

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Development & Real Estate Division
Economic Development Division

PUBLIC WORKS
Capital Planning & Implementation Division

CORPORATE SERVICES
Budgets & Finance Division

Report to: Mayor and Committee of the Whole	Submitted by: Lee Ann Coveyduck General Manager Scott Stewart, C.E.T. General Manager Joseph L. Rinaldo General Manager
Date: November 2, 2005	Prepared by: Tim McCabe, Ext. 4258 Neil Everson, Ext. 2359 Gerry Davis, Ext. 4621 Joe Spiler, Ext. 4519 Tony Sergi, Ext. 2274 Bill Farkas, Ext. 7019

SUBJECT: Sale of City Owned Property – 863 Nebo Road to 6323812 Canada Inc. (Maple Leaf Foods Inc.) and Giuseppe DiCienzo and Vittoria DiCienzo. (PED05092/PW05104/FCS05093) (Ward 11)

RECOMMENDATION:

- (a) That an Offer to Purchase, executed by 6323812 CANADA INC.(Maple Leaf Foods Inc.), in accordance with the terms and conditions recommended in the Supplementary Confidential Report to Report PED05092/PW05104/FCS05093, for the property municipally known as Part of 863 Nebo Road, composed of Part of PIN 17387-0002 (LT), being Part of Lot 14, Concession 2, Geographic Township of Glanford, now in the City of Hamilton and more particularly described as Parts 1 and 2 on the draft reference plan attached hereto, as shown on Appendix "A" to Report PED05092/PW05104/FCS05093, be approved and completed and the funds derived from the sale of 18.63 ha. (46 acres) at the sale price recommended in the Supplementary Confidential Report, be deposited to a new Reserve and the funds be used for the installation of new infrastructure for the Glanbrook Industrial Park, as required.

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- (b) That an Offer to Purchase, executed by Giuseppe DiCienzo and Vittoria DiCienzo, in accordance with the terms and conditions recommended the Supplementary Report PED05092/PW05104/FCS05093 for the property municipally known as Part of 863 Nebo Road, composed of Part of PIN 17387-0002 (LT), being Part of Lot 14, Concession 2, Geographic Township of Glanford, now in the City of Hamilton and more particularly described as Part 6 on the draft reference plan attached hereto, as shown on Appendix “B” to Report PED05092/PW05104/FCS05093, be approved and completed and the funds derived from the sale of 2.99 ha. (7.39 acres) at the sale price recommended in the Supplementary Confidential Report, be deposited to a new Reserve and the funds be used for the installation of new infrastructure for the Glanbrook Industrial Park, as required.
- (c) That Council’s consideration and approval of the sale of the lands is conditional upon final approval of a Zoning By-law Amendment to permit an additional permitted use of an abattoir (slaughterhouse) and excluding animal waste processing and any inedible rendering on the lands, and further, that Council’s agreement on the sale does not, in any way, commit Council or indicate any “pre-approval” or support by Council for the required rezoning as this re-zoning is a separate process under the Planning Act.
- (d) That the sale price does not include the Goods and Services Tax. Should GST be applicable and collected by the City of Hamilton, the GST amount is to be credited to Account No. 22835009000 (GST Payable).
- (e) That the completion of these transactions be subject to the terms and conditions as outlined in the Supplementary Confidential Report to Report No. PED05092/PW05104/FCS05093:
- (f) That the cost recovery of the Appraisal Report, administration and Survey Plan, in the amount of \$70,225, be credited to Account No. 47702-3560150200. (Land Sale and Purchase expenditures/cost recovery)
- (g) That the Clerk be authorized and directed to execute and issue a Certificate of Completion in the form prescribed, pursuant to Section 268 of the Municipal Act, if required incorporating the following:
 - (i) That on November 24, 2004, City Council by enacting By-law No. 04-029 “Procedural By-law for the Sale of Land”, declares all land used for the establishment and carrying on of industries and industrial operations and incidental uses surplus to the requirements of the City of Hamilton;
 - (ii) That in accordance with the approved methods of providing notice in the City of Hamilton By-law No. 04-029 “Procedural By-law for the Sale of Land”, all land used for the establishment and carrying on of industries and industrial operations and incidental uses is exempt from the provision of the By-law having to provide notice to the public of the proposed sale;

