Agenda – Council – April 30, 2014

Report – Executive Policy Committee – April 23, 2014

Item No. 6 Strategic Economic Incentive – Canadian Tire Corporation

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 23, 2014, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That a strategic economic incentive grant to Canadian Tire Corporation (CTC) be approved in the amount of $30,000 annually for a period of 10 years to a maximum of $300,000.00 subject to:

    A. Confirmation of Provincial funding participation of a minimum of $300,000.00.
    B. Completion of the CTC project by April 2014 in that the Canadian Tire Cloud Computing Centre will be fully occupied and operational.
    C. Creation of a minimum of 50 new jobs over a period of three years from the date of Council approval;
    D. Continuance of these 50 jobs until the ten year grant period expires;
    E. In the event the 50 new jobs or any portion thereof are not continued until the ten year grant period expires, the grant shall be reduced by a percentage equal to that percentage of jobs that have not been continued; and
    F. Execution of a grant agreement between the City and CTC outlining the terms and conditions of the City's contribution.

2. That the Economic Development Incentive Reserve (EDIR) be the source of funding for the strategic economic incentive grant in Recommendation 1.

3. That for the purpose of Recommendation 1, the operating parameters be waived for the EDIR to fund projects directly and receive the equivalent of incremental tax revenues from projects in which it has invested.

4. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the grant agreement in accordance with the foregoing and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

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

Report – Executive Policy Committee – April 23, 2014

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 23, 2014, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: **Strategic Economic Incentive – Canadian Tire Corporation**

Critical Path: **Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	B. Thorgrimson	M. Ruta	D. Joshi A/CAO

RECOMMENDATIONS

1. That a strategic economic incentive grant to Canadian Tire Corporation (CTC) be approved in the amount of $30,000 annually for a period of 10 years to a maximum of $300,000.00 subject to:

    a. Confirmation of Provincial funding participation of a minimum of $300,000.00.
    b. Completion of the CTC project by April 2014 in that the Canadian Tire Cloud Computing Centre will be fully occupied and operational.
    c. Creation of a minimum of 50 new jobs over a period of three years from the date of Council approval;
    d. Continuance of these 50 jobs until the ten year grant period expires;
    e. In the event the 50 new jobs or any portion thereof are not continued until the ten year grant period expires, the grant shall be reduced by a percentage equal to that percentage of jobs that have not been continued; and
    f. Execution of a grant agreement between the City and CTC outlining the terms and conditions of the City's contribution.

2. That the Economic Development Incentive Reserve (EDIR) be the source of funding for the strategic economic incentive grant in Recommendation 1.

3. That for the purpose of Recommendation 1, Council waives the operating parameters for the EDIR to fund projects directly and receive the equivalent of incremental tax revenues from projects in which it has invested.

4. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the grant agreement in accordance with the foregoing and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

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

REASON FOR THE REPORT

1. Council approval is required for all grants from the City of Winnipeg
2. Council approval is required for disbursement from the Economic Development Investment Reserve.

IMPLICATIONS OF THE RECOMMENDATIONS

- The approval of funding will reflect collaborative participation by the City of Winnipeg and Province of Manitoba with Economic Development Winnipeg Inc. (EDW) and its Business Development Team, "Yes!Winnipeg", in a comprehensive economic development strategy for Winnipeg that builds the economic development policy foundation contained in *OurWinnipeg*.

HISTORY / DISCUSSION

History

- On September 25, 2012 Canadian Tire Corporation (CTC) made initial contact with Manitoba Innovation, Energy & Mines (Science, Innovation & Business Development Division (SIBD))
- On October 4, CTC met with SIBD to discuss their interest in Manitoba. SIBD subsequently began coordinating a meeting of initial Manitoba partners to brief them on the opportunity and solicit participation in a community proposal to the company.
- The opportunity was identified as highly confidential.
- An initial partners meeting took place on October 11, 2012 with attendance from SIBD, Manitoba Hydro, the ICT Association of Manitoba, New Media Manitoba, Economic Development Winnipeg (EDW), Yes! Winnipeg, ETT-Industry Workforce Development, and IEM – Business Transformation & Technology. Yes!Winnipeg was subsequently asked to deliver a presentation to CTC on behalf of all initial partners and others who would later be asked to participate.
- In November 2012, EDW advised the City of Winnipeg of this potential economic development opportunity involving the location of an innovative "Cloud Computing" and data content warehouse centre operation in Winnipeg.
- Winnipeg's stakeholder team was asked to sign a non-disclosure agreement and respond with a competitive position in response to the proponent company's location decision process in December.
- In conjunction with this response, EDW advised the Planning, Property and Development Department (the Department) of the magnitude of the opportunity by a Canadian company whose "Cloud" operation claimed to house some of the most advanced computers and equipment in the world.
- In order to table Manitoba's offer, the Department was requested to provide a preliminary letter of interest on behalf of the City of Winnipeg in order to be considered for this opportunity. A letter was provided in December 2012.

