REPORT OF THE

EXECUTIVE POLICY COMMITTEE

DATED JANUARY 31, 2000

On motion of His Worship Mayor Murray, the Report of the Executive Policy Committee dated January 31, 2000 was considered.

Proposed Expansion of the Schneider Corporation Plant File EP-7 (Vol. 2)

324 - 1. The Executive Policy Committee has been advised that on June 11, 1996, the City of Winnipeg and J.M. Schneider Inc. concluded an agreement to facilitate the construction of the Schneider plant at 1 Warman Road, Winnipeg.

On November 15, 1999, a City of Winnipeg delegation met with representatives of the Schneider Corporation to receive the latter's proposal with regard to the expansion of its Warman Road plant.

At its November 15, 1999 meeting with City of Winnipeg representatives, the Schneider Corporation delegation presented a proposal for expansion that it valued at $75,000,000 and which would, in summary:

- expand Schneider's workforce level from its current level of over 550 (including employees at Schneider's Marion Street facility) employees to an eventual 1,600 - 1,800 employees; and,
- expand the plant's size from 101,000 square feet to 436,000 square feet.

As part of its proposal, the Schneider Corporation presented a list of development requirements of the City of Winnipeg that Schneider submits must be addressed in order for it to achieve and compete on a "level playing field amongst all primary food processors in Manitoba".

The Mayor formed an "Economic Development Working Group", which met regularly with representatives of the Provincial government to explore cost-sharing possibilities in support of the Schneider proposal. The Economic Development Working Group agreed that the City must consider the Schneider Corporation development proposal within a reasonable and appropriate economic competitiveness and incentive policy framework. Such a policy framework guides the City's responses to all economic development issues and proposals, such as the Schneider Corporation's. Moreover, it assists the City in asserting itself as a competitive and dynamic place in which to do business. One of its basic, underlying principles must be that the City must compete on a "level playing field" and must ensure that the basic "tools" that it starts with are valued incentives for economic growth.

Much work has been recently completed in reviewing the City's advantages to ensure that they are indeed competitive and attractive. Particularly for the immediate purposes related to the Schneider's proposal and as compared with, for example, Brandon and Saskatoon, it is felt that the City's competitive advantages include the following:

- stable, plentiful, and skilled workforce;
- abundant affordable housing for additional workforce;
- good quality groundwater; and,
- favourable location and supportive infrastructure with respect to transportation costs.

Support Principles

The Schneider Corporation proposal must be dealt with in a timely, while still principled, fashion. A considerable amount of study is still required in support of a conclusive and comprehensive economic competitiveness and incentive policy framework. However, the underlying principles of the City's response to Schneider Corporation will form a foundation for the longer-term framework. Principles applied include the following:

- The proposed investment credit is based on an estimated three-year return on investment, forecasting incremental municipal business taxes on completion.

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- Funds approved by Council would be sourced by the City of Winnipeg in a designated account to pay down actual charges (e.g., incremental municipal and business taxes, land dedication charges, trunk sewer rate (TSR) charges, application fees, etc.).

- Municipal and business taxes accruing to the City would increase by a minimum annual total of $300,000.

- The proposed investment credit would be available to an expanding local business producing exportable goods.

- The proposed investment credit would be available to industry sectors deemed to be of strategic importance to Winnipeg (e.g., bio-technologies, aerospace, agrifood, financial etc.).

A longer-term framework will presumably be the purview of an "Urban Economic Development Strategy Committee". City Council, at its December 15, 1999 meeting, resolved that the Executive Policy Committee (EPC) examine the creation of such a body, and further resolved that the EPC "recommend to Council the structure, terms of reference and reporting relationships for the Committee's operation".

The Province of Manitoba's support to the Schneider development proposal is another fundamental component of the project. The Province will provide approximately $7 million in support of training, on-site infrastructure, land acquisition and other related costs.

Conditions of Support

That an agreement between the City of Winnipeg and Schneider Corporation for purposes of supporting the expansion of the Schneider Corporation plant be finalized by the Chief Administrative Officer, subject to the following conditions:

a) That the acquisition of lands necessary to expand the Schneider plant be completed.

b) That a description of the phases of construction be provided.

c) The Schneider Corporation plant to be developed on land identified in Schedule "A".

d) That Schneider Corporation establish and at all times maintain and operate the project in accordance with all laws, by-laws, directions, rules and regulations and obtain any and all necessary permits and licences of any federal, municipal or provincial authority having jurisdiction as may be required to construct and operate the project.

e) That a minimum of 335,000 square feet be added to the current Schneider plant.

f) That construction is completed within two years from the date of issuance of the first superstructure building permit.

g) That property taxes are paid in full when due for each taxation year.

h) That the Province of Manitoba provide written confirmation that it will provide support as outlined above.

i) The City shall facilitate and expedite in accordance with its jurisdiction any and all of Schneider Corporation's applications for various matters as may be required to construct and complete the plant.

j) Any such other terms and conditions as deemed necessary by the City Solicitor/Manager of Legal Services for the purposes of implementing the intent of Council.