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Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

Scott Stewart, C.E.T.
General Manager
Public Works

Joseph L. Rinaldo
General Manager
Finance & Corporate Services

EXECUTIVE SUMMARY:

The purpose of this report is to request City Council's approval to the sale of the subject parcels, described as Part of Lot 14, Concession 2, Geographic Township of Glanford, now in the City of Hamilton and more particularly described as Parts 1, 2 and 6 on the draft reference plan attached hereto as Appendices "A" & "B" to Report PED05092/PW05104/FCS05093.

The sale of the industrial lands is the first step in the process to facilitate development which will result in numerous and significant economic and social benefits to the City as detailed in this report. In supporting this direction, the City will be directly accomplishing a number of goals of Vision 2020 and Council's Corporate Strategic Plan. It is emphasized in the recommendation that the sale of the lands is conditional upon final approval of a Zoning By-law Amendment to permit the proposed abattoir (slaughterhouse) use and excluding animal waste processing and any inedible rendering on the lands and Council's agreement on the sale of the land does not, in any way, commit Council or indicate any "pre-approval" or support by Council for the required rezoning as the rezoning is a separate process under the Planning Act. This is an important principle being placed before Council. The real estate deal and the rezoning are separate, distinct processes and approvals.

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BACKGROUND:

The sale of the industrial site for the Maple Leaf Foods pork processing facility and the DiCienzos' future development are located in the North Glanbrook Industrial Business Park at 863 Nebo Road, Part Lot 14, Concession 2, geographic Township of Glanford, now in the City of Hamilton, described as Parts 1, 2 & 6 on the draft reference plan attached hereto, as Schedule "A" & "B" to this report. The rectangular parcel of land has frontage of 268 metres, more or less, on the north side of Twenty Road and 824 metres, more or less, on the west side of Nebo Road. The 22 hectare (54 acre) property is currently in agricultural use, although the south west corner (Part 2) is occupied by a one storey dwelling. This dwelling had been rented out in the past; however, the tenant has recently provided notice to the City that they will be terminating their lease obligations, effective September 1, 2005.

In March 2004, Economic Development staff was contacted by Maple Leaf Foods (MLF) Limited regarding the location of a new state-of-the-art pork processing facility to replace and expand their existing operations on Walkers Line in Burlington, Ontario. After reviewing a number of potential sites, the company advised staff in late June that they had decided to focus their efforts on securing a Burlington location to construct their new facility. In September 2004, MLF contacted the Mayor's Office requesting a meeting to again discuss a Hamilton location for the proposed pork processing facility.

Mayor Dilanni immediately activated the "**Invest in Hamilton Team**" comprised of senior staff and lead by the Director of Development and Real Estate. The team identified a 54.7 acre City owned site in the North Glanbrook Industrial Park at the southeast corner of Nebo Road and Twenty Road. Although the property was unserviced, it offered several advantages to MLF, including superior transportation access (proximity to the Red Hill Parkway and the proposed Dartnall Road Extension); industrial zoning in place, located within the urban boundary; minimal residentially-zoned lands in proximity; access to public transit; and close availability of existing municipal services.

While brownfield sites in Hamilton were shown and reviewed by Maple Leaf Foods, these were not viable options to the company. Potential construction in some of these locations would pose significant operating risks for Maple Leaf with regulatory authorities (Health Canada and USFDA) today, as the Company's meat processing facilities in Canada are federally inspected and regulated.

For Council's information, the subject property was sold by Bucci Brothers Construction Limited to the Regional Municipality of Hamilton Wentworth under Document Number 132454CD registered on July 26, 1979. The purchase price as noted on the Land Transfer Tax Affidavit was \$713,691 (\$14,000/acre). An in-house appraisal of the property was completed on October 21, 2004.

