Report – Executive Policy Committee – January 17, 2007

Item No. 8 Economic Development Incentive Grant – Granny's Poultry Co-operative (Manitoba) Ltd.
File FL-2.6

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 17, 2007, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That subject to the development of Granny's Poultry Co-Operative (Manitoba) Ltd. proposed new Corporate Office / Hatchery to be located on Pandora Avenue in accordance with the conditional Administrative Offer dated January 3, 2007 contained in the report from the Director of Planning, Property and Development dated January 4, 2007, that the following be approved:

   A. An Economic Development Incentive Grant of up to a maximum of $180,000.00 that is based upon the estimated incremental municipal portion of new property and business taxes over a six year period (2007-2012);

   B. The Economic Development Investment Reserve as the source of the Economic Development Incentive Grant.

2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

3. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Report – Executive Policy Committee – January 17, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 17, 2007, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council:

RE: Proposed Economic Development Incentive Grant for Granny's Poultry Co-Operative (Manitoba) Ltd.

FOR SUBMISSION TO: The Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Director, Planning, Property, and Development Department

REPORT DATE: January 4, 2007

RECOMMENDATION:
1. That subject to the development of Granny's Poultry Co-Operative (Manitoba) Ltd. proposed new Corporate Office / Hatchery to be located on Pandora Avenue in accordance with the conditional Administrative Offer dated January 3, 2007 as attached, that City Council approve:
   a) an Economic Development Incentive Grant of up to a maximum of $180,000 that is based upon the estimated incremental municipal portion of new property and business taxes over a six year period (2007-2012)
   b) the Economic Development Investment Reserve as the source of the Economic Development Incentive Grant.
2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council; and,
3. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

- Granny's Poultry Co-Operative (Manitoba) Ltd. has been recognized as the largest Food Processor in Manitoba that is owned and controlled by Manitoban's.
- Granny's are planning to consolidate their existing 16,000 sq. ft. facility on Scurfield Boulevard as well as their sales and marketing functions into a new 35,000 sq. ft. Corporate Office / Hatchery.
- Following an extensive search of potential building sites within Winnipeg as well as surrounding rural municipalities, Granny's found that they were extremely limited in their choice of sites within the south east quadrant of Winnipeg as they wished to locate in close proximity to their Blumenort Manitoba Processing Facility. No food processing is done within Winnipeg.
- Granny's have reached a conditional offer to purchase an 8.2 acre parcel of land from CN Railway on Pandora Ave.
- The East Kildonan-Transcona Community Committee recently recommended approval for rezoning the site that is located within the Transcona Industrial Yards Neighbourhood Secondary Plan area and it has several cost

disadvantages compared to other potential sites that Granny's have identified in surrounding rural municipalities.

- Granny's have identified that the site challenges will cost an additional $ 216,000 to $ 255,000 over what was already a significantly higher cost relative to options outside of the City of Winnipeg.
- Granny's have therefore requested an economic development incentive in order to bridge the gap.
- This Report recommends that Granny's be awarded an Economic Development Incentive Grant of up to a maximum of $ 180,000.
- The Grant would be payable over a six year period (2007 through 2012) and the annual grant amount would be exactly equal to the incremental municipal portion of property tax and business tax for each of the six years.
- The proposed Grant is supported by City policy including the newly approved City of Opportunity Economic Development Framework; it will not impact on the City's existing tax base, while also assuring that Winnipeg will benefit by any future expansion of Granny's.

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

(x) For the community and/or organizations external to the City

(x) Involves a multi-year contract

Comment(s): This Report recommends an Economic Development Incentive Grant payable over a six year timeframe to Granny's Poultry Co-Operative (Manitoba) Ltd.

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(x) No

( ) Yes

Comment(s):

Human Resources Implications

(x) No

( ) Yes

Comment(s):

Financial Implications

(x) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

- This Report recommends a maximum $ 180,000 Economic Development Incentive Grant to Granny's Poultry Co-Operative (Manitoba) Ltd.
- The Grant would be payable over a six year period (2007 through 2012) and the annual grant amount would be exactly equal to the incremental municipal portion of property tax and business tax for each of the six years up to a maximum of $ 180,000.
- The Base Taxes for Granny's has been established at $ 23,380 (inclusive of the municipal portion of 2006 property taxes and 2006 business taxes) with future city taxes estimated at $ 52,987 representing an estimated incremental difference of $ 29,607 annually.

Report

REASON FOR THE REPORT:
This Report recommends the approval of an economic development incentive grant estimated at a maximum of $ 180,000 payable over a six-year timeframe.

The provision of such an economic development incentive requires Council approval.

HISTORY:
On March 14, 2001, the Executive Policy Committee Secretariat provided a Letter to Granny's Poultry Co-operative (Manitoba) Ltd. (Granny's) outlining the terms of a Conditional City Investment Credit of between $111,720 and $120,720. The offer was conditional upon Granny's proceeding with a proposed consolidation and expansion of their facilities within Winnipeg. The Investment Credit was based upon the estimated three-year tax increment of municipal and business tax accruing to the City and would be subject to Council approval. Granny's never proceeded with their project that was proposed for the St. Boniface Industrial Park at that time.

