

NO: **R144**

COUNCIL DATE: July 21, 2014

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 18, 2014**

FROM: **Manager, Economic Development**

FILE: **MV Ec. Dev.**

SUBJECT: **Clean Technology Incentive Program Review/Endurance Wind Power**

RECOMMENDATIONS

The City Manager's Department recommends that Council:

- 1) Receive this report as information;
- 2) Authorize City staff to enter into a Partnering Agreement with Endurance Holdings Ltd. and Endurance Wind Power Inc. to offer the clean technology tax incentive (estimated to be approximately \$15,000 in the 2015 tax year); and
- 3) Approve the closing out of the current Clean Technology Incentive Program.

INTENT

The purpose of this report is to seek Council's approval to provide Endurance Holdings Ltd. ("Endurance Holdings") the registered owner of the lands and premise legally described as:

Parcel Identifier: 028-822-285

Legal Description:

LOT C SECTION 22 TOWNSHIP 7 NEW WESTMINSTER DISTRICT PLAN BCP50619

with a civic address of 19347-24 Avenue, Surrey, BC ("the Lands") and Endurance Wind Power Inc. ("Endurance Wind Power") a property tax incentive under the City of Surrey's ("Surrey") current Clean Technology Incentive (CTI) Program. Upon approval of this incentive offering for Endurance Holdings and Endurance Wind Power, the CTI Program will no longer be in effect.

This report will also recommend that Council approve a Partnering Agreement with Endurance Holdings and Endurance Wind Power to facilitate the provisions of the CTI Program under the *Community Charter*, S.B.C. 2003, c. 26 as amended (the "*Community Charter*").

Upon approval of this incentive offering to Endurance Holdings and Endurance Wind Power, the CTI program will be closed out. A comprehensive review of Surrey's clean technology sector program offering will be initiated as part of the development of a long-term strategy to support Surrey's clean technology sector.

BACKGROUND

Surrey's focus on clean technology as a strategic sector began as part of the 2010 Economic Investment Action Plan Phase 2 document with Council deeming activities associated with clean technology to be a desirable municipal service to Surrey pursuant of section 8 of the *Community Charter*.

The action plan announced the establishment of the Mayor's Clean Energy Advisory Network which brought together a broad range of representatives from business, industry associations, utilities, academic institutions and government to support Surrey's efforts to become a premier clean energy hub for the region.

Surrey along with Powertech Labs, and Simon Fraser University also made a commitment through the signing of a Letter of Intent (LOI) in 2010 to advance sustainability in Surrey through clean energy initiatives. One such joint initiative has been the establishment of an *Executive Industrial Research Chair in Energy Systems for Smart Cities* position for 5 years. Recruitment to fill this position will begin in September under the leadership of Simon Fraser University.

As part of the successful Economic Investment Action Plan Phase 2, a Clean Technology Incentive (CTI) program was introduced to attract new clean energy companies to construct and operate their business in Surrey. The program, which did not include a specified end-date, offered eligible companies the following incentives:

- 1) Eliminate property taxes for 3 years from the date of occupancy of the company premises;
- 2) Reduce building permit fees by 50% in relation to the construction of the company premises; and
- 3) Reduce the business license fee to \$1 for the first three years of company operation.

Single-time Property Tax Reduction for Endurance Holdings and Endurance Wind Power.

In the Fall of 2013, Endurance Holdings and Endurance Wind Power approached Surrey to access the incentives offered under the CTI Program becoming the first companies to apply to access the program.

Endurance Wind Power is a Surrey-based wind-turbine manufacturer that has been operating in a leased space in the Campbell Heights area since 2007. The company has grown exponentially, penetrating a number of global markets, particularly in the United Kingdom. As a result, Endurance recently decided to expand its Surrey operations by leasing space in a new purpose-built facility in the Campbell Heights area.

DISCUSSION

Endurance Holdings and Endurance Wind Power Property Tax Incentive

Endurance Wind Power employs 75 professionals in its current Campbell Heights facility, of which two-thirds are highly educated and skilled individuals that live in Surrey. Expansion into its new facility at 19347-24 Avenue will provide space for up to 115 employees. This new building will serve as its global headquarters and act as a hub for technology research and development.

As one of Surrey's anchor clean technology companies, Endurance Wind Power provides significant economic benefit to Surrey including the employment of local talent and materials procurement from local suppliers as part of its manufacturing and assembly process. Endurance Wind Power has also been a valued partner over the years helping Surrey design its initial clean technology strategy while Endurance Wind Power's executive team have been serving as Surrey ambassadors by actively promoting Surrey to its global networks.

