

Planning & Development Services Report to
Executive Committee
2023 October 11

ISC: UNRESTRICTED
Revised EC2023-1120

Tax Incentives for Renewable Generation Developments on Brownfield Sites

PURPOSE

The purpose of this report is to provide a recommendation for the adoption of the proposed Council Policy titled "Tax incentives for renewable energy generation developments on brownfield sites", which is intended to incentivize the development of solar and wind assets within city boundaries on brownfield sites. This policy aligns to the Calgary Climate Strategy: Pathways to 2050 milestone of increasing renewable generation within city boundaries to 10 per cent by 2030 and 40 per cent by 2050.

PREVIOUS COUNCIL DIRECTION

On 2023 February 14, Council directed Administration through a Notice of Motion (EC2023-0131) to explore the ATCO Solar Farms located on brownfield sites as a pilot for future incentive programs on similar brownfield sites and return to Council with recommendations, next steps, and lessons learned as a part of a larger program by Q4 2023.

RECOMMENDATION(S):

That Executive Committee recommend that Council:

- 1) Adopt the proposed Council Policy 'Tax incentives for renewable power generation developments on brownfield sites' in Attachment 2.

That Executive Committee:

- 2) Forward this report to the 2023 October 17 Regular Meeting of Council.

CITY MANAGER/GENERAL MANAGER COMMENTS

Chief Operating Officer Stuart Dalglish and General Manager Debra Hamilton concur with this report and the objective of the incentive to increase renewable generation within Calgary.

HIGHLIGHTS

- Encouraging and attracting renewable and low carbon industries, businesses and developments to Calgary is critical to stay competitive and support the transition to a low carbon economy. At the same time incentivizing investment in renewable energy on otherwise non-developable brownfield sites, provides positive financial, economic, and environmental outcomes including decarbonization of the electrical grid and improved land stewardship.
- This report brings forward a high-level policy with principles to direct provision of tax-based incentives for renewable energy projects on brownfield sites. If the policy is approved, Administration will develop a bylaw which will offer more prescriptive criteria to determine the appropriate level of incentive and time frame for each given site. The criteria will specifically align to the intent and objectives of the policy.
- Several other jurisdictions within Alberta have developed tax incentive-based policies for attracting development and redevelopment on brownfield sites. A broad review of other jurisdictions has shown that generally a maximum of 50 per cent reduction in municipal taxes would make Calgary competitive for attracting this type of development.

Tax Incentives for Renewable Generation Developments on Brownfield Sites

- Implementing the proposed Council Policy could increase renewable energy generation within city boundaries and help offset emissions associated with power generation from the Alberta grid. The proposed policy also has the potential to draw new investment in renewable energy generation to The City of Calgary, and correspondingly to create design, construction and maintenance jobs and increase spending in the local market.
- Locating renewable energy generation close to where it is consumed reduces the need for large transmission and distribution infrastructure, reduces incremental transmission and distribution charges on Calgarian's electricity bills and reduces the amount of energy loss known as line losses. This in turn reduces additional power that would need to be generated to account for the line losses. Increasing renewable energy generation within city limits has the added benefit of reducing overall electricity system emissions.
- Sustainable Calgary has provided a letter of support for the policy. This letter is included as Attachment 4.

DISCUSSION

The Climate Strategy is intended to accelerate and support Calgary's energy transition and includes a milestone of 10 percent of total electricity used in Calgary to be generated within city boundaries from renewable sources, such as solar, by 2030. Incentives are one tool, within a broader financial toolkit, used to attract development of renewable power projects to drive a low carbon economy. The Municipal Government Act (MGA) allows The City to provide incentives to any property for the purposes of encouraging development or revitalization. Municipalities also use tax incentives to develop brownfield sites, that may be otherwise undevelopable. There are several long-term environmental, land use planning and financial benefits associated with the general notion of generating energy and additional, long term land value on sites that are unsuitable for conventional development.

In response to the Notice of Motion (EC2023-0131), Administration explored the case of the ATCO solar farms developing on brownfields to look at developing future incentive programs to attract low carbon energy development. Administration reviewed bylaws from several jurisdictions within Alberta to inform the development of the policy. Based on the bespoke nature of the developments it was concluded that each project would need to be assessed against the forthcoming bylaw criteria on an individual basis. A broad review of other jurisdictions has shown that a maximum of 50 per cent reduction in municipal taxes would make Calgary competitive for attracting this type of development. The bylaw will offer more prescriptive criteria to determine the appropriate level of incentive for a given site. The criteria will align with attracting renewable energy development within city boundaries and utilizing existing brownfield sites and other City policies.