In the spring of 2006, Granny's requested a similar Economic Development Incentive from the City should they proceed with their proposed Corporate Office / Hatchery expansion within Winnipeg. Granny's also advised that they were no longer pursuing the St. Boniface Industrial Park as a site for their proposed development due to potential bio-security issues.

During the summer of 2006, Granny's pursued a number of potential site options within the south-east quadrant of the City of Winnipeg. Granny's determined that potential sites were extremely limited due to factors including bio-security issues, a lack of appropriate locations for a Corporate Office, as well as the rising cost and availability of suitably serviced land.

During the fall of 2006 Granny's made a conditional offer on an 8.2 acre CN Railway owned site at 738 Pandora Avenue East within the Transcona Yards Industrial Neighbourhood Secondary Plan area. The offer was subject to a rezoning as well as Granny's own due diligence regarding the feasibility and costs associated with developing on this site.

On November 21, 2006, the East Kildonan-Transcona Community Committee concurred in the administrative recommendation, as amended, and recommended the rezoning of the subject land.

By letter on January 2, 2007, the Director of Business Development and Marketing for Granny's Poultry Co-operative (Manitoba) Inc. advised that they had encountered a wide range of challenges that had made the cost of the Pandora site unacceptable to

their Board of Directors without the City's consideration of an economic development incentive to Granny's in order to bridge the gap in costs (refer Attachment 1).

On January 3, 2007, the Planning, Property, and Development Department sent a conditional Administrative offer to Granny's. The Letter was subsequently signed by Granny's and returned (refer Attachment 2).

DISCUSSION:

Background

Granny's are recognized as the largest Food Processor in Manitoba that is owned and controlled by Manitobans. Granny's is the largest poultry processor in the province. They have enjoyed tremendous success growing their operations. Total sales for Granny's products nearly tripled between 1990 and 1999. They have received accolades for consistently being one of the province's fastest growing companies while also receiving industry recognition for their technologically advanced processing capabilities. Granny's currently employ between 550 to 600 people within the Province.

Granny's currently operate out of two facilities within Winnipeg; a 16,000 sq. ft. hatchery at 84 Scurfield as well as a leased sales / marketing office at 1189 Pembina Hwy. The state-of-the-art Hatchery operation provides Granny's producers with the best possible start to a healthy poultry flock. The process includes carefully screening eggs and maintaining optimum hatching conditions. The Hatchery is a relatively innocuous land use that requires only light trucks to deliver eggs and to send out chicks. No food processing is conducted within Winnipeg and their processing plant is in Blumenort Manitoba.

Granny's are planning to consolidate and expand their Winnipeg operations into a new 35,000 sq. ft. corporate office and hatchery. The total estimated private investment in the new facility is in excess of $ 6 M.

During the fall of 2006, Granny's made a conditional offer on a CN owned site at 738 Pandora Avenue East within the Transcona Yards Industrial Neighbourhood Secondary Plan area. The offer was subject to a re-zoning as well as Granny's own due diligence regarding the feasibility and costs associated with developing on this site.

On November 21, 2006 the East Kildonan-Transcona Community Committee provided the following supporting reason to recommend approval of the rezoning:

1. The applicant initiated community consultation and no one registered in opposition to the subject application.
2. The proposal is consistent with the Transcona Yards Industrial Area Redevelopment Plan adopted by Council.
3. The subject application to rezone the property to an "M2" Industrial District is more restrictive that the current zoning designation of an "M3" Industrial District.

On January 2, 2007, Granny's formally advised the Planning, Property, and Development Department that they had encountered a wide range of challenges on the property. The letter states that;

"Overcoming these challenges has *driven the cost of getting the land to "fully serviced" status, inclusive of all City of Winnipeg fees and charges, to a level that makes it unacceptable to our Board of Directors. More specifically, frontage levies, land drainage trunk sewer charges, City administrative costs (collected by the City towards the preparation and implementation of a servicing agreement) and sanitary sewer installation costs are projected to have pushed the purchase price of the land up by between $ 216,000 and $ 225,000 over what was already a significantly higher cost relative to options outside the City. In order to help bridge the gap between options outside and within the City of Winnipeg, Granny's is requesting economic development incentives to offset these extraordinary costs".*

Supporting Policy Considerations
The following summarizes City policy that would support the approval of economic development incentives for the Granny's consolidation and expansion.

Winnipeg City of Opportunity Economic Development Framework
"Most economic development comes from within, from the people and companies who are already committed to this place. Getting more of the fundamentals right for growing our own businesses so they can better compete, expand and create jobs, increases the opportunity for attracting other companies and entrepreneurs.

"In order for Winnipeg to grow and prosper, we need to build a strong economic climate that is attractive to investors, allows for easy business expansions and new business startups."

