Minute No. 34
Report – Executive Policy Committee – November 9, 2011

Item No. 5 **Memorandum of Understanding – Strategic Economic Development Incentive – Expansion of Maple Leaf Foods Inc. operation at 870 Lagimodiere Boulevard (St. Boniface Ward)**

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the assignment of incremental municipal property taxes be approved for seven years or to a maximum of $900,000, funded from the Economic Development Investment Reserve, as a strategic economic development incentive in support of a proposal by Maple Leaf Foods Inc. to expand and upgrade their Winnipeg facility at 870 Lagimodiere Boulevard.

2. That the approval in Recommendation 1 be conditional on the completion by Maple Leaf Foods Inc. of their facility redevelopment project as proposed in a Tri-partied Memorandum of Understanding by March of 2013.

3. 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.

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

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,

That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 9, 2011, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: Approval of a Memorandum of Understanding to provide a strategic economic development incentive for the expansion of Maple Leaf Foods Inc. operation at 870 Lagimodiere Boulevard.

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	B. Thorgrimson	M. Ruta CFO	D. Joshi, COO

RECOMMENDATIONS

1. That Council approve the assignment of incremental municipal property taxes for seven years or to a maximum of $900,000, funded from the Economic Development Investment Reserve, as a strategic economic development incentive in support of a proposal by Maple Leaf Foods Inc. to expand and upgrade their Winnipeg facility at 870 Lagimodiere Boulevard.

2. That Council approval above is conditional on the completion by Maple Leaf Foods Inc. of their facility redevelopment project as proposed in a Tri-partied Memorandum of Understanding by March of 2013.

3. 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,

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

REASON FOR THE REPORT

Council approval is required for the assignment of incremental municipal taxes in support of strategic economic development incentives.

IMPLICATIONS OF THE RECOMMENDATIONS

- Maple Leaf Foods Inc. will transform its 870 Lagimodiere Boulevard location as a centre of excellence in Winnipeg for bacon and value-added ham products. The redeveloped facility will result in:
    - A facility expansion of approximately 70,000 square feet
    - Introduction of state of the art equipment and technology
    - Construction of an on-site wastewater pre-treatment facility
    - An overall investment of approximately $84 million

- The redevelopment will result in annual municipal incremental property taxes estimated as follows:
    - Estimate based on proposed expansion & investment $245,000
    - Less: Current Municipal Property Taxes (2011) $109,000
    - Annual Incremental Municipal Property Tax Estimate **$135,000**
- The redevelopment will also add approximately 350 food processing-related jobs at the facility.
- Per Council policy, the incremental municipal property taxes received from this project will be redirected to the Economic Development Investment Reserve until the investment is repaid.

Our Winnipeg policy support:

- Provide a predictable and cost-effective business environment that promotes investment and growth
- Maintain strong intergovernmental cooperation
- Collaborate with all public, private and community economic development agencies to advance economic advantages
- Sustainable Water and Waste

HISTORY

Maple Leaf Foods Inc. is Canada's largest value added meat and bakery company. The company has been pursuing a phased value creation plan that involves a downsizing of a number of operations and capital enhancement of remaining facilities to successfully compete in an international market. The plan will enhance the scale, productivity and global competitiveness of their prepared manufacturing and distribution network.

During the summer, Maple Leaf Inc. approached the City of Winnipeg and the Province of Manitoba along with Economic Development Winnipeg regarding incentives that could be provided in support of creating a centre of excellence at the existing Maple Leaf facility at 870 Lagimodiere Boulevard. As a result of ongoing discussions, the Province took the lead in drafting a Memorandum of Understanding representing the expressed intentions of each of the three parties – Maple Leaf Inc., the Province of Manitoba and the City of Winnipeg.

A Memorandum of Understanding was signed by representatives from Maple Leaf Foods Inc, the Province of Manitoba and the City of Winnipeg on October 17, 2011. Intentions of the City of Winnipeg conditional on approval by City Council are stated in the Memorandum of understanding as follows:

- An assignment of incremental municipal property taxes generated by the expansion of the facility for a maximum period of seven years
- Where on-site waste water pre-treatment is successfully implemented, the waste water over-strength surcharge would be avoided and a 30% large volume user discount would be applied on sewer charges over $100,000
- Access to preferred customer permitting, offering approval of building permits based on the proposed construction timeline
- Enhanced transit service to provide additional capacity on existing routes to meet additional employee demand

On October 19, 2011, Maple Leaf Foods Inc. formally announced their decision to establish a centre of excellence in Winnipeg for bacon and value-added ham products. The announcement secures Winnipeg as a city of choice in the company's final phase of its consolidation and value creation plan.

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 20, 2011

Project Name: **First Year of Program** **2013**

Approval of a Memorandum of Understanding to provide a strategic economic development incentive for the expansion of Maple Leaf Foods Inc. operation

	2013	2014	2015	2016	2017 to 2019
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	$ 101,250	$ 135,000	$ 135,000	$ 135,000	$ 393,750
Less: Incremental Revenue/Recovery	-	101,250	135,000	135,000	528,750
Net Cost/(Benefit)	$ 101,250	$ 33,750	$ -	$ -	$ (135,000)
Less: Existing Budget Amounts	101,250	33,750	-	-	(135,000)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2013 represent the recommended economic development incentive tax credit. The 2013 amount has been prorated based on the assumption that the expanded property is added to the tax roll effective April 1, 2013. Incremental revenues beginning in 2014 represent the incremental portion of municipal taxes being credited back to the Economic Development Investment Reserve. The financial implications associated with enhanced transit service are not reasonably determinable at this time and have not been included in this analysis. The impact of avoiding the waste water over-strength surcharge and a potential 30% large volume user discount on sewer charges over $100,000 have also not been included in this analysis.

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

CONSULTATION

In preparing this report there was consultation with:

Water and Waste Department
Winnipeg Transit Department
Assessment & Taxation Department
Legal Services Department
Economic Development Winnipeg
Province of Manitoba

SUBMITTED BY

Department: Planning, Property and Development
Division: Economic Development
Prepared by: Gary Holmes
Date: October 20, 2011
File No.

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