Agenda - Executive Policy Committee - June 11, 2008

REPORTS

Item No. 3 Weston Bakery Plant – Economic Development Incentive Grant (River Heights-Fort Garry Ward) File G-8

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That subject to Weston Bakeries Limited & Ready Baked Foods Inc. (Weston's) developing the lands located at 1501 Chevrier Blvd., City Council approve:

1. An Economic Development Incentive Grant in an amount equivalent to the incremental portion of municipal realty and business taxes paid annually in respect of the subject property over a period not exceeding 4 years (2009 through 2012) and in a total amount not exceeding $200,000;

2. The source of funding to come from the Economic Development Investment Reserve;

3. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement the foregoing; and

4. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

RE: Weston Bakery Plant – Proposed Economic Development Incentive Grant

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Phil Sheegl, Director of Planning, Property and Development

REPORT DATE: May 7, 2008

RECOMMENDATION:

That subject to Weston Bakeries Limited & Ready Baked Foods Inc. (Weston's) developing the lands located at 1501 Chevrier Blvd., City Council approve:

1. An Economic Development Incentive Grant in an amount equivalent to the incremental portion of municipal realty and business taxes paid annually in respect of the subject property over a period not exceeding 4 years (2009 through 2012) and in a total amount not exceeding $200,000;
2. The source of funding to come from the Economic Development Investment Reserve;
3. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement the foregoing; and
4. That the proper Officers of the City do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

- Weston's is a major Canadian food processor and distributor, with a number of operations also in the United States. Weston's is one of two main commercial bakeries located in the City of Winnipeg (Lucerne Bakeries being the other).
- Weston's existing facility at 666 Elgin Ave. is out-dated and inefficient.
- Weston's is planning to invest $25 M to construct a new state-of-the-art 115,000 to 120,000 sq. ft. bakery and distribution plant in Winnipeg.
- Weston's are proposing to construct their new plant at 1501 Chevrier Blvd. (the site of the former Provincial High Security Court House).
- The new Weston's plant will generate an overall estimated incremental increase of municipal realty taxes of $48,500 and $55,927 Business Taxes annually.
- The Public Service is recommending an Economic Development Incentive Grant based upon an amount equivalent to the incremental portion of municipal realty

taxes paid annually for the new plant on Chevrier Blvd. over a period not exceeding 4 years (2009 through 2012) and in a total amount not exceeding $200,000.

Implications of the Recommendation(s):

General Implications

() None

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

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

(x) Involves a multi-year contract

Comment(s):
The incentive grant would be provided for a four-year (2009-2012) period to a maximum amount of $200,000.

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):
The Economic Development Incentive Grant would be based on the incremental municipal portion of the property taxes created by the project, estimated at $64,000 annually, minus the tax revenue lost from Weston's existing location, 666 Elgin Ave. ($15,500). This would result in an over-all estimated increase of municipal realty taxes of $48,500 annually. The incentive grant would be provided for a four-year period (2009 through 2012) to a maximum amount of $200,000.

Report

REASON FOR THE REPORT:

Council approval is required to use the Economic Development Investment Reserve to fund strategic economic development incentive projects.

HISTORY:

George Weston Limited ("Weston" or the "Company") is a Canadian public company founded in1882 and through its operating subsidiaries constitutes one of North America's largest food processing and distribution groups. Weston has two reportable operating segments: Weston Foods and Loblaw Companies Limited ("Loblaw"). The Weston Foods operating segment is primarily engaged in the baking and dairy industries within North America. Loblaw is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Weston Foods' network of production facilities spans North America with a growing presence in the Midwest and Southeast United States. In order to be successful in delivering long term value and to fulfill its long term objectives of security and growth, the Company employs various operating and financial strategies in order to achieve its long term vision:

• focusing on core brands, products, customers and markets;
• focusing on the development of new products to grow market share and penetration;
• ensuring its range of products is meeting the nutritional and dietary concerns of consumers;
• ongoing cost reduction initiatives to ensure a low cost operating structure and economies of scale;
• simplifying and removing complexity from both manufacturing and distribution processes;
• targeting strategic acquisitions and relationships to broaden market penetration and expand geographic presence; and
• continuous capital investment to strategically position production facilities across North America to support growth and enhance productivity and efficiencies.