ANALYSIS/RATIONALE:

When fully built-out, the pork processing facility would be up to 620,000 square feet and employ up to 2,400 jobs, more than 80% of the existing employees at the Burlington plant are current Hamilton residents now commuting to Burlington. The attached Appendix “C” depicts the conceptual site plan/layout for the facility. The state-of-the-art facility may be constructed in two phases, with processing either built in phases or all at once. Proceeding with this project would require Maple Leaf to undertake extensive design and engineering work, public consultation, and receive a zoning amendment, environmental approvals and internal company approvals. It is expected that given the complexity of the project it would take a minimum of four years to commence operations. It is important to note that there would be no uses on site associated with inedible rendering such as what exists at the Rothsay facility on Hwy. #5, Flamborough.

In order to accommodate the pork processing facility at the Glanbrook Industrial Park location there were a number of significant hurdles that needed to be overcome by both the company (MLF) and the City of Hamilton. These included the following:

- A detailed infrastructure plan for the plant and the Industrial Park.
- A source of financing to implement the infrastructure plan.
- A zoning amendment to permit the abattoir component of the plant. (Note: All other processing uses already permitted in existing zoning).
- Extension of hydro, fibre and telephone to the plant.
- The acquisition of a 42 acre neighbouring property.
- Approvals from the Conservation Authority and Department of Fisheries & Oceans regarding drainage issues.
- Approval of height of air stack(s) from the plan relative to the flight path of the John C. Munro Hamilton International Airport.

To implement the fully built-out pork processing facility, the neighbouring 42 acres of privately held property was required to provide the company with a total of approximately 100 acres of industrially zoned land within the City’s urban boundary and to allow MLF to strategically configure the new plant design. Additional benefits to the company to the acquisition of the neighbouring lands provide MLF with a number of options, including;

- Future expansion of the plant and/or ancillary facilities;
- Relocation or establishment of other MLF divisions;
- A significant vacant buffer between the new facility and the surrounding land uses and neighbouring properties; and,
- Potentially more direct connection to the Dartnall Road extension for truck routes.

The subject lands are designated “Urban Area” by the Region of Hamilton-Wentworth Official Plan. The proposed use of a meat processing facility conforms to the Regional Plan. The Township of Glanbrook Official Plan is the only local Official Plan currently

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applying to the subject property. The lands are designated “North Glanbrook Industrial - Business Park” in the Glanbrook Official Plan. Policy B.2.5.1 states:

“The predominant use of lands designated North Glanbrook Industrial Business Park on Schedule “A”- Land Use Plan shall be for industrial and business uses, including, manufacturing; assembly; repair and service operations; processing and storage of raw materials and goods; warehouse; distribution and warehouse operations; research and development facilities; and business offices. The manufacturing and processing operations shall not be obnoxious by reason of emission of odour, dust, smoke, gas, fumes, particulate matter, noise and/or vibration. These factors shall be determined in consultation with the Ministry of the Environment at the time the development application is submitted and reviewed.”

MLF representatives have advised the City that the proposed meat processing industrial use will be a “state-of-the-art” facility with minimal impact from noise and odour and with all Ministry of the Environment approvals/certificates issued and in compliance, the proposed use will conform to the policies of the Township of Glanbrook Official Plan.

The subject lands are currently zoned under the Township of Glanbrook Zoning By-law No. 464. The property has “split” zoning; being Prestige Business/Industrial “M1” Zone along the Twenty Road East frontage of the property and the balance of the lands are zoned General Industrial “M2” Zone. The proposed pork processing facility is to be located within the area of the lands currently zoned General Industrial “M2”. Although a wide range of manufacturing and industrial uses are permitted in both the “M1” and “M2” Zones, Section 7.8 of the zoning by-law prohibits, among other uses, “abattoir” use that has been identified by MLF as necessary permitted use for the new facility. Accordingly, a site-specific rezoning application will be required to be applied only to the subject lands to permit the additional use and; to permit the increase in the maximum height requirement for the building and the proposed air stack(s).

