

## INDUSTRIAL INVESTMENT ACTION PLAN

### 2024 Update

#### Recommendation

That the June 19, 2024, Urban Planning and Economy report UPE01548, be received for information.

<b>Requested Action</b>	Information Only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Regional Prosperity</b>		
<b>City Plan Values</b>	THRIVE		
<b>City Plan Big City Move(s)</b>	Catalyze and Converge	<b>Relationship to Council's Strategic Priorities</b>	Economic Growth
<b>Corporate Business Plan</b>	Transforming for the Future		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• The City Plan</li> <li>• Community Energy Transition Strategy and Action Plan</li> <li>• Economic Action Plan</li> <li>• City's Anti-racism Strategy</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• June 19, 2024 Financial and Corporate Services report FCS02383, Budget Update - Regional Fiscal Parity</li> </ul>		

#### Executive Summary

- Maintaining the City's ratio of residential to non-residential tax assessment is a key to the City's long term fiscal sustainability and increased investment in industrial development will be an effective way for the City to help address this challenge.

- Unless Edmonton’s industrial tax base grows at the same rate as the residential tax base, residential development will need to pay an increased share of total property tax to accommodate for the relatively reduced proportion of industrial contributions.
- The refreshed 2024 Industrial Investment Action Plan (IIAP) (Attachment 1) focuses on attracting and retaining industrial development to support growth and generate a return on investment for the City, whereas the 2016 Industrial Development Action Plan focused on attracting industrial investment in hard-to-develop areas.
- The 2024 IIAP recognizes and responds to changes in the global energy market, the creation of Edmonton Global, and the development of The City Plan and the Economic Action Plan. More urgently, the City is grappling with the reduced contribution of non-residential property to the overall tax base, which has highlighted the need to increase industrial growth and investment.
- The 2024 IIAP will foster the growth of industrial development in Edmonton, through the implementation of nine actions. The actions were informed by an analysis of Edmonton’s industrial sector, which identified key strengths such as a competitive financial environment and logistical advantages and weaknesses such as the lack of information available for investors and low supply of shovel-ready industrial land.
- The actions of the 2024 IIAP were developed and refined with stakeholders representing a wide-variety of industries and community groups and experts both internal and external to the City of Edmonton.
- Both the 2024 IIAP Actions and current industrial development activities in the City of Edmonton include environment and climate considerations and are an important factor for achieving our City’s economic and climate change goals.
- Following City Council approval, Administration will develop a detailed implementation plan to advance the actions identified in the 2024 IIAP. Additional staff or budget is not required to implement next steps in 2024.

## **REPORT**

Industrial investment and growth are key components to grow the industrial tax base in Edmonton and are essential to the City’s fiscal sustainability. Industrial investment and growth help the City maintain core services and advance key priorities needed to be a healthy, urban, and climate resilient city in a prosperous region.

The first Industrial Investment Action Plan (IIAP) was developed in 2016 and set a path to increase growth in Edmonton’s industrial areas through nine distinct actions. Their purpose was to create the conditions to attract, retain and support the growth of industrial businesses in the City. Under the guidance of 2016 IIAP, Edmonton developed: the Industrial Infrastructure Cost Sharing Program to assist land developers in financing large municipal infrastructure in industrial areas, the Brownfield Development Grant Program to assist in testing and remediation costs of brownfield industrial sites, the Economic Action Plan Grant that supports the expansion and growth of local businesses, the Piloted Water and Sewer Upgrade Project for Winterburn, and the design work for the 137 Avenue / Anthony Henday Drive off-ramps.

Since 2016, the economic ecosystem has evolved and a refreshed plan is needed to realign the Industrial Investment Action Plan to current realities, including the creation of The City Plan and the Economic Action Plan, unprecedented population growth, changes in the global energy market, and the creation of Edmonton Global. More urgently, the City is grappling with the proportional decline of its non-residential tax base when compared to its residential tax assessment. This has highlighted the need to increase industrial growth and investment to maintain fiscal sustainability. Where the 2016 IIAP focused on attracting investment for Edmonton's most hard-to-develop industrial areas, the 2024 IIAP (Attachment 1) focuses on industrial development to support growth that generates a return on investment for the City. For the purpose of this report, return on investment can be considered to be a comparison of the total costs borne by the City to the direct tax uplift generated by the investment.

