments of the population can participate in and benefit from the region's economic growth. This aligns with the Council's commitment to fostering an inclusive and fair economic environment.
- **Prosperous Region:** The substantial investment by E-Materials Canada Corporation is a significant driver of economic prosperity for the region. By securing a 100% tax increment rebate through the Gateway CIP, the project will catalyze further economic activity, attracting additional investments and enhancing the region's competitiveness. The potential creation of over 1,000 jobs not only boosts the local economy but also strengthens the region's industrial base, ensuring sustained economic growth. This development aligns with the strategic objective of a Prosperous Region by fostering long-term economic stability, increasing tax revenues, and enhancing the overall quality of life for residents through expanded economic opportunities.

Other Pertinent Reports

There are no other pertinent reports.

Prepared by:

Daniel Turner
Manager, Strategic Growth Services
Economic Development

Recommended by:

George Spezza, CEcD EcD
Director of Economic Development

Recommended by:

Michelle Sergi, MCIP, RPP
Commissioner, Growth Strategy and
Economic Development

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Marco Marino, Associate Director of Economic Development, and Blair Hutchings, Manager of Revenue Planning and Strategy

Appendices

Appendix 1 5088 Highway 140 City of Port Colborne - Tax Increment Grant Estimate