The status Endurance Wind Power has achieved within global clean technology circles attracts the attention of other clean technology and supply chain companies, shining a positive light on Surrey as a good home for the sector.

In consideration of the above, it is recommended that a one-time offer of a 60% municipal property tax reduction each year for 5 years starting in the 2015 fiscal year be made to Endurance Holdings and Endurance Wind Power. The property tax reduction would be calculated based on the amount of space Endurance Wind Power would lease from Endurance Holdings. The 50% reduction of building permit fees and \$1 business licencing for 3 years in the original CTI program will not apply.

This unique arrangement has been negotiated as the original incentive program which was designed for companies new to Surrey that would own their building. Endurance Wind Power is neither a new company nor will they own the building they occupy. Instead Endurance Wind Power will be leasing approximately 45,424 sq ft of the 101,627 sq ft building being constructed at 19347 – 24 Avenue for owner Endurance Holdings.

Based on the size of the leased space, an estimated \$15,000 annual municipal property tax reduction to Endurance Holdings and Endurance Wind Power is being proposed based on the 2014 light industrial property tax rate. The value of the incentive for future years will be adjusted based on the current tax rate.

Partnering Agreement

In light of ongoing partnership between the City of Surrey, Endurance Holdings, and Endurance Wind Power to work together to grow the clean technology sector, a Partnering Agreement has been identified as the legal mechanism to facilitate this incentive offering in accordance with the *Community Charter*.

The Partnering Agreement will be between the City of Surrey, Endurance Holdings Ltd., and Endurance Wind Power Inc. The Agreement will outline the terms of the one-time offer of a 60% municipal property tax reduction each year for 5 years starting in the 2015 fiscal year in exchange for municipal services pursuant of section 8 of the *Community Charter*. Draft terms for inclusion in the Partnering Agreement are attached as Appendix I.

Clean Technology Incentive Program Review and Strategy Development

Upon approval of the property tax incentive to Endurance Holdings and Endurance Wind Power, the current clean technology incentive program would no longer be in effect. However, global economic recovery and increasing appetite for clean technologies creates an opportunity for Surrey to review its current incentive program and develop a comprehensive clean technology strategy reflective of industry trends and support requirements. This aligns with Council's vision

of increasing activities associated with clean technology as they are desirable services benefiting Surrey pursuant of section 8 of the *Community Charter*.

To better understand industry needs, the Economic Development Division is conducting a comprehensive industry outreach to obtain industry feedback on what Surrey could pursue in order to grow Surrey's clean technology cluster.

Based on information obtained through this outreach process, a comprehensive strategy document outlining the different approaches to best leverage Surrey's clean technology assets and will be presented to Council for consideration and approval.

SUSTAINABILITY CONSIDERATIONS

A redefined clean technology sector support program will assist the City of Surrey in achieving the objectives of the City's Sustainability Charter including:

*“Having a full range of local employment opportunities and green business”; and
“Striving to achieve one local job for every employed resident in Surrey and a range of high-value local jobs in Surrey”.*

It will also assist in achieving the following Charter scope action item:

EC2: Develop an economic development strategy that creates an attractive environment for investment.

CONCLUSION

In order to enable Endurance Holdings and Endurance Wind Power to access a tax reduction incentive, and in order to provide consistent and predictable support to foster a vibrant clean technology cluster in Surrey, it is recommended that Council:

- 1) Receive this report as information;
- 2) Authorize City staff to enter into a Partnering Agreement with Endurance Holdings Ltd. and Endurance Wind Power Inc. to offer the clean technology tax incentive (estimated to be approximately \$15,000 in the 2015 tax year); and
- 3) Approve the closing out of the current Clean Technology Incentive Program.

Donna Jones
Manager, Economic Development

Appendix I: Draft terms for Partnering Agreement

**Draft Terms for Partnering Agreement with
Endurance Holdings Ltd. and Endurance Wind Power Inc.**

1. As one of the world's best known manufacturers of distributed wind turbine technology, the presence of Endurance Wind Power in Surrey provides significant economic benefits to the City.
2. Since 2010, Endurance Wind Power has also supported various City of Surrey Clean Technology initiatives as well as providing in-kind marketing support nationally and internationally.
3. Based on Endurance Wind Power's previous support for Surrey's clean technology sector, the company agrees to continue providing in-kind marketing to support the City's clean technology sector.
4. Under this Partnering Agreement, the City will offer Endurance Holdings and Endurance Wind Power a single-time non-transferable tax incentive amounting to a **60% municipal property tax reduction each year for 5 years beginning in the 2015 fiscal year.**
5. This Partnering Agreement is a one-time pilot initiative and cannot be used as precedence for future negotiated agreement with the City.