



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	General Issues Committee Mayor and Members
COMMITTEE DATE:	September 2, 2015
SUBJECT/REPORT NO:	Amended Hamilton LEEDing the Way, LEED Grant Program Application (LGP-12-01) – Maple Leaf Foods Inc., 440 Glover Road, Hamilton, ON (PED12038(b)) (Ward 11)
WARD(S) AFFECTED:	Ward 11
PREPARED BY:	Brian Morris (905) 546-2424 Ext. 5602
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That Hamilton LEEDing the Way, LEED Grant Program Application LGP-12-01, as amended, submitted by Maple Leaf Foods Inc., for the property at 440 Glover Road, Hamilton, for a LEED Grant not to exceed \$4,118,250 payable to Maple Leaf Foods Inc. over a maximum of five (5) years, be authorized and approved in accordance with the terms and conditions of the LEED Grant Program Agreement;
- (b) That the Mayor and Clerk be authorized and directed to execute, on behalf of the City, the amended LEED Grant Agreement with Maple Leaf Foods Inc., referred to in subsection (i) with respect to the development of 440 Glover Road, and all necessary associated documents, all in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

Maple Leaf Foods Inc. previously submitted a Leadership in Energy and Environmental Design (LEED) Grant Program (LGP) application and were approved by Council for a LEED Grant in the amount of \$2,598,250 based on achieving LEED certification at the Silver Level for their new, state-of-the-art, 498,250 square foot industrial building (protein meat processing facility) with administrative offices.

Report PED12038(b) seeks approval for Maple Leaf Foods Inc. that would increase the amount of eligible costs for a LEED Grant not to exceed \$4,118,250 based on Maple Leaf Foods Inc. increased efforts to achieve certification on the facility at the Gold Level.

At the General Issues Committee meeting on March 4, 2015, Report PED12038(a), which was seeking similar recommendations as Report PED1238(b) was lifted from the table and referred back to staff, pending review of the tax appeal statistics on the property, to be brought forward at a later Committee date.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As per the LEED Grant Program, the City will provide the applicant with an annual grant equivalent to 75% of the increase in municipal taxes, up to the total eligible cost figure of \$4,118,250, or up to five years, whichever comes first, after the property has been reassessed and has attained official LEED certification from the Canadian Green Building Council. At that time, the City will begin to collect and retain the full municipal portion of the tax increment.

Staffing: N/A

Legal: The provision of the LEED Grant Program is authorized in the Hamilton LEEDing the Way CIP which was adopted and approved in 2008 and the expansion to the original plan in 2010 under Section 28 of the *Planning Act*. The LEED Grant Program Agreement will specify the obligations of the City and the applicant. The Agreement will be prepared in a form satisfactory to the City Solicitor.

HISTORICAL BACKGROUND

On October 19, 2011, an agreement to locate Maple Leaf Foods (MLF) and a brand new, close to 500,000 square foot Food Processing Facility was approved by Council. The sale transaction of assembled properties owned by MLF and the City of Hamilton to facilitate this process was officially completed on January 25, 2012. Maple Leaf Foods Inc. subsequently submitted a LEED Grant Program application on February 10, 2012.

Council, at its meeting of March 28, 2012, approved MLF through Report PED12038 for a LEED Grant based on the original application not to exceed \$2,598,250 based on the applicant achieving LEED certification on the industrial building at the Silver Level. Since that time, adjustments were made to the building design and, in particular, the construction and commissioning of the facility that has enabled MLF to pursue LEED certification at the Gold Level; something that was seen as unachievable at the beginning of construction. As a result, MLF has amended their application and is now asking for approval of an amended LEED Grant that would increase the grant contribution to a maximum of \$4,118,250 in eligible incremental construction costs of

achieving LEED Gold certification, consultation, energy modelling, and certification fees as per the LEED Grant Program Description and Terms.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report PED12038(b) relates to the processing of an application under the LEED Grant Program, which is contained within the Council approved Hamilton LEEDing the Way Community Improvement Plan (CIP).