Industrial Park Servicing

As part of the City’s strategic initiative to make available shovel-ready industrial land, staff has begun the necessary planning studies to open up the North Glanbrook Industrial Business Park. Current studies scheduled for completion in 2005/06 that will form the framework for servicing of the park include:

- North Glanbrook Industrial Business Park Transportation Master Plan Environmental Assessment.
- Hannon Creek Subwatershed Study (Environmental Assessment).
- North Glanbrook Industrial Business Park Secondary Plan Review.
- City-wide Water Wastewater Master Plan.
- City-wide Transportation Master Plan

Significant engineering analysis has been undertaken to determine the best approach to provide the required infrastructure to the proposed site.

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Development of the park will proceed in accordance with the recommendations of the Master Plan and Subwatershed Study. However, exact timing of other Park Infrastructure (e.g. extension of Dartnall Road) is contingent on co-operation from amenable land owners/developers, including necessary property acquisition.

Economic Benefits to the City of Hamilton

The Pork Processing facility (see Appendix “D” to Report PED05092/PW05104/FCS05093 attached – photo of Brandon, Manitoba operation) will be designed and built to exceed current meat processing standards established by the federal government’s Health Canada: Health Products and Food Branch and Canadian Food Inspection Agency Animal Products Directorate. As a result, the cost per square foot construction of the plant will be extraordinarily high and the consumption of the City supplied water for the processing operations will be a large generator for the municipality.

For the purpose of this report only, the direct and measurable economic benefits have been calculated for this development. A complete economic impact analysis of the new plant would require detailed econometric model which would include a multiplier to determine all the potential spin-off benefits (i.e. suppliers, trucking companies, expenditures of employees, etc.).

The plant is creating one immediate measurable spin-off benefit and that is it will spawn the establishment of multiple suppliers to the facility that will create an estimated 100,000 square feet of new industrial/commercial buildings in the park.

The upfront benefits to the City from the sale of the subject property to MLF, is as follows:

Assumptions:

- Pork Processing plant is fully built out at 620,000 s.f.
 - Estimated construction value of \$160/s.f. (MLF)
 - Estimated Assessed Value \$60,000,000

- Spin-off businesses/plants at 100,000 s.f.
 - Estimated construction value of \$75 per s.f. (suppliers)

- Water consumption 9,091 cubic metres (2,000,000 gallons/day)
 - Water consumption rate per day = \$13,327.40

- Payroll - average rate at \$18/hour based on Human Resources Skills Development 2005 Wage & Salary rates for Hamilton, Ontario

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Direct City Benefits:

Upfront:

- Proceeds from land sale (46 acres)
- Estimated Building Permit Costs – \$ 536,000
- Estimated Development Charges - \$ 1,012,500

Sub Total \$1,548,500 (plus proceeds from land sale)

Long-term:

- Estimated Annual municipal taxes of plant – \$ 6,410,000
- Estimated Annual municipal taxes of spin-off facilities – \$442,000
- Estimated Annual revenue from water consumption - \$ 4,864,501

Sub Total \$11,716,501 (Annual)

Community Benefits:

Upfront:

- Estimated Construction Value of plant – \$100,000,000
- Estimated Construction value of spin-off facilities – \$7,500,000

Sub Total \$107,500,000

Long-term:

- Estimated number of jobs – 2,500 (fully built out)
- Estimated annual payroll of plant *- \$89,856,000
(based on \$18/hour from HRSD and a 40 hour work week)

Sub Total \$89,856,000 (Annual)

The upfront benefits to the City from the sale and development of the subject property for industrial purposes to DiCienzo, is as follows:

- Estimated Building Permit Costs – \$55,000
- Estimated Development Charges - \$205,600
- Estimated annual municipal taxes – \$3,050,000
- Plus Proceeds from land sale

The tripartite agreements between the City of Hamilton and MLF; City of Hamilton and DiCienzo; and MLF and DiCienzo are all contingent upon satisfactory resolution of all terms and conditions as set out in the Offer to Purchase agreements. The two major issues for the sale of the lands to all parties is for MLF to obtain final zoning approval to permit the use of an “abattoir” as a necessary use to the proposed plant operation and;

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to securing the necessary development and site servicing approvals. The agreements are also tied into MLF successfully completing its executed agreement of Purchase and Sale with DiCienzo for the abutting 42 acres.

