

Council Chambers
City Hall, Saskatoon, Sask.
Monday, April 2, 2007
at 4:00 p.m.

MINUTES OF SPECIAL MEETING OF CITY COUNCIL

PRESENT: His Worship the Mayor, in the Chair;
Councillors Clark, Dubois, Heidt, Lorje, Neault, Paulsen,
Penner, Pringle, and Wyant;
City Manager Richards;
City Solicitor Dust;
General Manager, Infrastructure Services Totland; and
City Clerk Mann.

ADMINISTRATIVE REPORT NO. 8-2007

Section F – CITY MANAGER

F1) Maple Leaf Foods Inc.
(File No. CC. 3500-1)

RECOMMENDATION:

- 1) that City Council approve the attached agreement between Maple Leaf Foods Inc. and the City of Saskatoon; and,
- 2) that His Worship the Mayor and the City Clerk be authorized to execute the agreement.

BACKGROUND

On October 3, 2005, City Council approved an agreement between Maple Leaf Foods Inc. and the City, which allowed the City to acquire and demolish the present Maple Leaf site on 11th Street, providing Maple Leaf built a hog processing plant on 71st Street in the Marquis Industrial area. The agreement provided incentives including tax exemptions, funds for primary sewage treatment, and partial funding of electrical servicing.

In the fall of 2006, Maple Leaf announced it was not proceeding with construction of the new plant, and would, in fact, be closing permanently the 11th Street facility, but would maintain its value-added processing at its plant on McLeod Avenue.

Your Administration was then approached by Maple Leaf Foods Inc., who indicated that Saskatoon had the possibility of becoming Maple Leaf's new western distribution centre. Discussions then began on selecting a site in Saskatoon where this distribution centre could be constructed. As well,

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Maple Leaf indicated that if Saskatoon was selected for the new distribution centre they would enter into negotiations with the City for the sale and demolition of the 11th Street plant.

PROPOSED AGREEMENT

After a series of meetings, an agreement was reached and the attached document (Attachment 1) represents the conclusions of these negotiations.

The highlights of the agreement are:

- 1) Maple Leaf will purchase a 20 acre site on 64th Street from the City and will construct a new distribution centre (approximate value \$40M) on the site. The purchase price is \$120,000 per acre. A subdivision application is required to create a separate title to the site to transfer to Maple Leaf. Maple Leaf Foods wishes to commence construction before the subdivision can be completed and a title issued. In order to accommodate this, the agreement provides for the land to be leased to Maple Leaf Foods for \$1.00 per year until title issues. The purchase price will be paid as soon as Maple Leaf Foods takes possession and will be held in trust until title issues. We expect title to issue prior to September, 2007. However, in order to give Maple Leaf Foods sufficient security to allow it to proceed with construction, the term of the lease is until title issues or 99 years.
- 2) The City will provide a five-year, 100% tax abatement. There will also be a tax exemption during construction of the facility. (Although no net new jobs will be created, if the distribution centre was located elsewhere, another 90 positions would be lost in Saskatoon.)
- 3) The City will acquire the Maple Leaf land on 11th Street (20.22 acres) for \$120,000/acre.
- 4) The City and Maple Leaf Foods Inc. will share the cost of demolition of the 11th Street plant, with the City being responsible for the first \$3.0M, and Maple Leaf the remainder. The City will be responsible for the environmental state of the site not covered by the plant.
- 5) The City will take ownership of the plant concurrently with the sale of the 64th Street site to Maple Leaf and will lease the plant back to Maple Leaf for \$1.00/year until Maple Leaf vacates the plant. During the term of the lease, the plant will be tax exempt. The final date of taking possession is to be determined, but will be no later than the end of 2009.

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JUSTIFICATION

Your Administration supports this agreement for the following reasons:

- 1) The agreement allows the City to acquire the 11th Street site for the south bridge road alignment.
- 2) Although difficult to quantify, with the closing of the plant on 11th Street, sanitary sewer capacity is freed up for future development on the Blairmore site.
- 3) By having the distribution centre here, it will assist to ensure the value-added plant on McLeod Avenue remains viable, and may in fact, encourage future expansion by Maple Leaf.
- 4) Hopefully we can build on the momentum of being a major distribution centre and encourage other firms to locate here.

PUBLIC NOTICE

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

ATTACHMENT

1. Agreement between Maple Leaf Foods Inc. and the City of Saskatoon.

Mr. Maurice Werezak, President, UFCW Canada 248-P, addressed City Council. Mr. Werezak expressed support for the recommended agreement, but stressed that the jobs should not be at a lower rate of pay.

Moved by Councillor Penner, Seconded by Councillor Dubois,

- 1) *that City Council approve the attached agreement between Maple Leaf Foods Inc. and the City of Saskatoon; and,*
- 2) *that His Worship the Mayor and the City Clerk be authorized to execute the agreement.*

CARRIED.

The meeting adjourned at 4:22 p.m.

Mayor

City Clerk