Agenda – Council – May 27, 2014

Report – Executive Policy Committee – May 14, 2014

Item No. 3 Strategic Economic Investment Grant – Price Industries Limited

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 14, 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 investment grant to a maximum of $800,000 over 15 years be provided to Price Industries Limited in support of their proposed facility expansions at 638 Raleigh Street, (encompassing legal addresses including 634 and 638 Raleigh and 633 and 639 Golspie) and 404 Egesz Street as follows:

    a. An annual grant equal to 100% of the incremental municipal property taxes otherwise payable with respect to 638 Raleigh Street, subject to completion of the Phase 1 Expansion as proposed herein, for a period of five consecutive years thereafter;

    b. An annual grant equal to 100% of the incremental municipal property taxes otherwise payable with respect to 404 Egesz Street, subject to completion of the Phase 2 Expansion as proposed herein, for a period of five consecutive years thereafter; and

    c. An annual grant equal to 100% of the incremental municipal property taxes otherwise payable with respect to 638 Raleigh Street and 404 Egesz Street for each alternate year over an additional 10 year period respectively.

2. That the above grant be subject to confirmation from the Province of Manitoba of their financial support for the proposed expansion project.

3. That the funding source for the strategic economic investment grant be the Economic Development Investment Reserve Fund (EDIR).

4. That the City enter into a Grant Agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services to implement the intent of the foregoing.

Report – Executive Policy Committee – May 14, 2014

5. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Grant Agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services, in accordance with the terms and conditions set forth in this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

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

Report – Executive Policy Committee – May 14, 2014

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 14, 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 Investment Grant – Price Industries Limited**

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 investment grant to a maximum of $800,000 over 15 years be provided to Price Industries Limited in support of their proposed facility expansions at 638 Raleigh Street, (encompassing legal addresses including 634 and 638 Raleigh and 633 and 639 Golspie) and 404 Egesz Street as follows:

    a. An annual grant equal to 100% of the incremental municipal property taxes otherwise payable with respect to 638 Raleigh Street, subject to completion of the Phase 1 Expansion as proposed herein, for a period of five consecutive years thereafter;
    b. An annual grant equal to 100% of the incremental municipal property taxes otherwise payable with respect to 404 Egesz Street, subject to completion of the Phase 2 Expansion as proposed herein, for a period of five consecutive years thereafter; and
    c. An annual grant equal to 100% of the incremental municipal property taxes otherwise payable with respect to 638 Raleigh Street and 404 Egesz Street for each alternate year over an additional 10 year period respectively.
2. That the above grant be subject to confirmation from the Province of Manitoba of their financial support for the proposed expansion project.
3. That the funding source for the strategic economic investment grant be the Economic Development Investment Reserve Fund (EDIR).
4. That the City enter into a Grant Agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services to implement the intent of the foregoing.
5. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Grant Agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services, in accordance with the terms and conditions set forth in this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.
6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required for all grants from the Economic Development Investment Reserve.

IMPLICATIONS OF THE RECOMMENDATIONS

Price Industries will proceed with an expanded advanced manufacturing facility in Winnipeg at the 638 Raleigh Street site and at their 404 Egesz Street location as follows:

***Phase 1 Expansion* - 638 Raleigh Street – Proposed Completion: July 2014**

- Price Controls
  - New Construction of 15,000 sf. of space at a cost of $900,000
  - Fit out at a cost of $600,000
  - Estimated New Jobs: 40
  - Annual Sales Estimate — year 5: $15,000,000

- Price Electronics
  - New Construction of 15,000 sf. of space at a cost of $900,000
  - Fit out / equipment at a cost of $600,000
  - Estimated New Jobs: 35
  - Annual Sales Estimate — year 5: $15,000,000 (from present level of $6,000,000)

- Space for Future Expansion
  - New Construction of 20,000 sf. of space at a cost of $1,200,000
  - Estimated New Jobs: 50

- Expansion of Price Research Centre North
  - Testing Chamber Construction at a cost of $1,000,000
  - Equipment, including testing and computers at a cost of $1,500,000