- Winnipeg was successful in its consideration as a candidate along with other competing jurisdictions.
- In February 2013, Canadian Tire Corporation requested execution of a further non-disclosure agreement by appropriate City of Winnipeg staff in order to pursue discussions specific to permit application and turnaround times.
- In March 2013, the Department was advised that Winnipeg was the selected site and timelines were provided including pending announcement details. Canadian Tire Corporation requested that all project information remain privileged and confidential under the terms of the previously executed Non-Disclosure Agreement. Necessary communication regarding a forthcoming public announcement was coordinated immediately thereafter.

Discussion

- Canadian Tire Corporation is executing the next phase of its innovation strategy and will be opening the "Canadian Tire Cloud Computing Centre" in Winnipeg, Manitoba in the fall of 2013.
- This centre is claimed to be one the most advanced centres of its kind in North America and is proposed to house a digital content warehouse, application lab, testing lab and high performance data centre that will serve as the core digital hub for the Canadian Tire Family of Companies.
- The Canadian Tire Cloud Computing Centre in Winnipeg will add 50 new Winnipeg-based employees to the Canadian Tire's Information Technology Team in its first year and will be used to host the Company's new "App. Factory", where advanced digital solutions will be developed.
- The Winnipeg location selected is one floor of the Air Canada building at 355 Portage Avenue within Downtown Winnipeg and adjacent to the emerging SHED District.
- The physical location chosen in Winnipeg will be a leased space in a building that is not owned by the proponent. Therefore, for incentive purposes the City was unable to offer incremental property taxes typical of the operating parameters of the EDIR. However, the City was able to offer expedited permit processing and turnaround times that supported Canadian Tire Corporation's critical project timelines.
- The collaboration among a number of stakeholders including the City of Winnipeg, Economic Development Winnipeg and the Province of Manitoba was integral in successfully competing with other major jurisdictions for this opportunity.
- With regards to support from The Province of Manitoba, the City has been advised that support has been pledged through:
    - 2013 Budget revisions and expansion of the Data Processing Centre Investment Tax Credit (DPCITC) Program. The program allows any taxable Canadian corporation with a permanent establishment in Manitoba that acquires at least $10 million of incremental eligible data processing equipment in a taxation year to qualify for an 8% refundable investment tax credit. Companies that are primarily engaged in data processing in Manitoba will be eligible for a further 4.5% credit on data centre buildings. Based on the anticipated levels of eligible capital investment by Canadian Tire Corporation, it is expected that the company will qualify for an amount of support that may extend beyond $700K. Revisions to the DPCITC will come into effect as soon as the 2013 budget is approved and the legislation is passed.

- Conditional training support has also been pledged by the Province of Manitoba for eligible training expenses and related capital expenditures to a maximum of $6000 per job. Should the company choose to create jobs in excess of 50, Manitoba Entrepreneurship, Training and Trade has indicated its willingness to consider support for incremental training requirements as well. Treasury Board approval is required.

- During the confidential communication from Senior Representatives of Canadian Tire Corporation recognized Winnipeg's burgeoning technology community as the key factor for Winnipeg's selection.
- Winnipeg's responsiveness regarding permit processing timelines was also seen to be very impressive.
- A significant byproduct of this opportunity will be the community's ability to attract, educate and retain students as well as experienced graduates of the information technical and communication sectors.
- The Canadian Tire Cloud Computing Centre is currently operational with continued addition of capabilities and 4 full time staff onsite. Construction is almost complete on their digital lab area and Canadian Tire has advised of their plans to add significant additional staff in the spring of 2014.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 9, 2014

Project Name: **First Year of Program** **2014**

Strategic Economic Incentive – Canadian Tire Corporation

	2014	2015	2016	2017	2018 to 2023
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	$ 180,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 180,000
Less: Existing Budget Amounts	30,000	30,000	30,000	30,000	180,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Based on the assumption that the Strategic Economic Incentive agreement will be effective beginning in 2014, an annual grant of $30,000 will be paid from 2014 to 2023 inclusive (subject to conditions noted in Recommendation # 1). The source of funding for the grant payments will be the Economic Development Investment Reserve.

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

CONSULTATION

In preparing this report there was external consultation with:

- Manitoba Innovation, Energy & Mines
- Economic Development Winnipeg and its Business Development Team -- Yes! Winnipeg
- Legal Services Department

SUBMITTED BY

Department: Planning, Property and Development
Division Economic Development
Prepared by: Gary Holmes, Manager of Economic Development
Date: April 15, 2014

File name: o:\reports directive\Office of the Director\Manager of Economic Development\2014 Reports\ 2014 04 04 RIS Report – Canadian Tire Economic Incentive