REPORT OF THE

EXECUTIVE POLICY COMMITTEE

DATED MAY 27, 1996

On motion of Her Worship Mayor Thompson, the Report of the Executive Policy Committee dated May 27, 1996, was considered.

Her Worship the Mayor and Councillor:

Proposed Relocation And Expansion Of The J.M. Schneider Plant
Files EP-1 (Vol. 18), WW-2.3 (Vol. 10) & FE(1997)

755 - 1. The Executive Policy Committee has been advised that J.M. Schneider Inc. is proposing to develop and build a new hog processing facility in three phases, the timing of which is subject to the growth and availability of the hog market in Manitoba. Schneider's presently employs approximately 230 people with a total payroll of approximately $7.4 million and pay approximately $100,000 a year in business/property taxes. The proposed site is adjacent to the east side of Panet Road between Mission Street and Warman Road as outlined in Appendix "A". If this project goes ahead in Winnipeg, Schneider's payroll could ultimately be $17 million and they would pay approximately $500,000 a year in business/property taxes. Schneider's total investment would be approximately $40,000,000 and would employ between 500 to 600 people.

This project would be done in the following three phases:

Phase I (cutting and processing) - approximate timing is Spring 1996

- 100,000 sq.ft. facility on an approximately 20 acre site
- slaughter and chill will be in existing Winnipeg plant and shipped by truck to proposed facility
- employment would reach approximately 325.
- total investment is estimated to be $17,000,000 with construction scheduled to begin May/June 1996

Phase II (slaughter and chill) - approximate timing is 2 to 4 years

- 120,000 sq.ft. addition to facility to accommodate slaughter and chill operation
- capacity would be 58,000 hogs/week
- total investment is estimated to be $20,000,000
- employment could reach 400

Phase III (rendering) - approximate timing is 5 years

- 10,000 to 20,000 sq.ft. addition to house rendering operation
- employment could reach 500

Under the direction of the Executive Policy Committee, the Business Liaison and Intergovernmental Affairs Department, in conjunction with various other Civic Departments, has been meeting with Schneider's since June of 1995 regarding their proposed plant relocation/expansion. During the later stages of the discussions between the City of Winnipeg and Schneider's, it became evident that Schneider's was also investigating potential sites located outside of Winnipeg. Possible rural locations discussed were Steinbach, Portage La Prairie and Ste. Agathe. Although, in their opinion, each location offered various advantages, it was made known to the City of Winnipeg that the selection process had been narrowed down to either Winnipeg or Ste. Agathe.

Schneider's position, with respect to selecting a site in Winnipeg, was that certain conditions must be met by the City of Winnipeg to counter-balance incentives that Schneider's represented were being offered to them to locate in a rural municipality. These are generally described in the following paragraphs.

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A storm water retention pond is a precursor for both this project and the future development of the area as a whole. In essence, the City of Winnipeg will be "front-ending" the costs of this project. This is contrary to the typical manner in which the City participates in development agreements, namely that the developer would normally be responsible for all costs incurred by the city (such as the referenced pond) through new development. The City will recover the construction costs from future developers through the Mission Trunk Service Sewer Rate (TSR) charge.

The proposed agreement between Schneider's and the City of Winnipeg is also contingent upon the previously described storm water retention pond construction. In order to facilitate this, the City must purchase the property north of Mission Street adjacent to the Schneider's site as outlined in Appendix "A". The Land and Development Services Department is currently involved in the process to purchase the referenced site and relocate it's owner/occupant (Bison Asphalt and Paving). This acquisition will be subject to both Committee on Finance and Administration and Council approval.

During the ongoing discussions between the City and Schneider's, it was purported by Schneider's that in order for the City of Winnipeg to be on an equal economic standing (ie. initial start-up costs etc. being equal) with a rural site, the City would have to find a way to reduce the up front capital costs of the project to Schneider's by $750,000. It is recommended that this be accomplished within two years by any combination of, but not limited to, the following that totals $750,000:

- The City forgive the Mission Trunk Service Sewer Rate (TSR) respecting land drainage charges. This is currently estimated to be valued at $14,300 per acre for a total of $338,338.