***Phase 2 Expansion* - 404 Egesz Street site - Proposed Completion: 2016**

- Price Mechanical
  - New Construction of 40,000 sf. (rather than in USA) at a cost of $2,500,000
  - Parking Expansion (immediate) at a cost of $750,000
  - Estimated New Jobs: 100

- The recommended strategic economic investment incentive represents a total of 10 years of estimated full incremental taxes otherwise payable over a period of 15 years, subject to the completion of the expansion phases and introduction of new jobs in Winnipeg as proposed above.
- Starting in Year 6 of the 15 year post-expansion period, the City of Winnipeg will see a 100% return on incremental municipal property taxes in years 6, 8, 10, 12 and 14, while Price Industries Limited will be assigned back 100% of municipal incremental property taxes otherwise owing in years 7, 9, 11, 13 and 15 subject to the total maximum incentive amount not exceeding $800,000. This amount is based on 2013 incremental municipal property tax estimates and an annual inflation factor of 2%.
- Within the parameters of regulatory policy approved by Council, the Planning, Property and Development Department will provide direct support services within the permit approval process in order to facilitate Price Industries Limited's desired expansion timelines.

HISTORY / DISCUSSION

HISTORY

- In June of 2000, the Economic Development Incentive Reserve was established by Council. Its purpose is to fund City economic development incentive and investment projects. Unlike the other investment reserves, this Fund invests directly in particular projects rather than being a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the Fund has invested is intended to be returned to the Fund until the original investment has been repaid. Since then a number of strategic economic investment opportunities have been leveraged from tax-based incentives funded through this reserve.
- In 2013, the City of Winnipeg's Economic Development agency, Economic Development Winnipeg, brought forward the City of Winnipeg's Economic Development Strategy – 2013 to 2018, building on the Prosperity policy framework established in Our**Winnipeg**. This document promotes Winnipeg's future economic growth in part through the facilitation of emerging industry sectors including Advanced Materials, along with the corresponding job-retention opportunities these sectors provide for the local economy.
- On December 19, 2013, YES!Winnipeg, advised the Director of Planning, Property and Development and Manager of Economic Development, as well as staff of the Province of Manitoba, of a proposed expansion plan on behalf of Price Industries Limited.
- A meeting was facilitated by YES!Winnipeg between senior representatives of Price Industries Limited and representatives of the City of Winnipeg and Province of Manitoba on January 16 2014, to learn of Price Industries expansion plans in more detail.
- On February 14, 2014, a letter was provided to the City of Winnipeg Public Service from the President and Chief Operating Officer of Price Industries Limited outlining a request and rationale for "property tax relief" in conjunction with their proposed expansion plans (Attachment 1).
- On February 21, 2014, a letter was provided to Price Industries Limited from the Director of Planning, Property and Development representing the Public Service's recommendation to Council. This letter was subsequently signed-off by the President and Chief Operating Officer of Price Industries Limited (Attachment 2).

DISCUSSION

- Price Industries Limited was founded as E H Price Limited in 1948. Price has been a long-standing design and manufacturing employer headquartered in Winnipeg. Mr. Gerry Price is the Chairman and CEO of the Price Group of Companies. In addition to its headquarters, research center and factories in Winnipeg, the Price Group has 12 factories throughout Canada and the USA, and 22 E H Price sales offices across Canada.
- Price Industries Limited has achieved 22 expansions in Winnipeg to date and has grown to 800 employees in the city since their inception. The Price Group of Companies has 2,400 employees overall, split roughly 50/50 between Canada and the USA.
- The comprehensive, multi-year expansion plan represents a total potential investment of nearly $10 million dollars. In addition, the introduction of an estimated total of 175 new jobs in this sector supports the retention of a skilled employment base in the local economy in the areas of Advanced Manufacturing, Engineering and related scientific research and development fields.