The 2024 IIAP actions are:

- Action 1: Market and promote the industrial advantages of Edmonton.
- Action 2: Establish and maintain an industrial infrastructure prioritization tool.
- Action 3: Increase efficiency and improve business processes for industrial development.
- Action 4: Develop a guiding framework for flexibility in the City's design standards.
- Action 5: Work with Indigenous Communities, organizations and businesses to identify barriers and advance Indigenous industrial economic development in Edmonton.
- Action 6: Remove barriers for ethnocultural and all equity deserving communities for participating in Edmonton's industrial development.
- Action 7: Continue to collaborate with regional partners, Indigenous Communities and investment groups, and regional economic development agencies on economic development activities.
- Action 8: Identify and tailor programs and incentives for target sectors, that will provide a strong return to the City's tax base and advance strategic objectives.
- Action 9: Monitor progress and results of the Industrial Investment Action Plan.

Some of the revised actions in the 2024 IIAP remain similar to the 2016 IIAP, while others have been updated with new actions added.

- Action 1 has been adjusted to focus on enhancing the investors' experience and to better communicate Edmonton's value proposition.
- Action 2 consolidates multiple actions from the 2016 IIAP into one action focused on infrastructure prioritization in target sector growth areas that have a higher likelihood of investment attraction.
- Action 3 works to increase efficiency in permitting and licensing and enhance industrial support programs.
- Action 4 leverages work completed to develop flexible design standards and creates a guiding framework for stakeholders to navigate these standards.
- Actions 5, 6, 8, and 9 have been introduced to enhance collaboration with industry and regional partners, economic development agencies, Indigenous, ethnocultural, and all equity deserving communities.

- Action 7 has been added to identify and tailor programs and incentives that provide a strong return on investment to the City.

The refresh of the IIAP, to support industrial investment attraction and growth, will improve the City's overall position to attract and retain businesses, create jobs, support growth targets, and align industrial growth with the City's other strategic goals such as net zero emissions.

## Strategic Context

The City Plan sets the direction for how Edmonton grows, including how to plan for an additional 520,000 new jobs by the time the city reaches two million people. The City Plan's Big City Move: Catalyze and Converge directs the City to create conditions to continually improve its competitiveness in a changing world and the focus areas identified in The City Plan include investment attraction, goods movement, industrial land supply, and employment growth. The 2024 Industrial Investment Action Plan is also aligned with Edmonton's Economic Action Plan and the Energy Transition Strategy.

The IIAP is guided by four overarching principles that were informed by The City Plan, the Community Energy Transition Strategy and Action Plan, the Economic Action Plan, and the City's Anti-racism Strategy, that will help shape this approach to industrial investment:

- **Inclusivity** - We will be a welcoming and healing city where Edmontonians show their community spirit and openness by caring for one another, cheering on new ideas and supporting innovation.
- **Sustainability** - Our economic growth should drive regional prosperity while also strengthening our natural areas and advancing our city's climate resilience.
- **Resilience** - We will reimagine and rebuild what we want our city to be and what it must become in order to adapt to a changing future.
- **Innovation** - We will strive to create an environment where businesses, academic and health institutions, the arts, and technology can meet, collaborate, and drive one another on.

## Developing the Action Plan

The 2024 Industrial Investment Action Plan brings together past and current work and synthesizes it into actions, which respond to the needs of the current industrial ecosystem and are aligned with current realities. It was informed by engagement with internal and external stakeholders, a jurisdictional scan, and an analysis of the City's industrial land inventory. Key findings regarding the City's current state are detailed in Attachment 1, and include:

### Competitive Advantages and Strengths

- As Alberta's second largest city, Edmonton benefits from competitive provincial corporate and income tax rates.
- Edmonton does not have a Machinery & Equipment tax as compared to many of its regional neighbours that do. This is most impactful for large manufacturing and processing facilities.
- Edmonton has a large undeveloped industrial land supply with a diverse spectrum of parcel sizes available from less than 2 hectares to more than 10 hectares.
- Edmonton is home to a number of universities, research institutions, and innovation hubs.

- Edmonton's population continues to grow, which is increasing its labour force with young and skilled workers. This growth is expected to continue well into the future.
- A large portion of Edmonton's industrial areas offer a number of amenities not seen in many other regional industrial areas, such as access to transit, and parks. As well, the city offers a range of housing options including high density rentals, and a number of recreation centres. However, additional amenities need to be extended to all areas of the city (including infrastructure (water, sanitary sewer, franchise utilities, roads, sidewalks, curb, gutter and storm drain) and transit).