Weston's is currently operating out of 666 Elgin Avenue, (Southwest corner of Elgin Avenue and Sherbrook Street) on a site, approximately 1.3 acres in area. They currently employ 104 people at their Elgin plant.

DISCUSSION:
Weston's existing facility at Elgin is out-dated and is in a state of needed repairs. Site constraints make re-development impractical. Weston's is planning to invest $25 M to construct a new state-of-the-art 115,000 to 120,000 sq. ft. bakery and distribution plant which would include approximately 7 additional FTE's for a total of 121 employees.

On February 26, 2007 Weston's approached the Planning, Property and Development Department to outline their plans for a new bakery plant. At that time, Weston's were considering two cities, Winnipeg or Regina. They indicated that the City of Regina was offering an Economic Development Incentive; however, they did not disclose the offer.

By letter dated June 1, 2007 the Planning, Property and Development Department received a request for financial assistance in the form of an Economic Development Incentive Grant. Additionally, Weston's initiated discussions with the Province of Manitoba to acquire the property at 1501 Chevrier Blvd. (former Provincial High Security Court House).

The Public Service was requested to hold this report in abeyance during discussions / negotiations with the Province. It is our understanding that the Province and Weston's have reached an agreement. We further believe that the Province will acquire Weston's property at 666 Elgin Avenue. The Planning, Property and Development Department do not know what arrangements have been made with respect to the Elgin property. However, it would appear likely that the lands will be made available to the Health Sciences Centre.

FINANCIAL IMPACT

Current and estimated Assessment, Realty, and Business Tax information is as follows:

Current tax information (2006) for 666 Elgin Avenue.

Total Assessment (Actual)	Municipal Portion Realty Taxes (Actual)	Business Taxes (Actual)
$937,000	$15,500	$23,223

Current tax information (2006) for 1501 Chevrier Blvd.

Total Assessment (Estimated)	Municipal Portion Realty Taxes (Estimated)	Business Taxes (Estimated)
$1,589,000	$42,196	$0

Estimated tax information following re-development of 1501Chevrier Blvd.

Total Assessment (Estimated)	Municipal Portion Realty Taxes (Estimated)	Business Taxes (Estimated)
$6,407,000	$105,980	$79,150

Total Net Incremental Taxes

Total Net Assessment (Estimated)	Net Municipal Portion Realty Taxes (Estimated)	Net Business Taxes (Estimated)
$3,881,000	$48,285	$55,927

Weston's is one of two main commercial bakeries located in the City of Winnipeg, Lucerne Bakeries being the other main bakery. Ensuring Weston's remains in the City will benefit the trucking and flour mill industry.

1501 Chevrier Blvd. is currently zoned M2 Industrial District and is located within an Industrial Policy Area under Plan Winnipeg. In accordance with 2C-02 of Plan Winnipeg*, the city shall facilitate opportunities for business growth in Winnipeg by implementing a support system which acknowledges the special needs of new, small, existing, and growing businesses*.

The Public Service recommends that on the basis of the policy merit as noted above, that an Economic Development Incentive Grant of up to a maximum of $200,000 be provided. The Grant would be payable over a four year period and would be based on the total net amount of the municipal portion of realty tax, estimated at $48,500 annually to a maximum amount of $200,000.

Financial Impact Statement

Date: May 6, 2008

Project Name:

Weston Bakery Plant at 1501 Chevrier Blvd.