Plan Winnipeg 2020 Vision supporting Policy
2C-01 Develop and implement a Long-Term Economic Development Strategy
The City shall develop and implement a Long-Term Economic Development Strategy by:

- *i) focusing primarily on the concepts of local economic development and export enhancement which simultaneously support social, environmental, and economic needs;*
- *ii) developing strong partnerships with existing Winnipeg businesses and other governments*

2C-02 Facilitate Opportunities for Business Growth in Winnipeg
The City shall facilitate Opportunities for Business Growth in Winnipeg by:

- *i) implementing a support system which acknowledges the special needs of new, small, existing and growing businesses;*
- *ii) assisting business in meeting government requirements associated with new development and expansion, including streamlining procedures and regulations within the civic administration.*

2C-09 Support established and Emerging Sectors of Economic Growth

A local export-driven business enjoying high growth is of tremendous advantage to the community. There is synergy created across the local economy as a business's sustained growth results in the growth of jobs, capital, profits and taxes. Increased employment and corporate profits spur local spending and procurement activities in the community that circulate through the economy. This results in a further increase in employment, profits and capital accumulation by other local businesses.

A vibrant and expanding export-driven business can strengthen a diverse economic base by virtue of its success. In addition to the improvement of both local business and employment opportunities, the incremental municipal taxes generated through this multiplied effect allows for more investment in community infrastructure and resources.

Economic Impact Analysis
Granny's currently operate out of two facilities within Winnipeg; an owned facility at 84 Scurfield Blvd. as well as one leased facility at 1189 Pembina.

The Property Assessment and the Corporate Finance Departments have provided assessment and tax estimates for both the existing as well as the new facility.

The Existing Municipal Taxes are as follows:

Municipal Portion- 2006 Property Taxes (84 Scurfield)	$11,299
2006 Business Taxes (84 Scurfield)	$ 9,922
2006 Business Taxes (1189 Pembina)	$ 2,159
Total (Base Taxes)	$23,381

Estimated Future City Taxes are as follows:

Municipal Portion- Property Taxes	$33,413
Business Taxes	$19,574
Estimated FutureTotal	$52,987

The proposed Granny's project therefore represents an estimated annual incremental tax increase to the City of Winnipeg of $ 29,607 (say $ 30,000 rounded) annually. Although Granny's have stated that the project will not immediately create any new jobs as a result of the consolidation of their marketing sales office and their hatchery within Winnipeg, the new facility ensures that Winnipeg may be able to capitalize on Granny's continuing aggressive growth plans. The proposed site on Pandora is large enough to accommodate future expansion. Should the decision be to develop the facility outside of Winnipeg, the existing jobs and the current tax base would be lost, and it would virtually eliminate the chances of Winnipeg benefiting from such future private investment.

While experiencing no loss in existing tax base the City will directly benefit from the Development and Permit Fees payable on the project as well as the on-going Natural Gas and Hydro taxes.

Based upon the strong Policy foundation, the estimated annual incremental tax created by the project (approximately $ 30,000 annually), and consistent with current practice, the Planning. Property, and Development Department issued a conditional

Administrative Offer to Granny's on January 3rd, 2007. The conditional Administrative offer is subject to Council approval. The offer was confirmed on January 4, 2007 and Granny's requested that the Administration to proceed with the formal recommendation to Council.

It is recommended that City Council approve an Economic Development Incentive Grant of up to a maximum of $180,000 based upon six years (6) years of estimated incremental portion of taxes being granted back to Granny's. It is further recommended that the Economic Development Investment Reserve be the source of the Grant funding.

Council policy requires that incremental taxes attributable to this project be redirected to the Economic Development Investment Reserve until the investment has been repaid. The repayment does not include any interest amount, and it will commence in the first year that the incremental taxes can be calculated, notwithstanding that a tax credit or tax refund (grant) was provided to the property owner in that year.

Granny's would be responsible to make payment of all property and business taxes annually, and the actual incremental portion of taxes over the existing $23,380 (Base Taxes) would be paid back to Granny's in the form of a Grant. The Grant would extend over a six year term (2007 through 2012) and would be capped at a maximum of $ 180,000.

Also subject to Council's approval, the Administration recommend that the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

Financial Impact Statement

Date: January 5, 2006

Project Name: **First Year of Program** **2007**

Proposed Economic Development Incentive Grant for Granny's Poultry Co-Operative (Manitoba) Ltd.

	2007	2008	2009	2010	2011
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Less: Incremental Revenue/Recovery	30,000	30,000	30,000	30,000	30,000
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

In accordance with the recommendations of this report it is assumed that this grant would be payable over a six year period (2007 to 2012). It is also assumed that the portioned assessment, annual rental value, mill rate and business tax levy will remain constant for the 6-year timeframe of this analysis. Revenues represent incremental realty and business tax revenues based on the same assumptions. Over the course of the 6-year period, net revenues are equally offset by net expenditures so there is no impact on the current budget. The $180,000 credit will be financed by the Economic Investment Reserve Fund.

original signed by

Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Legal Services, Corporate Finance

External Consultation With:

Attachments:
Attachment 1- Granny's letter dated January 2, 2007
Attachment 2- Granny's confirmation of the Administrative Offer dated January 3, 2007

Grannys Poultry.pdf Grannys Signed Confirmation.pdf

THIS REPORT SUBMITTED BY:

Department Planning, Property, and Development
Division Office of the Director
Prepared by: Jim Paterson, Manager of Economic Development

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