### Challenges

- The City is disadvantaged relative to its regional competitors on tax rates, land costs, and more stringent design standards that increase development costs. In 2010, Edmonton's non-residential tax rate was 1.5 times the average rate of surrounding municipalities; by 2022, Edmonton's rate was 2.3 times the region's average rate.<sup>1</sup>
- Stakeholders identified that the City has a more complex permitting process than surrounding municipalities. This inefficiency can be a barrier to the speed of development.
- There are existing industrial areas within the city with low to no infrastructure servicing and public transit service.
- Edmonton's share of non-residential assessment in the region has substantially declined from 72 per cent of the region's base in 2008 to 60 per cent in 2022. This declining share of the non-residential tax base compromises the fiscal sustainability of the City and its ability to generate revenues. While industry only represents approximately one-third of non-residential, this decline could be presumed to be applicable to industrial development.

### **The 2024 Industrial Investment Action Plan**

The 2024 IIAP includes 28 sub-actions organized under nine actions and builds upon industrial investment attraction work that is already underway, including the Collaborative Economic Development Initiative, the Industrial Infrastructure Cost Sharing Program, the Permit and License Improvement Project, Business Friendly Edmonton, the Why Edmonton website, the Place Branding initiative, the Client Liaison Unit, as well as efforts by other ecosystem partners, such as Edmonton Global and industrial developers.

The 2024 IIAP also takes some new approaches to industrial development. It recommends using a targeted approach to attract investment through proactive attraction efforts directed towards key target sectors while also being responsive to investment inquiries and local business needs. The 2024 IIAP will help to identify and tailor support for target sectors, enable the attraction and retention of related businesses to allow for collaboration and efficiencies, and incentivise actions, which could also help the City to meet its climate change goals.

The IIAP identifies the following target sectors based on the City's strategic priorities, existing sector presence, institutional capacity, presence of necessary inputs, and positive medium and long-term economic outlooks:

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<sup>1</sup> The average non-residential tax rate of surrounding municipalities is calculated as the average of all EMRB municipalities excluding Edmonton.

- Advanced Manufacturing
- Artificial Intelligence and Technology
- Energy and Clean Technology
- Food Processing
- Health and Life Sciences
- Transportation and Logistics

## **The Industrial Landscape**

### Fiscal Impact

In much of Canada and the United States, significantly higher property tax rates are typically levied on the business sector compared to the residential sector, while they receive less benefits from services and thus businesses, in general, disproportionately pay for the services delivered to the residential sector.

In 2023, non-residential land uses in Edmonton (i.e. commercial and industrial) comprised 22.2 per cent of Edmonton's total taxable assessment base, while contributing approximately 46 per cent of the City's property tax revenues. Industrial properties comprised 37 per cent of the non-residential assessment base, while other commercial and non-residential land properties comprised the remaining 63 per cent.

In 2023, industrial properties generated approximately \$318 million in property taxes, or 17 per cent of the total property tax revenue that year, while representing slightly less than 7 per cent of the City's overall taxable assessment.

Industrial development is an essential component of city building. It is a significant source of employment, costs relatively less to service than residential development, and generates more tax revenue. The City must continue to increase industrial development to maintain a strong diverse local economy, at a minimum, to keep pace with residential growth.

### Land Supply

Edmonton's current supply of unabsorbed industrial land is an estimated 5,567 net developable hectares. Of these, 133 hectares are considered "shovel-ready," which is defined as land that has been improved to a state where an investor can purchase a site, take out a development permit and commence construction. Additionally, 73.5 per cent or 4,185.7 net developable hectares are on lands where there is either relatively low investor demand or no statutory plan in place. The Edmonton Energy and Technology Park contains 3,218.3 net developable hectares. However, there is a lack of sufficient market demand due to complex and costly infrastructure requirements. The remaining 967.4 net developable hectares are located in the south of the City where additional statutory planning is required. The City does not currently differentiate between types of available land (according to how long it would take to bring a development to market).

In the period between 2013 and 2023, the average industrial land absorption was 71.2 hectares per year with 118 hectares absorbed in 2022 and 57.9 hectares absorbed in 2023.

In addition, the share of Edmonton's taxable non-residential assessment within the Edmonton Region has declined from 72 per cent in 2008 to 60 per cent in 2022. This is largely due to real

growth of the non-residential tax base disproportionately occurring outside of Edmonton's borders. Uncoupling industrial from non-residential, Edmonton currently has 42 per cent of the region's absorbed industrial tax base which represents \$318 million in property taxes. The City of Edmonton's industrial tax base represents large scale industrial businesses while the remaining 58 per cent of the industrial lands in the region have a large amount of supply and storage yards.