- The City provide realty or business tax credits to the developer.

- An effluent surcharge credit.

During a meeting held on April 4, 1996, between the Mayor, representatives of J.M. Schneider Inc. and representatives of the City of Winnipeg Administration, a commitment was made to advise J.M. Schneider with what the administration felt was a "competitive" sewer rate structure. After preliminary review, members of the Executive Policy Committee were advised that a revised structure would represent a policy change of the City of Winnipeg with respect to sewer rates and would therefore require the approval of Council through a by-law amendment. It would be based on a "customer class" model (that is, an industrial class and several non-industrial classes would be created) and would be phased in over a five year period beginning in 1998. The administration is developing a policy report for submission to the Committee on Works and Operations, Executive Policy Committee and Council in the June/July 1996 time frame. It must be emphasized that although it is felt that the $3.00 target is a perception of a "competitive" rate and that any policy change is subject to Council approval, concurrence with these recommendations assumes support for the economic development strategy/approach proposed.

This requirement is concurrent with Schneider's desire to eliminate the possibility of any potential use on adjacent or nearby land jeopardizing their ability to meet all food processing/health regulations. The City can facilitate this through a zoning text amendment.

It is intended that the City enter into a formal agreement with J. M. Schneider Inc. which incorporates the foregoing, together with such other terms and conditions as outlined in Appendix "B".

To date there has been excellent cooperation between numerous departments within the Civic Administration to accomplish a complex, albeit incomplete, negotiation that could be of significant economic benefit to the City of Winnipeg as a whole. This continued cooperation and effort is both required and anticipated to occur.

It is therefore recommended that Council approve the proposed recommendations that will form the basis for an agreement between the City of Winnipeg and J.M. Schneider Inc. to relocate and expand the proposed plant.

The Executive Policy Committee recommends:

I. That City Council approve the following recommendations as they pertain to a proposed agreement between the City of Winnipeg and J.M. Schneider Inc. to relocate and expand the J.M. Schneider plant at the site shown, as outlined in Appendix "A"as per the following terms and conditions:

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i) That funding, estimated to be approximately $1.7 million, for property acquisition and construction of the proposed waste water retention pond, as outlined in Appendix "A" be appropriated from previous unexpended borrowing authority. (It is noted that the costs associated with the construction of said pond will be recovered through TSR charges to future developers). This acquisition will be subject to both Committee on Finance and Administration and Council approval.

ii) That an allocation of $750,000 be budgeted for in the 1997 Current Budget as a line item to cover the proposed grant to J.M. Schneider.

iii) That as part of the City's economic development strategy, a policy review of industrial sewer rates be undertaken with the view to achieve a targeted sewer rate for large volume users of $3.00/1000 (1996 dollars) gallons by incrementally reducing the 1997 rate of $4.592/1000 gallons (as per current Winnipeg City Council policy) to said target, adjusted for inflation, over the five-year period, from 1998 to 2002 and that the detailed implications of this policy direction be presented to the Committee on Works and Operations for approval. The administration is developing a policy report for submission to the Committee on Works and Operations, Executive Policy Committee and Council in the June/July 1996 time frame.

iv) That the Commissioner of Planning and Community Services undertake such action as necessary to ensure that no obnoxious land uses take place on neighboring properties which can adversely affect the licensing of the Schneider plant by government authorities for the manufacture and processing of food products on the subject lands.

v) That all city officers do all things necessary to accommodate the above recommendations including finalizing and arranging for execution of all agreements and documents contemplated within this report.

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

(See Minute No. 756 for attachments)

Moved by Her Worship Mayor Thompson,
Adoption of the clause.

Moved by Councillor Golden,
That Council go into Committee of the Whole.

The motion that Council go into Committee of the Whole was put.

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

Yea: Councillors Golden, Thomas and Angus. 3

Nay: Councillors Prystanski, Clement, Lazarenko, Lubosch, Murray, O'Shaughnessy, Phillips, Silva, Steek, Timm-Rudolph, Vandal, Deputy Mayor Eadie and Her Worship Mayor Thompson. 13

and the motion was declared lost.

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

The Speaker here returned to the Chamber and resumed the Chair.

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