

REPORT NO. 28 of the
**ECONOMIC DEVELOPMENT
STANDING COMMITTEE**
of its meeting held June 6, 2012

Present: Councillor Payne, Acting Chair
Councillor Marra
Councillor Sleiman
Councillor Valentinis

Regrets: Councillor Dilkens

That the following recommendation of the Economic Development Standing Committee **BE APPROVED** as follows:

Moved by Councillor Valentinis, seconded by Councillor Marra,

I. **THAT** the request made by Farrow Realty Inc. **BE APPROVED** for 100% of the municipal portion of the tax increment for up to ten years pursuant to the City of Windsor Economic Revitalization Community Improvement Plan;

II. **THAT** administration **BE DIRECTED** to prepare an agreement to implement the Business Retention and Expansion Grant Program in accordance with all applicable policies, requirements, and provisions contained within the Economic Revitalization Community Improvement Plan to the satisfaction of the City Planner as to content, the City Solicitor as to legal form, and the CFO/City Treasurer as to financial implications; and

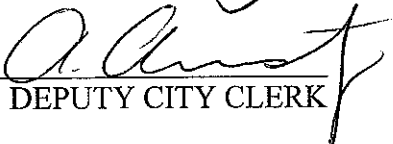
III. **THAT** the CAO and City Clerk **BE AUTHORIZED** to sign the Business Retention and Expansion Grant Agreement.

Carried.

Clerk's Note: The administrative report authored by the City Planner, dated May 16, 2012 entitled "Application by Farrow Realty Inc. for Financial Incentives Under the Economic Revitalization Community Improvement Plan" is attached as background information.

Livelihood #15939, SPL/10759


ACTING CHAIRPERSON


DEPUTY CITY CLERK

NOTIFICATION				
NAME	ADDRESS	EMAIL	TELEPHONE	FAX
Romeo Girardi Exec. V. P.	Farrow Realty Inc.	romeo.girardi@farrow.com		

**THE CORPORATION OF THE CITY OF WINDSOR
Economic Development Standing Committee- Administrative Report**



MISSION STATEMENT:

"The City of Windsor, with the involvement of its citizens, will deliver effective and responsive municipal services, and will mobilize innovative community partnerships"

LiveLink REPORT #: 15939 SPL/10759	Report Date: May 16, 2012
Author's Name: Greg Atkinson	Date to Standing Committee: June 6, 2012
Author's Phone: 519 255-6543 ext. 6582	Classification #:
Author's E-mail: gatkenson@city.windsor.on.ca	

To: Economic Development Standing Committee

Subject: Application by Farrow Realty Inc. for Financial Incentives Under the Economic Revitalization Community Improvement Plan

1. RECOMMENDATION: City Wide: _____ Ward(s): 2

- I. THAT the request made by Farrow Realty Inc. **BE APPROVED** for 100% of the municipal portion of the tax increment for up to ten years pursuant to the City of Windsor Economic Revitalization Community Improvement Plan;
- II. THAT administration **BE DIRECTED** to prepare an agreement to implement the Business Retention and Expansion Grant Program in accordance with all applicable policies, requirements, and provisions contained within the Economic Revitalization Community Improvement Plan to the satisfaction of the City Planner as to content, the City Solicitor as to legal form, and the CFO/City Treasurer as to financial implications; and
- III. THAT the CAO and City Clerk **BE AUTHORIZED** to sign the Business Retention and Expansion Grant Agreement.

EXECUTIVE SUMMARY:

N/A

2. BACKGROUND:

City Council approved the Economic Revitalization Community Improvement Plan (CIP) at its January 31, 2011 meeting via CR 50/2011. The adopting By-law 30-2011 was passed by Council at its February 14, 2011 meeting.

The Economic Revitalization CIP provides financial incentives to encourage new investment in targeted economic sectors for the purposes of diversifying the local economy and creating/retaining jobs. The CIP allows the City to take a variety of measures to further the objectives of the Economic Revitalization CIP that would otherwise be prohibited by Ontario's *Municipal Act*. This includes the acquisition and preparation of land; construction, repair, rehabilitation or improvement of buildings; the sale, lease or disposal of land and buildings; and the provision of grants to owners or tenants of land—all of which must conform with the objectives and policies contained within the CIP.

