



**RAINY RIVER FUTURE
DEVELOPMENT CORPORATION**
A Community Futures Development Corporation



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Opportunity for Tax Incentives

In the fall economic statement, the Province of Ontario announced:

“Over the coming months, the government will be consulting on ways to encourage investment into rural and undercapitalized areas of the province with the goal of restoring Ontario’s competitiveness and allowing the private sector to create jobs and growth. The outcome could include exploring potential changes to the tax system that may benefit overlooked areas of the province and new, upcoming industries.”

This followed OREA’s (the Ontario Real Estate Association) request of the Government of Ontario. The Minister of Economic Development and Trade has informed us that they may be interested in exploring this conceptually when the Government is through the priorities set by the pandemic.

This is an important potential opportunity for Fort Frances.

Recent History in Ontario

The thought of introducing tax incentive zones is not new for Ontario. In 2002, tax incentive zones were announced in both the Throne Speech and budget in Ontario. The incentives were to be for both large and small businesses and for smaller, rural, and northern communities. Municipalities were to provide full municipal property tax relief for all eligible businesses. The tax incentives would then be in place for 10 years, starting 1 January 2004. Northern Ontario was eventually selected as the first tax incentive zone. Eligible businesses that are located in a tax incentive zone would not be required to pay the provincial business education tax, capital tax or employer health tax. However, the program was never implemented.

Recent History in the U.S.

The U.S. has greater experience with tax incentive zones. Renewal Communities (RCs), Enterprise Communities (ECs), and what is more well known as Empowerment Zones (EZs) are all federally designated areas with high levels of poverty and economic distress. In these geographic areas, businesses and local governments may be eligible for federal grants and tax incentives. There was one round of RCs authorized by Congress since 1993, which occurred in 2000. There have also been two rounds of ECs (1993 and 1997) and three rounds of EZs (1993, 1997, and 1999) authorized by Congress since 1993.

A paper by the Congressional Research Service, published on 14 February 2011, titled “Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis” found the following:

“A number of studies have evaluated the effectiveness of the EZ, EC, and RC programs. Several government-sponsored studies have failed to link EZ and EC designation with a general improvement in community outcomes. In addition, several academic researchers have evaluated the effectiveness of zone incentives. Overall, these studies have found modest, if any, effects, and call into question the cost-effectiveness of these programs.”

One of the studies reviewed by this paper found that while poverty and unemployment did decrease in some EZs the decrease that occurred was not dissimilar from areas that did not receive an EZ designation, and therefore did not receive any corresponding tax incentives or grants. Another study reviewed by this paper found it was not possible to determine there was any effect from the EZ designation and resulting support for these areas. As a result, the paper arrived at the following,

“These results suggest that the program had no statistically significant effect on income, unemployment, or poverty, a finding shared by recent research on state-level enterprise zones.”

The Opportunity Alignment of Fort Frances

The Town of Fort Frances has made the investments necessary to support the growth a tax incentive zone could create. The Town of Fort Frances has a variety of affordable industrial and commercial properties that are either serviced or serviceable and ready for development.

The Town of Fort Frances has created opportunities for development by offering land below general market value and the entire Town of Fort Frances is included in the Community Improvement Plan approved by the Province of Ontario.



The Town of Fort Frances also ideally matches the requirements that the Province of Ontario has laid out for regions to be eligible for a potential tax incentive zone. Not only is the Town of Fort Frances undercapitalized compared to other growing parts of the province, but with the closing of the mill the town has experienced a significant decapitalization, which would help support the argument to create tax incentives for the town.

In the Town of Fort Frances, the 2016 median household income was \$62,928 per year. The median household income in the town is lower than the 2016 national household median income of \$82,110, a difference of almost 25%. This further demonstrates both the need and eligibility of the Town of Fort Frances for a tax incentive zone.

There are several projects in the early interest stages for the undeveloped portions of the community. These could leverage the strength of the public utility and the communities border access.

The space being reclaimed by the demolition of the mill provides other unique opportunities to create growth via incentives.

The incentives could also align with supports provided via NOHFC and FedNor.

What Could the Incentives look like:

- Reduced Provincial corporate taxes
- Reimbursements for capital expenditures
- Incentives directed at hiring such as wage subsidies
- Relocation allowances
- Education tax rebates
- Subsidized hydro rates
- Reductions in Municipal taxes

Next Steps:

- EDEC to report to Council that it believes that Council should lobby the Government of Ontario to be a pilot tax incentive zone.
- Develop a list of incentives that the municipality would contribute to the zone's effectiveness.
- Meet with landowners to discuss their interest in developing businesses on their property within the zone.
- Build a business model that proves the return on investment of the incentive