Agenda – Council – February 22, 2017

Report – Executive Policy Committee – February 8, 2017

Item No. 1 Amendment to Memorandum of Understanding – Strategic Economic Development Incentive – Expansion of Maple Leaf Foods Inc. (St. Boniface Ward)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 8, 2017, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That Recommendation 2 of the Council Decision dated November 16, 2011 "Memorandum of Understanding – Strategic Economic Development Incentive – Expansion of Maple Leaf Foods Inc. Operation at 870 Lagimodiere Boulevard" be amended to extend completion by Maple Leaf Foods Inc. of their facility redevelopment project to June 2014.

2. 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:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 8, 2017, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: Approval of amendment to Memorandum of Understanding for Strategic Economic Development Incentive – Expansion of Maple Leaf Foods Inc.

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	J. Kiernan	M. Ruta	D. McNeil

RECOMMENDATIONS

1. That Council amend Recommendation 2 of its decision of November 16, 2011 "Memorandum of Understanding – Strategic Economic Development Incentive – Expansion of Maple Leaf Foods Inc. Operation at 870 Lagimodiere Boulevard" to extend completion by Maple Leaf Foods Inc. of their facility redevelopment project to June 2014.

2. That the proper officers of the City do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required for proposed amendment of conditions associated with assignment of incremental municipal taxes in support of strategic economic development incentives.

EXECUTIVE SUMMARY

On November 16, 2011 Council concurred in the recommendation to assign 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. Recommendation 2 of said approval required;

> "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."

Maple Leaf Foods Inc. undertook its redevelopment project transforming its 870 Lagimodiere Boulevard location as a centre of excellence in Winnipeg for bacon and value-added ham products with the target date of March 2013.

During the course of redevelopment, Maple Leaf Foods Inc. advised the City that the project faced a number of unpreventable and unforeseen challenges that resulted in delays to substantial completion. These challenges included an incident of significant on-site fire damage, resulting physical construction challenges of the addition and amalgamation of life safety systems with the existing infrastructure. Maple Leaf Foods Inc. reported achievement of substantial completion of the facility on June 15, 2014.

A review of City records support the claims made and substantial completion as reported. This report seeks support to amend Recommendation 2 of the Council decision of November 16, 2011 as noted herein, to extend the requirement of completion by Maple Leaf Foods Inc. of their facility redevelopment project from March 2013 to June 2014.

Annual municipal incremental property taxes of $53,804 will be payable for a total strategic economic development incentive over seven years of $376,628.

IMPLICATIONS OF THE RECOMMENDATIONS

The Council-approved incentive will be advanced based on a revised project completion date.

HISTORY

In 2011 Maple Leaf Foods Inc. approached the Province of Manitoba, City of Winnipeg and Economic Development Winnipeg to enquire if incentives were available to support creation of a centre of excellence at the existing Maple Leaf Foods facility at 870 Lagimodiere Boulevard. Discussions resulted in the Province taking lead in preparation of 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.

This 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 and included the following proposed initiatives for consideration by the City:

- 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 secured Winnipeg as the city of choice in the company's final phase of its consolidation and value creation plan.

On November 16, 2011 Council concurred in the recommendation to assign 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. Recommendation 2 of said approval required;

"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."

Maple Leaf Foods Inc. undertook its redevelopment project transforming its 870 Lagimodiere Boulevard location as a centre of excellence in Winnipeg for bacon and value-added ham products with the target date of March 2013. The redeveloped facility resulted in:

- Annual municipal incremental property tax increase
- Addition of 390 Food processing-related jobs in Winnipeg
- A facility expansion of approximately 70,000 square feet
- Introduction of state of the art equipment and technology
- Construction of an on-site dissolved air flotation wastewater pre-treatment facility
- An overall investment of approximately $84 million

During the course of redevelopment, Maple Leaf Foods Inc. advised the City that the project faced a number of unpreventable and unforeseen challenges that resulted in delays to substantial completion. These challenges included an incident of significant on-site fire damage, resulting physical construction challenges of the addition and amalgamation of life safety systems with the existing infrastructure.
Maple Leaf Foods Inc. reported achievement of substantial completion of the facility on June 15, 2014. A review of City records support the claims made and substantial completion as reported. Maple Leaf Foods was asked to submit a formal request for extension and notification

In August 2015, Maple Leaf was advised that a formal request for extension had yet to be received and that deficiencies associated with interim occupancy remained outstanding. Grant of incremental taxes would commence the calendar year following the year in which a final occupancy permit is issued.

In December 2015, the City received notification that final occupancy was issued, written request for extension of requirement for project completion and request for extension in conjunction with the City of Winnipeg Sewer By-law No. 92/2010. Investigation into the request associated with the Sewer By-law resulted in confirmation that, if pursued, the matter would require Council consideration. The report related to extension request under Economic Incentive Grant was held back pending results of enquiry under the Sewer By-law so as to bring forward one report on both matters instead of two separate reports. The request related to the Sewer By-law is not being pursued at this time.

This report is now coming forward to seek support to amend Recommendation 2 of the Council decision of November 16, 2011 as noted herein, to extend the requirement of completion by Maple Leaf Foods Inc. of their facility redevelopment project from March 2013 to June 2014 and to facilitate grant of incremental taxes commencing in 2016.

The redevelopment has resulted in annual municipal incremental property taxes of $53,804 determined as follows:

2016 Municipal Property Taxes	$205,580
Less: Revised 'Base Year' Municipal Property Taxes (2014)	$151,776
Annual Incremental Municipal Property Taxes	**$ 53,804**

The total strategic economic development incentive payable over seven years amounts to $376,628.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 14, 2016

Project Name:

First Year of Program **2016**

Approval of amendment to Memorandum of Understanding for Strategic Economic Development Incentive – Expansion of Maple Leaf Foods Inc.

	2016	2017	2018	2019	2020 to 2022
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	$ 53,804	$ 53,804	$ 53,804	$ 53,804	$ 161,412
Less: Incremental Revenue/Recovery	-	53,804	53,804	53,804	215,216
Net Cost/(Benefit)	$ 53,804	$ -	$ -	$ -	$ (53,804)
Less: Existing Budget Amounts	53,804	-	-	-	(53,804)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2016 represent the recommended economic development incentive tax credit. Incremental revenues beginning in 2017 represent the incremental portion of municipal taxes being credited back to the Economic Development Investment Reserve.

"Original signed by"

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department (as to legal issues)
Water & Waste Department
Maple Leaf Foods

SUBMITTED BY

Department: Planning, Property and Development
Division: Economic Development
Prepared by: Sara Cianflone
Date: December 16, 2016
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