There have been several inquiries from new and existing businesses regarding participation in the Economic Revitalization CIP grant programs over the past fifteen months. Four applications have been approved by Council to date, which represent a range of targeted economic sectors including manufacturing, professional services, and creative industries. A number of businesses are currently contemplating making a formal application.

Farrow Realty Inc. has submitted the City's fifth formal application for financial incentives under the Economic Revitalization CIP. Farrow Realty Inc. is the property holding company of the Farrow Group Inc. group of companies. Farrow Realty Inc.'s principle tenant is Russell A. Farrow Limited, whose head office is located at 2001 Huron Church Rd. Russell A. Farrow Limited is the largest family owned customs brokerage company in Canada with approximately 600 employees. Russell A. Farrow Limited was founded in Windsor in 1911.

The subject property (Appendix A) is 1.85 hectares (4.59 acres) in size and has frontage on Huron Church Road and Ambassador Drive. Farrow Realty Inc. is converting 929 square metres (10,000 square feet) of currently vacant warehouse to office space to accommodate up to 60 new employees. The property is designated 'Commercial Corridor' in the Official Plan and zoned MD 1.4, which permits business office.

3. DISCUSSION:

Farrow Realty Inc. has applied for financial incentives under the Business Retention and Expansion Grant program, which is intended to stimulate investment in targeted economic sectors for the purposes of retaining/expanding local businesses. New or existing businesses that are expanding are eligible to receive an annual grant for up to 100% of the municipal property tax increase created by an investment in development or redevelopment of a building or property—provided it is in conformity with the Economic Revitalization CIP. The annual grants may continue for up to 10 years or until 100% of the eligible costs are repaid.

Russell A. Farrow Limited was recently awarded a new account to facilitate the import of products into Canada for a significant retailer. In order to facilitate the requirements of this account, Russell A. Farrow Limited will hire approximately 25 – 30 new employees immediately with an expectation of up to 50 new employees over the long-term. This would be in addition to the 118 employees that are currently based out of 2001 Huron Church Road and the 160 (total) employees currently employed in the Windsor-Essex Region.

The value of the proposed work is estimated at \$1,112,000 and includes upgrades to the exterior of the building, parking lot improvements, roof replacement, and the cost of converting the vacant space for office use.

City staff has been discussing the CIP application with Russell A. Farrow Limited since March 2012, however, because of a need to meet client commitments and requirements, renovation work commenced prior to the submission of the application in May, 2012. Consistent with other CIP applications processed, City staff will consider any costs incurred after the application submission date as eligible for inclusion in the program (i.e. provided Council approves the grant request). Planning staff has prepared a separate report to the Economic Development Standing Committee (LiveLink REPORT #: 15870) recommending that the CIP be revised to formalize this approach to considering eligible costs.

Russell A. Farrow Limited falls within more than one eligible economic sector as defined within the CIP (e.g. Warehousing/Logistics and Management of Companies and Enterprises). City staff is supportive of the application as it meets all of the eligibility requirements specified within the Economic Revitalization CIP. The conversion of vacant space and business expansion at 2001 Huron Church Road also supports the following CIP objectives:

- Encourage investment that results in the productive use of lands and/or buildings for the purposes of establishing or maintaining a business enterprise, or the expansion of existing businesses to realize more effective use of the land's potential;
- Encourage capital investments that create new and/or maintain existing permanent jobs, as well as short-term construction jobs that contribute to the reduction of the unemployment rate;
- Attract investment based on the community's strengths and competitive advantages; and
- Support investment and development that results in an increase in property assessment and grows the non-residential municipal tax base over the long-term.

4. RISK ANALYSIS:

There is very little risk associated with the request for financial incentives from Farrow Realty Inc. Staff resources from Planning, Legal, and Finance would be required to implement the grant program. The majority of the resources would be required upfront in the approval and finalization of the legal agreement. Resources related to on-going monitoring of the employment use and issuance of annual grants will also be required over the next ten years.