First Year of Program **2009**

	2009	2010	2011	2012	2013
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	$ 48,500	$ 48,500	$ 48,500	$ 48,500	$ -
Less: Incremental Revenue/Recovery	-	48,500	48,500	48,500	48,500
Net Cost/(Benefit)	$ 48,500	$ -	$ -	$ -	$ (48,500)
Less: Existing Budget Amounts	48,500	-	-	-	(48,500)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs consist of the estimated amount of the tax credit to be provided to Weston's from 2009-2012 (total estimated is $198,000) to be financed from the Economic Development Investment Reserve (EDIR). Incremental municipal property taxes would then be credited back to the EDIR from the General Revenue Fund beginning in 2010.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Legal Services

External Consultation With:

N/A


Weston Bakery Plant.pdf

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development
Division: Office of the Director
Prepared by: Barry Thorgrimson
PPD File No.

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Winnipeg

Planning, Property & Development Department • Service de l'urbanisme, des biens et de l'aménagement

Office of the Director • Bureau du directeur

(204) 986-6633
Fax / Téléc. : (204) 947-2284

March 29, 2007

Weston Bakeries Limited & Ready Baked Foods Inc.
2nd Floor, 5819 2nd Street S. W.
Calgary, Alberta
T2H 0H3

ATTENTION: Mr. E. J. Holik, Vice-President & General Manager, Western Canada

Dear Mr. Holik:

RE: BAKERY PLANT - ECONOMIC DEVELOPMENT INCENTIVE GRANT

On behalf of the City of Winnipeg, we thank you for the opportunity to present a proposal to Weston Bakeries Limited & Ready Baked Foods Inc. with regard to the proposed establishment and re-development of your bakery plant within Winnipeg.

We understand from the information conveyed to us at our meeting on February 26, 2007, that Weston's is planning to construct between a 115,000 – 120,000 sq. ft. bakery plant to replace your existing facility located at 666 Elgin Avenue. We also understand that you have a conditional offer/agreement with the Province of Manitoba to acquire a 10 acre parcel of land at 1501 Chevrier Blvd. We further understand that the total value of your project including building and new equipment is approximately $25 Million and would include 121 full-time positions.

Your project aligns with the current Council-adopted Economic Development Policy. Therefore, we can confirm that based upon the information that you have provided, we would be prepared to recommend to Council, that the City of Winnipeg approve an economic incentive package estimated at a maximum of $200,000 based upon conditions as follows:

The proposal would provide Weston's with an economic development incentive grant of up to $200,000 to be paid out over a full four year period. The grant amount has been estimated at approximately $50,000 annually. The grant amount was determined in recognition of the new

incremental municipal portion of property taxes and business taxes created at your new proposed facility at 1501 Chevrier Blvd.. The total grant amount would be capped at a maximum of $200,000.

This conditional administrative offer will be subject to Weston's satisfying conditions including:

1. That Weston Bakeries Limited & Ready Baked Foods Inc. be located within the city of Winnipeg.

2. That the planned new development be approximately 115,000 – 120,000 sq. ft. with an approximate $25 M total private investment.

At this time you will appreciate that this proposal is an administrative recommendation only and will require the approval of City Council as well as be subject to a mutually acceptable formal agreement including terms and conditions.

If you are in agreement with this proposal and wish to proceed, please sign the confirmation portion of this letter and return it to us at your earliest convenience.

We look forward to working with Weston's in support of your proposed establishment and re-development of your bakery plant within Winnipeg. We trust that the content of this letter is self-explanatory, but should you have any questions, please do not hesitate to contact Mr Barry Thorgrimson, A/ Manager of Economic Development at 986-8165.

Yours truly,

Jim Paterson, A/Director
Planning, Property and Development Department

c.c. Annitta Stenning, Chief Administrative Officer
Barry Thorgrimson, A/Manager of Economic Development

CONFIRMATION:

We request that the Planning, Property, and Development Department proceed with the formal recommendation to Council of our economic incentive package based upon the above-stated terms and conditions.

Weston Bakeries Ltd & Ready Baked Foods Inc.

June 1/07
Date