ALTERNATIVES FOR CONSIDERATION:

The subject City property offers several advantages to MLF, including superior transportation access (proximity to the Red Hill Parkway and the proposed Dartnall Road Extension); industrial zoning in place, located within the urban boundary; minimal residentially-zoned lands in proximity; access to public transit; and close availability of existing municipal services.

Although brownfield sites in Hamilton were shown and reviewed by Maple Leaf Foods, these were not viable options to the company. Potential construction in some of these locations would pose significant operating risks for Maple Leaf with regulatory authorities (Health Canada and USFDA) today, as the Company's meat processing facilities in Canada are federally inspected and regulated.

Should Council not endorse/approve these Offers to Purchase, these Offers become null and void. The City would retain the land holding and lose a major plant that could stimulate development growth in the south mountain area and employment opportunities. The economic and social benefits to the City and community will be lost from the perspective of tax assessment, job creation, infrastructure, development charges etc. The City would look towards the sale of the land for alternative uses with, hopefully, equal economic development and social benefits resulting.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: Council had approved funding in the amount of \$6.6 million to initiate first phases of servicing for the Glanbrook Industrial Park in the 2005 Capital budget. The source of that funding was to be from Development Charges. Additional City share will be contributed from the proceeds of the sale of lands, recommended in this report.

The recent funding announcement of an additional \$20 million from the Provincial government as part of its ReNew Ontario Infrastructure Investment Plan will accelerate the infrastructure improvements for the entire North Glanbrook Industrial Business Park in the form of trunk systems, new road extensions and existing road upgrades. The funding will form the framework for the servicing of the 680 acres industrial park, meeting Council's strategic initiative to make available much needed shovel-ready industrial land. The City is currently undertaking various city wide master plans and specific studies related to the servicing of the North Glanbrook Industrial Business Park. As noted earlier in the report, the current studies entail the following:

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- North Glanbrook Industrial Business Park Transportation Master Plan Environmental Assessment;
- Hannon Creek Subwatershed Study (Environmental Assessment);
- North Glanbrook Industrial Business Park Secondary Plan Review;
- City-wide Water Wastewater Master Plan; and,
- City-wide Transportation Master Plan.

The anticipated time for completion for these studies is 2005/06. Upon completion of these studies, staff will submit to Council a more detailed budget plan for the infrastructure improvements for the North Glanbrook Industrial Business Park.

Staffing: There are no identified staffing implications arising out of this recommendation.

Legal: Legal Services staff have been involved in the negotiations and drafting of the agreements of purchase and sale for both the sale of the lands to Maple Leaf Foods and the sale of the lands to DiCienzo. As well, Legal Services staff will prepare the necessary documents required to close the transactions as set out herein and to transfer title of the subject lands to 6323812 Canada Inc. (Maple Leaf Foods) and DiCienzo.

POLICIES AFFECTING PROPOSAL:

- Real Estate Portfolio Strategy Plan
- Building a Strong Foundation
- Growth Related Integrated Development Strategy (GRIDS)

RELEVANT CONSULTATION:

The following City Departments have been involved to date:

- City Manager's Offices, Legal Services Division
- Public Health and Community Services
- Public Works Department, Waste Management, Water & Wastewater and Strategic and Environmental Planning
- Corporate Services, Finance
- Economic Development
- Mayor's Office
- City Manager

All divisions and senior staff are supportive of the recommendations within this report.

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CITY STRATEGIC COMMITMENT:

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Evaluate the implications of your recommendations by indicating and completing the sections below. Consider both short-term and long-term implications.

Community Well-Being is enhanced. **Yes** **No**
Shelter, care and satisfying employment are accessible to all Hamiltonians.

Environmental Well-Being is enhanced. **Yes** **No**
A sustainable transportation network provides many options for people and goods movement; vehicle-dependency is reduced.
A skilled, innovative and diverse workforce is attracted and retained.
Poverty is reduced.
The economic base is diverse.