- The primary alternative expansion locations under consideration by Price Industries Limited are Minneapolis and Atlanta. Both of these alternative sites view Price as a very attractive employer given the company's history of stability, growth and job creation. The U.S. Market represents a significant growth opportunity for the company and securing the expansion in Winnipeg instead represents a significant injection of new capital investment, export-based revenues, new jobs and the corresponding economic benefits into our local economy.
- The first phase of the expansion plan is scheduled for July 2014 and their location decision is highly time sensitive. The overall expansion as planned will consist of a 50,000 square foot addition that will represent a state of the art manufacturing and testing facility that will be phased in four stages.
- In addition, the City of Winnipeg Planning, Property and Development Department has pledged to further support the desired expansion timeline by offering a liaison service to support a facilitated permit approval process.
- The incentive presented in this report is intended to represent a balance between:
    - the importance of responding to a highly competitive expansion and job creation opportunity in a key economic sector; and
    - the desire to provide a financial return to the City of Winnipeg from the resulting incremental municipal property taxes generated
- Price Industries has asked for the opportunity to reexamine prevailing market conditions after the first four years of their expansion plan implementation.
- According to Price Industries Limited, the Province of Manitoba has provided a letter pledging their support. Details of Provincial support for this expansion opportunity were unknown at the time of writing of this report.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 4, 2014

Project Name:

Strategic Economic Investment Grant – Price Industries Limited

First Year of Program **2015**

	2015	2016	2017	2018	2019 to 2031
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	$ 38,694	$ 39,467	$ 71,785	$ 73,220	$ 570,940
Less: Incremental Revenue/Recovery	38,694	39,467	71,785	73,220	1,096,399
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ (525,459)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ (525,459)

Additional Comments: Direct costs from 2015 to 2031 represent tax grants to be paid to the proponent in amounts equivalent to incremental municipal realty taxes. Grants in the 2019 to 2031 are applicable in 2019, 2020, 2021, 2023, 2025, 2027, 2029 and 2031. Incremental municipal realty taxes totaling $525,459 will accrue to the City in 2020, 2022, 2024, 2026, 2028, 2030 and 2031. See attached Appendix 1 for details,

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

CONSULTATION

In preparing this report, there was consultation with:

Assessment and Taxation Department
Legal Services Department as to legal issues

SUBMITTED BY

Department	Planning, Property and Development
Division	Economic Development
Prepared by:	Gary Holmes/Sara Cianflone
Date:	April 4, 2014
File No.	

o:\reports directive\office of the director\manager of economic development\2014 reports\2014 04 04 ris report - price industries strategic economic development opportunity.docx

APPENDIX 1 **

	Incremental Municipal Realty Taxes			Per Financial Impact Statement		
	638 Raleigh St.	404 Egesz St	Total	Direct Costs	Incremental Revenue	Net Benefit
2015 Note 1	38,694	-	38,694	38,694	38,694	-
2016	39,467	-	39,467	39,467	39,467	-
2017	40,257	31,528	71,785	71,785	71,785	-
2018	41,062	32,159	73,220	73,220	73,220	-
2019	41,883	32,802	74,685	74,685	74,685	-
2020	42,721	33,458	76,179	33,458	76,179	42,721
2021	43,575	34,127	77,702	77,702	77,702	-
2022	44,447	34,810	79,256	-	79,256	79,256
2023	45,336	35,506	80,841	80,841	80,841	-
2024	46,242	36,216	82,458	-	82,458	82,458
2025	47,167	36,940	84,107	84,107	84,107	-
2026	48,111	37,679	85,789	-	85,789	85,789
2027	49,073	38,433	87,505	87,505	87,505	-
2028	50,054	39,201	89,255	-	89,255	89,255
2029	51,055	39,985	91,040	91,040	91,040	-
2030	52,076	40,785	92,861	-	92,861	92,861
2031	53,118	41,601	94,718	41,601	94,718	53,118
2019 to 2031	614,858	481,541	1,096,399	570,940	1,096,399	525,459
Total	774,337	545,228	1,319,565	794,106	1,319,565	525,459

Note 1: All incremental taxes are based on 2013 tax year estimates and an inflation factor of 2%/annum.

Attachment 1 – Incentive request from Price Industries Limited dated February 14th, 2014

Digital Copy of Incentive Request by Price Industries dated February 14-2014.pdf

Attachment 2 – Incentive response recommendation from City of Winnipeg Public Service for consideration by Council (signed off by Price Industries Limited) dated February 21st, 2014

Digital Copy of Signed Acceptance by Price Industries of COW Incentive Response Dated Feb 21-14 .PDF