The 2024 IIAP focuses on investing in key target sector growth areas of our City to encourage clustering of like businesses, and better attract and retain industrial investment. Aligned with the City Plan, the implementation of the actions under the IIAP will carefully consider how to phase growth areas over time to ensure the best social, environmental and economic return on investment for Edmonton. Through Action 2 of the IIAP, the City will examine all industrial areas of the City and identify growth areas for each of the Edmonton target sectors. Strategic planning will be completed for each of these growth areas including ensuring that growth is managed in relation to the long term fiscal impacts and full lifecycle costs of infrastructure services. This work will include the need to strategize in the future growth area non-residential lands as described in The City Plan.

Stakeholders suggested that land supply should be parsed into tranches: immediate (shovel-ready), three-year, five-year, 10-year and 15+ year land supply. This would signal an understanding of how long it might take to bring lands to market and ensure that there is enough land to locate industrial developments in the city. Stakeholders also suggested that the shovel-ready and three-year land supply inventory are primarily controlled by developers while the other land supply categories would require major infrastructure investments. They also indicated that macro-level conditions and challenges at the provincial and federal levels need to be considered when looking at future industrial land supply projections.

Industrial development processes and activities in the City of Edmonton include climate considerations. Environmental review is integrated within land development processes. Administration reviews environmental studies, provincial regulations, The City Plan, and diverse policies, including City Policy C531 - Natural Systems Policy, establish environmental information requirements, such as environmental or ecological assessments, which the City reviews during the development process. The upcoming Climate Resilience Planning and Development Action Plan will identify and implement the actions needed to integrate climate adaptation and mitigation action throughout the City's land use planning and development processes. The 2024 IIAP also includes an environment and climate lens through the sustainability guiding principle, on the supply of industrial land (contained in sub-action 2.1), and within the industrial sector needs assessment action (contained in sub-action 8.1).

## **Budget/Financial Implications**

The success of the 2024 IIAP will require policy adjustments related to statutory planning, design standards and infrastructure prioritization as well as the development of a series of initiatives to support investment attraction and collaboration. If approved, Administration will develop a detailed implementation plan to advance the actions identified in the 2024 IIAP. This implementation plan will contain a number of interrelated initiatives each with their own scope,



budget, and timelines, with a common goal of advancing Edmonton's industrial attraction and growth.

Additional resources are not required to implement next steps at this time.

## **Community Insight**

The 2024 IIAP was informed by several rounds of stakeholder engagement in October 2023. Participants included 29 industry stakeholders, including representatives from EPCOR, ATCO, Urban Development Institute (UDI), Building Owner and Managers Association (BOMA), National Association of Industrial and Office Properties (NAIOP), Alberta's Industrial Heartland Association (AIHA), Edmonton Global, Edmonton Unlimited, Alberta Innovates, industrial land developers and business owners. In addition to the external stakeholder engagement, internal stakeholder interviews were conducted with subject matter experts from across all City departments (Attachment 1).

To verify that the Action Plan is relevant, accurate, inclusive, and reflective of what was heard, Administration validated the updated actions in April 2024 with many of the same stakeholders, including industry stakeholders from EPCOR, ATCO, BOMA, NAIOP, AIHA, Edmonton Global, Edmonton Unlimited, Alberta Innovates, Edmonton Chamber of Commerce and industrial land developers as well as business owners. Overall, the feedback was positive and showed that stakeholders support the draft actions and identified new opportunities for economic growth, equity measures, and how to build on current and future work.

Stakeholders supported the importance of clear communication to effectively market and position Edmonton's industrial advantages and underscored the importance of tailored strategies aligned with sector-specific advantages and priorities. Stakeholders supported the need for an infrastructure prioritization tool that aligns with industrial growth demands and the need to continue reducing barriers to industrial development. Feedback also emphasized the importance of developing a guiding framework for the application of flexible design standards and updating statutory regulations to account for diverse industrial needs and future growth. Stakeholders supported the need for continuous monitoring and clearly defined metrics to ensure accountability and informed decision-making. They provided advice on the prioritization of each action and identified organizations that have a role to play in delivering the identified actions.

Administration also engaged with the Aksis, Edmonton's Indigenous Business and Professional Association and have incorporated what was heard. The work to develop shared understanding and identify opportunities for partnership is ongoing.

## **GBA+**

Administration used GBA+ analysis in the development of the 2024 IIAP to account for inequities that some Edmontonians face when accessing opportunities to prosper. This equity lens resulted in equity considerations being directly incorporated into the new actions as well as two actions to directly address this concern.



