Canada West Foods Tax Credit
File FL-2.6 (Vol. 1)

14. The Executive Policy Committee has been advised that Canada West Foods Limited wishes to locate its operations in an existing building in the St. Boniface Industrial Park. Canada West will be making a very significant financial investment in this project and has requested tax incentives that would make the Winnipeg location competitive with its other facilities in Innisfail, Alberta and Chilliwack, B.C.

The City of Winnipeg considers support to such a venture as a strategic, long-term economic development investment in Winnipeg's economy, particularly in the food processing industry, which is one of Winnipeg's key economic sectors. The project in question meets the necessary criteria as laid out in the City's Homegrown Economic Development Strategy.

Several conversations were held with Gary Haley, President and CEO of Canada West Foods, in 2001, who had expressed an interest in opening a facility in Winnipeg, but indicated that he was hoping to "bring the price down a bit." He pointed out that land costs in Winnipeg were significantly higher than in Innisfail, Alberta and Chilliwack, BC – the other two towns in which Canada West has processing facilities.

Canada West will spend approximately $14.7 million on a building and equipment. The factory is expected to employ about 170 people when fully operational.

Using the "Schneiders Model," Canada West would be eligible for tax credits based on the incremental value of their annual business and municipal taxes over a three-year period ($57,000.00 x 3), which is approximately $171,000.00.

Canada West's total investment in the Winnipeg facility is anticipated at $13,552,829.00, which includes $3.8 million to purchase and upgrade 41 Paquin Road and $8 million in equipment. Annual sales resulting from this facility are anticipated to be between $50 and $75 million. Job creation will be between 110 and 125 Full Time Equivalents (FTEs).

The support principles are as follows:

1. The tax credit is in line with other economic incentive precedents in that it is based on a grant to the company accumulated by calculating the total value of their incremental municipal and business taxes on the project in question.

2. The incentive provided reflects the strategic importance of the food processing industry to Winnipeg's economy and is commensurate with the guidelines outlined in the Council-adopted Homegrown Economic Development Strategy.

3. Funds approved by Council would be sourced by the City of Winnipeg in a designated account to pay down actual charges (for example, property and business taxes).

4. Upon construction of this project, Canada West's municipal and business taxes will increase by approximately $57,000.00 annually.

The Province of Manitoba has also participated in this expansion, contributing $25,000.00 to the design process of the facility and are planning to contribute a further $50,000.00 - $200,000.00 in training support to Canada West as well, depending on the type and scale of the program.

Canada West's investment is estimated at $13.5 million, while the City has been asked to provide $171,000.00 over three years. The ratio of investment is therefore 78:1.

The proposed conditions of support for the tax credit are as follows:

I. That an agreement between the City of Winnipeg and Canada West Foods Limited for purposes of supporting the expansion of their operations be finalized by the Chief Administrative Officer, subject to the following conditions:

a) That Canada West Foods establish and at all times maintain and operate the project in accordance with all laws, bylaws, directions, rules and regulations and obtain any and all necessary permits and licenses of any federal, municipal or provincial authority having jurisdiction as may be required to construct and operate the project;

b) That property taxes are paid in full when due for each taxation year;

c) That, should Canada West Foods not complete the project, the grant monies be withheld;

d) 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.

The benefits of the proposal are as follows:

1. Canada West's incremental and business taxes will amount to approximately $57,000.00 annually;

2. The project will create approximately 170 jobs (110-125 FTEs).

For the information of Council, the Financial Impact Statement as outlined on Appendix "A" indicates that from 2002 - 2004 the project is expected to be funded from the Economic Development Investment Reserve and the Reserve is expected to be replenished by 2007 by additional tax revenue. The analysis does not factor in municipal mill rate changes.

The Executive Policy Committee recommends:

I. That City Council approve the following recommendation as it pertains to a proposed agreement between the City of Winnipeg and Canada West Foods Limited with regard to the latter's request for tax credits arising out of its opening of a food processing facility in Winnipeg:

- That an investment credit in the total amount of $171,000.00 be made available to Canada West Foods over a three-year period;

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

Financial Impact Statement:

Project Name: Canada West Foods Tax Credit

Date: February 12, 2002 First Year of Program **2002**

	2002	2003	2004	2005	2006
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	$ 57,000	$ 57,000	$ 57,000		
Less: Incremental Revenue/Recovery				57,000	57,000
Net Cost/(Benefit)	$ 57,000	$ 57,000	$ 57,000	$ (57,000)	$ (57,000)
Less: Existing Budget Amounts	57,000	57,000	57,000	(57,000)	(57,000)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: From 2002-2004, the project is expected to be funded from the Economic Development Investment Reserve and the Reserve is expected to be replenished by 2007 by additional tax revenue. The above analysis does not factor in municipal mill rate changes.

P. Bodnar

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