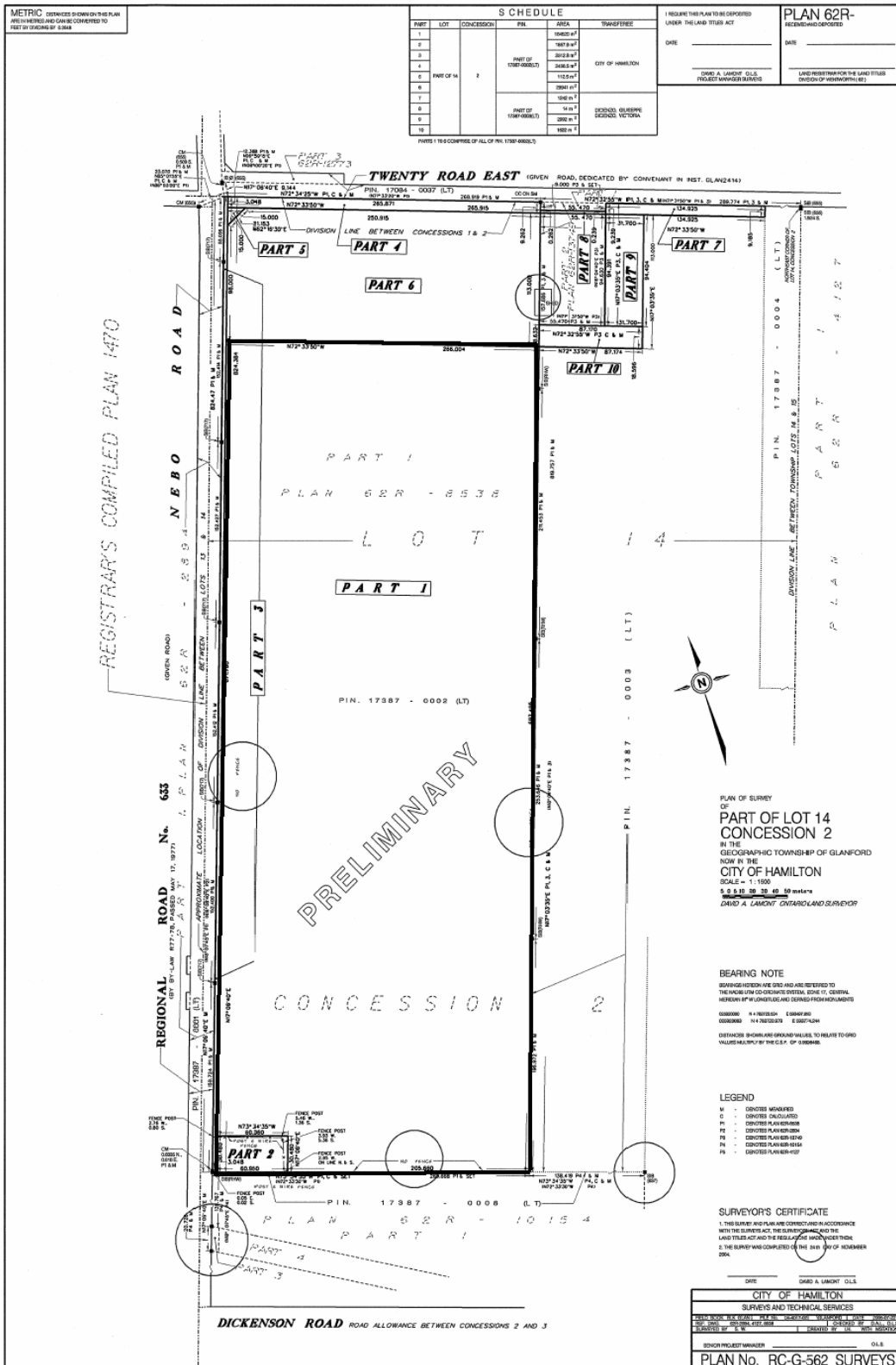
Economic Well-Being is enhanced. **Yes** **No**
Investment in Hamilton is enhanced and supported.