The City's Anti-Racism Strategy and Indigenous Relations Office informed engagement with Indigenous, ethnocultural and equity deserving communities. Engagement with Indigenous, ethnocultural and all equity deserving communities have followed a timeline and process that respect different ways of being and doing, with further discussion and engagement ongoing.

Interviews with stakeholders also highlighted the benefits of diverse immigrant and newcomer communities. These communities are often interested in investment opportunities or starting their own businesses, but are challenged to navigate a system that does not take into account barriers they might face. The stakeholder engagement process revealed gaps in where and how to reach certain marginalized communities to gain their insight and feedback, and work to further engage is underway.

## **Environment and Climate Review**

Increased industrial activity may increase greenhouse gasses and have detrimental impacts to land, biodiversity, air quality and Indigenous rights if potential impacts are not considered in the planning of these areas. The City's choices about what types of industries to attract to the area can mitigate some of these risks and enable sustainable and climate-resilient industrial activity in alignment with The City Plan.

The 2024 IAP has implications for the environment and climate in three key areas:

- i) Carbon Budget/Net Zero Target: The City's net zero target and overall carbon budget may not be achieved with higher emitting industrial development. Lower carbon industries may better align with meeting the City's targets, as reflected in the 2024 IAP's approach to the attraction of lower emitting industries.
- ii) Land Use/Natural Areas: The implementation plan could consider the footprint and buildout of new industrial development and potential impacts on ecological systems and green infrastructure to minimize detrimental impacts on natural ecosystems and prime agricultural land. Revitalization of brownfield sites and regional initiatives could accommodate opportunities for growth with less land use change. Indigenous rights and land use could also be considered in the build out of new areas.
- iii) Water Quality and Management: Water scarcity will likely be an issue in the future due to climate change. The implementation phase of the 2024 IAP has the opportunity to consider how to balance new industrial use with commercial and residential uses in Edmonton. Industry may also have an impact on water quality in an area if wastewater from industrial processes contributes to water pollution. While, subject to provincial (and potentially federal) regulations and considered during permitting of the individual project, it could be considered proactively in the types of industry the City wishes to attract to the area. Protecting and maintaining wetlands in new and existing developments supports both water quality and a healthy ecosystem.

Additional information on the Environment and Climate Review can be found in Attachment 2.

## Next Steps

Following Council approval of the 2024 IIAP, Administration will develop an implementation plan for the initiatives under each action.

Administration has identified the following initiatives to begin in 2024 without the need for additional resources:

- Sub Action 1.1 - Conduct gap analysis of Edmonton target sectors to identify sector needs. Update relevant websites with key information to inform investment or expansion decisions (including available programs and incentives).
- Sub Action 1.2 - Develop and implement a sector-specific marketing strategy to attract industrial investment.
- Sub Action 2.1 - Review Area Structure Plans, climate considerations and identify growth areas for each target sector.
- Sub Action 3.1 - Streamline approval processes to provide predictable, transparent, competitive timelines for industrial investment.
- Sub Action 5.2 - Work with Aksis and other agencies to support Indigenous industrial startups, new industrial investors, and Indigenous land developers.
- Sub Action 7.2 - Participate in and advance new projects through Collaborative Economic Development to enhance sites to a shovel-ready state and share in generated tax revenues.
- Sub Action 8.1 - Perform a sector needs assessment, explore options to support climate initiatives, the green economy, Indigenous Communities and organizations, and leverage incentives from within the City of Edmonton and other orders of government and investment funds to create tailored programs and incentives for target sectors.
- Sub Action 9.1 - Define key metrics, establish targets, conduct an assessment and monitor success of the action plan.

If during the development and scoping of the implementation plan, a need for additional staff or budget is identified, Administration will put forward a request for additional resources.

## Risk Assessment

If recommendation is not approved						
Risk Category	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Financial	Residential growth outpaces non-residential growth. Inadequate non-res tax base relative to population and expenditure responsibilities.	5 - Almost Certain	3 - major	15 - High	<ul style="list-style-type: none"> <li>- Focus on attracting and retaining industrial investment and businesses</li> <li>- Work with Regional neighbours on Collaborative Economic Development</li> </ul>	<ul style="list-style-type: none"> <li>- Increase resources to attract and retain industrial investment and businesses</li> </ul>

Economic	Decreased market share of industrial investment in the Region	5 - Almost Certain	3 - major	15 - High	- Work with Regional neighbours on Collaborative Economic Development	- Increase resources to attract and retain industrial investment and businesses
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## Attachments

1. Industrial Investment Action Plan
2. Environment and Climate Review