Benefits of the Proposal

a) It is estimated that the City of Winnipeg's increased annual revenues due to the expansion of the 1 Warman Road plant will be as follows:

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	Assessment	Municipal Tax	Business Tax	Total Tax
Current	$ 9,900,000	$215,437	$106,932	$ 322,369
Estimated Future*	30,378,290	659,551	348,000	1,007,551
Increase	$20,478,290	$444,114	$241,068	$685,182

* According to Schneider Corporation information (based on values provided to City Assessment Department).

b) The Manitoba Bureau of Statistics (MBS) estimates that incremental City of Winnipeg taxes during the capital phase of the Schneider expansion will amount to over $450,000.

c) The MBS also estimates that the further spin-off impact to City of Winnipeg taxes will amount to up to $871,000 (at two shift operation) annually.

The foregoing MBS calculations are in part attributable to the Schneider Corporation's usual wage rate, which is generally acknowledged to be higher within the industry.

d) This project would, at full ramp-up, see in the order of 1,200 jobs added to the Winnipeg economy.

e) This project would be another successful partnership with the Province, and demonstrates value of collaboration and cooperation.

f) This project would serve as a significant long-term, strategic investment in Winnipeg's and Manitoba's economy, particularly in the agrifood industry, a key economic sector.

The Financial Impact is outlined in Schedule "B".

The Schneider Corporation wishes to expand its plant at 1 Warman Road, Winnipeg, and has presented the City of Winnipeg and the Province of Manitoba with a list of requirements in order for it to do so.

The City of Winnipeg considers support to such an expansion as a strategic, long-term economic development investment in Winnipeg's economy, particularly in the agrifood industry, one of Winnipeg's key economic sectors.

The Executive Policy Committee recommends:

I. That Council approve the following recommendation as it pertains to a proposed agreement between the City of Winnipeg and Schneider Corporation regarding the proposal of the Schneider Corporation to expand its plant at 1 Warman Road:

a) An investment credit of $2,200,000 be made available to Schneider Corporation. This credit will not be disbursed as a cash payment but will be used exclusively for the payment of City fees and charges associated with the plant expansion.

II. That an agreement between the City of Winnipeg and Schneider Corporation for purposes of supporting the expansion of the Schneider Corporation plant be finalized by the Chief Administrative Officer, subject to the following conditions:

a) The acquisition of lands necessary to expand the Schneider plant be completed.

b) A description of the phases of construction be provided.

c) The Schneider Corporation plant to be developed on land identified in Schedule "A".

d) Schneider Corporation establish and at all times maintain and operate the project in accordance with all laws, by-laws, directions, rules and regulations and obtain any and all necessary permits and licences of any federal, municipal or provincial authority having jurisdiction as may be required to construct and operate the project.

e) A minimum of 335,000 square feet be added to the current Schneider plant.

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f) Construction be completed within two years from the date of issuance of the first superstructure building permit.

g) Property taxes be paid in full when due for each taxation year.

h) The Province of Manitoba provide written confirmation that it will provide support as outlined above.

i) The City shall facilitate and expedite in accordance with its jurisdiction any and all of Schneider Corporation's applications for various matters as may be required to construct and complete the plant.

j) Any such other terms and conditions as deemed necessary by the City Solicitor/Manager of Legal Services for the purposes of implementing the intent of Council.

III. That the Proper Officers of the City be authorized to do all things necessary to effect the intent of the foregoing.

Copy of attachments referred to in the above clause are on file in the office of the City Clerk.

Moved by His Worship Mayor Murray,
Adoption of the clause.

Moved by Councillor Angus,
That Rule 6.1 of the Procedure By-law be suspended to permit Council to continue in session without taking a recess over the lunch hour.

The motion to suspend the rule was put.

Councillor Clement called for the yeas and nays, which were as follows:-

Yea: Councillors Lazarenko, Angus, De Smedt, Gerbasi, Deputy Mayor Thomas, Vandal, Eadie and His Worship Mayor Murray. 8

Nay: Councillors Clement, Golden, Prystanski and O'Shaughnessy. 4

and the motion for the suspension of the rule was declared carried.

The Speaker called the Deputy Speaker, Councillor Lazarenko, to the Chair and left the Chamber.

The Speaker here resumed the Chair.

The motion for the adoption of the clause was put and declared carried.