

Planning & Development Services Report to
Executive Committee
2024 June 11

ISC: UNRESTRICTED
EC2024-0641

Tax Incentive Bylaw for Renewable Power Generation on Brownfield Sites

PURPOSE

The purpose of this report is to bring forward a proposed bylaw to create a property tax incentive for the development of solar and wind assets on brownfield sites within city boundaries, in accordance with Council policy CP2023-04.

PREVIOUS COUNCIL DIRECTION

On 2023 October 17 Council approved the recommendations set out in report EC2023-1120 “Tax Incentives for Renewable Energy Generation Developments on Brownfield Sites” and accompanying policy (CP2023-04). This policy sets out a framework for the tax incentive and includes clause 6.3:

“A bylaw will be drafted at the time of the first approved application.”

RECOMMENDATIONS:

That Executive Committee:

1. Forward this report to the 2024 June 18 Regular Meeting of Council; and
2. Recommend that Council:
 - a. Give three readings to proposed bylaw in Attachment 2 to create and administer a non-residential tax incentive program for renewable electricity development on brownfield sites; and
 - b. Rescind the Tax Incentives for Renewable Power Generation Developments on Brownfield Sites Council Policy CP2023-04.

RECOMMENDATIONS OF THE EXECUTIVE COMMITTEE, 2024 JUNE 11:

That Council:

1. Give three readings to **Proposed Bylaw 23M2024** in Attachment 2 to create and administer a non-residential tax incentive program for renewable electricity development on brownfield sites; and
2. Rescind the Tax Incentives for Renewable Power Generation Developments on Brownfield Sites Council Policy CP2023-04.

Opposition to Recommendations: Councillor Sharp, Councillor Chabot, Councillor McLean, and Councillor Wong

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Acting General Manager Debra Hamilton concurs with this report. Approval of the proposed bylaw will provide Calgary with a new tool to incentivize development that makes better use of brownfield land, increases Calgary’s non-residential tax base and increases local production of renewable power.

Tax Incentive Bylaw for Renewable Power Generation on Brownfield Sites

HIGHLIGHTS

- The Renewable Energy Non-Residential Tax Incentive Bylaw would establish a new tax incentive program in Calgary to provide an incentive of 50 per cent of municipal property taxes for five years on new renewable energy development on brownfield sites.
- This incentive aligns to the Calgary Climate Strategy: Pathways to 2050 (Climate Strategy) milestone of increasing renewable generation within city boundaries to 10 per cent by 2030 and 40 per cent by 2050.
- This tax incentive would apply to both new developments or expansion of existing renewable energy developments on brownfield sites greater than five megawatts. The proposed bylaw would supersede the existing Council Policy CP2023-04.
- The proposed bylaw encourages and attracts renewable and low-carbon industries and developments to Calgary, supporting job creation and spending in the local market. In addition, increasing renewable energy generation close to where it is consumed reduces associated infrastructure costs.
- A 50 per cent reduction in municipal taxes would make Calgary competitive for attracting this type of development. The proposed bylaw would incentivize productive and sustainable uses for brownfield sites within Calgary.

DISCUSSION

ATCO made an application to the program established under Council Policy CP2023-04 for their Deerfoot Solar Farm on 2023 October 18. The ATCO Deerfoot Solar Project is the first project to meet the criteria of the Policy, prompting the development of the proposed bylaw.

The Climate Strategy is intended to accelerate and support Calgary's energy transition and includes a milestone of 10 per cent of total electricity used in Calgary to be generated within city boundaries from renewable sources, such as solar, by 2030. The Municipal Government Act (MGA) section 364.2 permits The City to provide incentives to any non-residential property for the purposes of encouraging development or revitalization. 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.

Administration reviewed bylaws from several jurisdictions within Alberta to inform the development of the proposed bylaw. This broad review has shown that a 50 per cent exemption of the municipal property taxes levied on renewable development for five years would make Calgary competitive for attracting this type of development. This duration and level of incentive also considered the tax responsibility redistributive impact of property tax exemptions, the sufficiency of the incentive to impact property owners' decision to take advantage of the incentive and the overall climate impact of increased renewable energy generation within city boundaries.

Given the analysis contained in Attachment 3, the recommendation is the best option to balance these various considerations to achieve the desired objectives outlined in the Climate Strategy.

This proposed bylaw offers clear criteria for eligibility and continued receipt of the proposed incentive. The criteria are aligned with attracting renewable energy development within city boundaries and utilizing existing brownfield sites and other City policies.

Tax Incentive Bylaw for Renewable Power Generation on Brownfield Sites

The number of viable sites that meet the relevant size, topography and environmental parameters, is anticipated to be minimal at this time. This bylaw provides certainty to developers, businesses and industries that Calgary is a city that wants to attract future renewable energy development and 'we are open for business'.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|-------------------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken | <input checked="" type="checkbox"/> | Dialogue with interested parties was undertaken |
| <input checked="" 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 development of the Council policy CP2023-04 that led to this bylaw being proposed. These discussions were one input that administration considered when determining the level of incentive alongside best-practices in other jurisdictions and other program goals, including delivering value for tax dollars to Calgarians.

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

IMPLICATIONS

Social

It is anticipated that any renewable development installed as a result of the proposed bylaw will have a localized positive impact on air quality benefitting local communities. Redevelopment of brownfield sites can improve the attractiveness of an area, which promotes pride in our communities.

Environmental

Incentivizing the development of renewable energy generation facilities on otherwise underutilized properties supports the objectives of the Calgary Climate Strategy, particularly zero-carbon energy transition.

Economic

Economic implications of this work include the potential to increase tax revenue from brownfield sites. Attracting development of renewables increases the value of land and improvements on land within city limits. These developments help create design, construction and maintenance

Tax Incentive Bylaw for Renewable Power Generation on Brownfield Sites

jobs and increase spending in the local market. Without improvement, these types of brownfields hold low economic value to The City and Calgarians.

Service and Financial Implications

Tax-supported funding

The proposed bylaw may result in an increase in the non-residential tax base.

The proposed bylaw may have a minimal impact on property taxes. When properties are tax exempt, the responsibility is redistributed to the remainder of the tax base. The particular case study presented with the ATCO solar site is estimated to redistribute approximately \$2.4M over five years in taxes to other non-residential taxpayers. The administration of the program can be managed within existing budgets.

RISK

Reputational Risks: Should Council not pass the proposed bylaw, The City could be seen as changing strategic direction from what was outlined in the Calgary Climate Strategy: Pathways to 2050 and the direction given in Council Policy CP2023-04.

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 is mitigated by providing a review process whereby applications are reviewed on a case-by-case basis by The City's Contaminated Sites team.

Significant Program Uptake: There may be a significant number of privately held Brownfield sites that would be eligible under the criteria set out in the bylaw which The City does not have visibility into. This risk has been largely mitigated by ensuring the program is specific to utility-scale developments (>5MW) and the added scrutiny that is required of these types of projects by the provincial regulator.

ATTACHMENTS

1. Previous Council Direction and Background
2. **Proposed Bylaw 23M2024**
3. Detailed Analysis of Tax Incentive Options
4. Council Policy CP2023-04
5. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Debra Hamilton	Planning and Development Services	Approve
Edwin Lee	Assessment & Tax	Approve
Carolyn Bowen	Climate & Environment	Approve

Planning & Development Services Report to
Executive Committee
2024 June 11

ISC: UNRESTRICTED
EC2024-0641

Tax Incentive Bylaw for Renewable Power Generation on Brownfield Sites

Author: Cory DeFraine, Climate & Environment

City Clerks: J. Palaschuk / C. Doi