Based on desktop research, Administration believes the number of viable sites that meet the relevant size, topography, and environmental parameters, is anticipated to be minimal at this time. However, this policy importantly signals to developers, businesses and industries that Calgary is a city that wants to attract future renewable energy development and 'we are open for business'. A registry does not exist which explicitly shows all privately held brownfield sites within city limits.

The proposed policy has been structured such that offering tax-based incentives would not reduce the tax revenues collected from eligible projects to an amount below the tax revenues collected from the sites in the absence of development.

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A completed high-level tax analysis has shown that the incentive program has the potential to generate additional tax revenue over the lifecycle of a project. Any subject site would be allowed municipal tax-based incentives for a maximum of 15 years to align with section 364.2 of the MGA. In developing the policy, the minimum size of renewable electricity development was set at greater than 5 megawatts (MW) to ensure it is subject to Alberta Utilities Commission approval.

The development of the municipal tax incentives proposed here will act as a pilot for the broader financial toolkit being developed to support climate related initiatives, that is exploring other types of incentives, financing and funding programs, green bonds, non-financial incentives and other options.

Upon approval of the Council Policy the next step would be the development of a bylaw. The final bylaw would be ready in Q2 of 2024.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

Engagement with ATCO Ltd. – A team of representatives from ATCO was engaged throughout the duration of the project to understand the competitive landscape present in city limits.

Engagement with other renewable developers - Administration issued an Expression of Interest (EOI) to the broader market to understand the barriers, challenges, and opportunities that exist for further development within city limits. The findings from the EOI were inconclusive due to limited responses.

Administration engagement - The core project team included representation from Climate & Environment, Assessment & Tax, and Law. This team engaged Waste & Recycling Services, Development, Business & Building Services, Collaboration, Analytics and Innovation, Community Planning and City Clerk's.

Engagement with other jurisdictions – Administration connected with other jurisdictions to confirm specific aspects of their bylaws as well to gather consensus on interpretation of the MGA.

IMPLICATIONS

Social

By providing an incentive to develop brownfield sites into renewable energy producers, this signals to developers that Calgary wants to attract future renewable energy development, employing local staff to support both ongoing operations and construction/commissioning needs and building the necessary skills for thriving in a low carbon economy.

Environmental

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Implications include the potential to reduce emissions within Calgary, reduce the carbon intensity of Alberta's electricity grid, as well as potentially reducing energy losses by locating energy sources close to where it is consumed. These projects could mitigate the potential need to develop new transmission infrastructure and reduce fossil fuels consumed in construction of such an asset by locating the site close to suppliers.

Economic

Economic implications of this work include the potential to increase tax revenue from brownfield sites. Attracting development of renewables has the effect of increasing land value and the value of improvements on land within city limits. The incentive program has the potential to generate additional tax revenue over the lifecycle of the project. In addition, these developments also have the potential to create design, construction and maintenance jobs and increase spending in the local market.

Service and Financial Implications

Tax-supported funding

The proposed policy may have an impact on property taxes. When properties are tax exempt, the responsibility is borne by the remainder of the tax base. The policy may also result in development and an increase in tax base which may not occur otherwise resulting in increased financial capacity. The administration of the program can be managed within existing budgets.

RISK

Environmental Risks

Environmental risks include developing renewables on contaminated sites that may have the opportunity to be remediated further and developed with a higher and better use. This risk will be mitigated by providing a review process whereby applications are reviewed on a case-by-case basis by The City's Contaminated Sites team.

Economic Risks

Economic risks include providing a tax-based incentive that reduces the tax amount collected on the site below what it had been prior to development. This risk will be mitigated by providing a floor in the proposed Council Policy; whereby taxes cannot be reduced below the base year tax levy. The base year tax levy is assumed to be the year before development occurs. There is potential that development of renewable energy generation may occur without any incentive. The proposed Council Policy aligns to The City of Calgary Corporate Approach to Property Tax Incentives

ATTACHMENT(S)

1. Previous Council Direction and Background
2. Proposed Council Policy
3. Presentation
4. Letter of Support from Sustainable Calgary

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General Manager/Director	Department/Business Unit	Approve/Consult/Inform
Stuart Dalgleish	Chief Operating Officer	Approve
Carla Male	Corporate Planning and Financial Services	Inform
Debra Hamilton	Planning and Development Services	Approve
Les Tochor	Corporate Planning and Financial Services	Approve
Carolyn Bowen	Climate and Environment	Approve
Edwin Lee	Assessment and Tax	Approve

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