Does the option you are recommending create value across all three bottom lines?
 Yes **No**

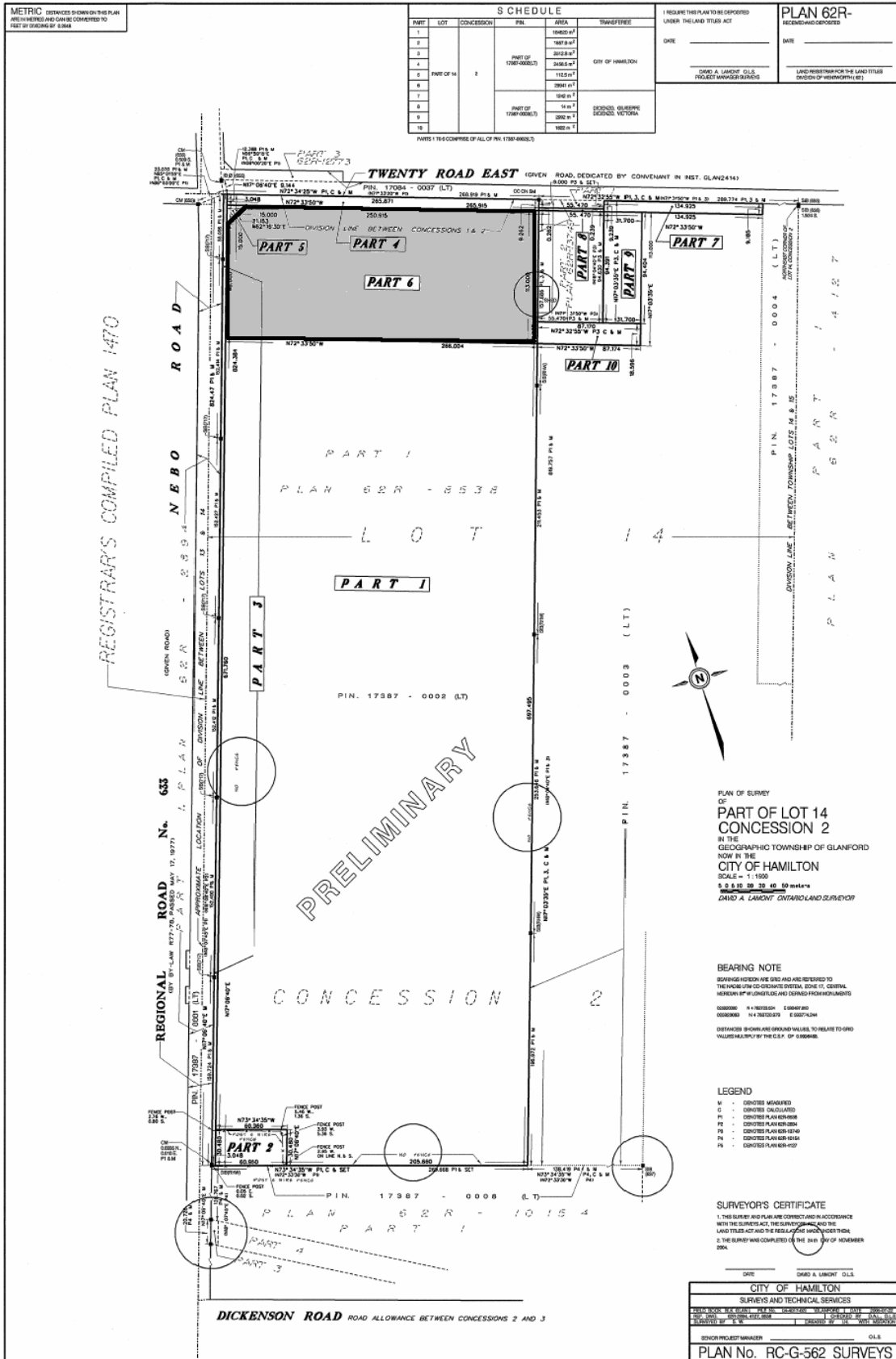
Do the options you are recommending make Hamilton a City of choice for high performance public servants?
 Yes **No**

:BF
Attachs. (4)