RELEVANT CONSULTATION

During the preparation of Report PED12038(b), staff in the Economic Development Division consulted with the Corporate Services Department (Taxation Division) and City Manager's Office (Legal Services Division). Additional input was also sought from Maple Leaf Foods as to the rationale and changes to the building design, construction and commissioning leading to their ability to potentially earn LEED certification at the Gold Level. The pertinent departmental comments are provided below.

Taxation Division, Corporate Services Department:

The Property at 440 Glover Road, home to Maple Leaf Foods has now been reassessed by MPAC following completion of construction. The Property is now classed as Large Industrial, New Construction (KTN) with a 2015 Tax Year Phase-In value of \$39,495,940. Annual property taxes are estimated at \$1,979,263.49 broken down as follows:

Municipal Levy	=	\$ 1,509,261.80
Education Levy	=	\$ 470,001.69
Total	=	\$ 1,979,263.49

Maple Leaf Foods had appealed their assessment to the Assessment Review Board for the 2013, 2014, and 2015 taxation years. The City received correspondence from the Agent for Maple Leaf Food dated July 23, 2015, indicating that they have since withdrawn their appeal.

Legal Services Division:

The Owner and the City shall enter into the appropriate LEED Grant Program Agreement as a condition of this grant in accordance with the provisions of the Hamilton LEEDing the Way CIP.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The amended grant application is in the amount of \$4,118,250 in eligible incremental construction costs (to a maximum), consultation, certification and energy modelling

fees. Estimated project construction costs are \$152 M (actual cost to be verified). The development has increased the market value assessment (MVA) on the site from its base value of \$235 K (estimated) to approximately \$39,495,940. This has resulted in a significant increase in total annual property taxes generated by this property. The municipal share of this property tax increase (municipal tax increment) is \$1,508,794.67 of which 75%, or approximately \$1,131,596 would be paid to the owner in the form of an annual grant once the building has been certified LEED Gold for approximately three and a half years up to an amount not to exceed total costs eligible for the LGP of \$4,118,250. The amendment to the original application will not change the base year for purposes of calculating the municipal increase in taxes in order to determine the actual annual grant amount.

During construction and commissioning of the facility, Maple Leaf Foods has been afforded the opportunity to pursue several additional avenues to achieve points in several categories of the LEED rating system that were previously not contemplated in the original submission. These additional items include: measurement and verification, green power, thermal comfort verification and green building education. As such, they anticipate they could now achieve LEED certification at the Gold Level. Building a sustainable and energy efficient facility, and reducing ongoing operations and maintenance will help ensure that Maple Leaf Foods remains competitive in the food industry and in Hamilton for some time.

The new Maple Leaf Foods “protein” Plant began operation on November 18, 2013 and started to produce saleable product (hot dogs) in January 2014. Maple Leaf Foods now has close to 1,025 full-time hourly and salaried employees working at the facility. The Plant is operating 24 hours per day, often 7 days per week. All three lines – the hot dog, sliced and deli meats lines – are now fully commissioned.

Under the LEED Grant Program, there is no actual loss of tax revenues to the City. The annual grant paid by the City to the owner is actually paid out of increased taxes generated by the development taking advantage of the LEED Grant Program.

This application meets the grant criteria specified in the 2010 Hamilton LEEDing the Way Community Improvement Plan (CIP). This development has resulted in the physical enhancement and sustainability of this vacant site and will result in a significant long-term increase in assessment and property tax revenues to the City. The City, under the terms of the LEED Grant Program will need to enter into an amended LEED Grant Agreement with the owner, as specified in the Hamilton LEEDing the Way CIP.

ALTERNATIVES FOR CONSIDERATION

Council could choose to not approve the recommendations in Report PED12038(b) with the approval for the existing LEED Grant estimated at \$2,598,250 through Report PED12038 and LEED Grant Agreement for certification at the Silver Level remaining in place.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous and Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.1 Continue to grow the non-residential tax base.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

APPENDICES AND SCHEDULES ATTACHED

Appendix “A”: Location Map

BM/dkm