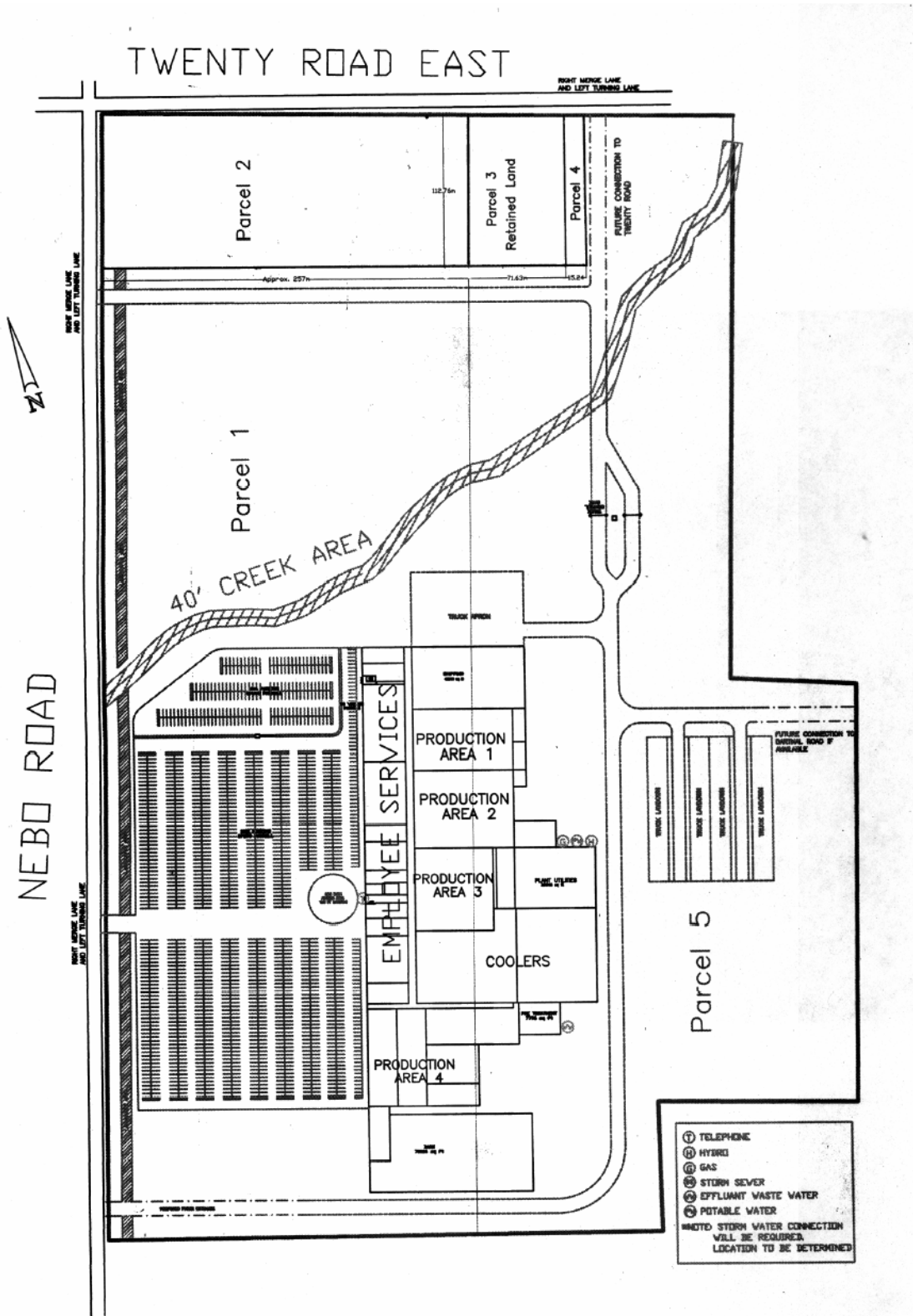
DRAFT REFERENCE PLAN - Sale to MLF



DRAFT REFERENCE PLAN – Sale to DiCienzo, Part 6



Conceptual Site Plan- MLF Industrial Plant



*PRELIMINARY INFORMATION NOT FOR FINAL DESIGN

Brandon, Manitoba Operation