5. FINANCIAL MATTERS:

Business Retention and Expansion Grant Program

The tax increment portion of the Business Retention and Expansion Grant is not calculated or paid out until all eligible work is completed and the property is reassessed by the Municipal Property Assessment Corporation (MPAC). Reassessment of the property must result in an increase in assessment value. On this basis, once the tax increment (i.e. the difference between the pre and post-development municipal tax levy) is determined, Farrow Realty Inc. may be eligible receive an annual grant equivalent of up to 100% of the tax increment for up to 10 years or until 100% of the eligible costs are repaid. The grant amount is recalculated annually based on the actual assessed property value, tax class, and municipal tax rate.

Estimated Change in Assessed Property Value

While the applicant proposes to spend \$1,200,000 on building and property improvements, certain components of the proposed work (e.g. repaving, rewiring, flooring, paint, etc) would not increase the assessed property value. In consultation with MPAC administration has been determined that the property assessment would likely increase by approximately \$500,000.

Summary of Potential Financial Incentives

Planning and Finance staff have prepared pro-forma calculations (Appendix C) to provide an understanding of the grant magnitude. The property is currently classified under two tax classes with approximately 64% of the property value assessment attributed to office and 36% to commercial. It is estimated that Farrow Realty Inc. would be eligible to receive annual grants in the amount of \$15,251 for up to 10 years, which would total \$152,508 or 13% of the estimated eligible building retrofit and property improvement costs over the lifespan of the program.

Because the Business Retention and Expansion Grant Program does not cancel taxes, the applicant must pay the full amount of property taxes annually and will subsequently receive a grant for the difference between the pre and post-development municipal taxes. The City will retain the amount of pre-development (base) municipal taxes throughout the lifespan of the grant program. Accordingly, there is no negative impact on the City's current tax base.

6. CONSULTATIONS:

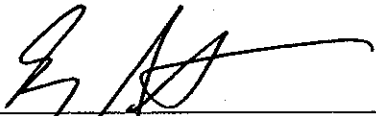
The Economic Revitalization CIP was subject to extensive stakeholder and public consultation as part of the approval process, including two public open houses, a statutory public meeting of Council and circulation among internal City staff and the Province.

Planning staff have consulted with the applicant prior to accepting the application for the Business Retention and Expansion Grant Program. Staff from the Planning, Finance, and Legal departments were consulted in the preparation of this report.


7. CONCLUSION:

City Staff recommend that Council approve the request from Farrow Realty Inc. to participate in the Business Retention and Expansion Grant Program under the Economic Revitalization CIP. Specifically staff recommends approval of annual grants equivalent to 100% of the increase in municipal taxes as a result of the conversion of vacant warehouse space for office use at 2001 Huron Church Road.

The planned business expansion conforms with the Economic Revitalization CIP, assists the City in the achievement of a number of the CIP objectives and exemplifies the intent of the Business Retention and Expansion Grant Program.



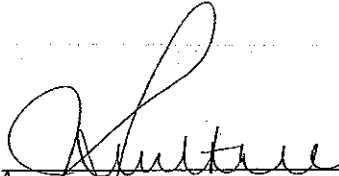
Greg Atkinson
Senior Planner – Local Economic
Development



Thom Hunt
City Planner / Executive Director



George Wilkki
City Solicitor and Corporate Leader
Economic Development and Public Safety



Onorio Colucci
Chief Financial Officer/City Treasurer and
Corporate Leader Finance and Technology

GA/mf

APPENDICES:

Appendix A: Location Map

Appendix B: Business Plan Summary

Appendix C: Estimated Grant Calculation

DEPARTMENTS/OTHERS CONSULTED:

Name: Janice Guthrie, Deputy Treasurer – Taxation and Financial Projects
Phone #: 519-255-6100 ext. 6271

Name: Roger Lauziere, Manager of Property Assessment
Phone #: 519-255-6100 ext. 6170

Name: Michael Cooke, Manager of Planning Policy
Phone #: 519-255-6543 ext. 6102

Name: Neil Robertson, Manager of Urban Design
Phone #: 519-255-6543 ext. 6461

Name: Wira Vendrasco, H D., Senior Legal Counsel
Phone #: 519-255-6100 ext. 6375

NOTIFICATION :

Name	Address	Email Address	Telephone	FAX
Romeo J. Girardi Executive Vice President Farrow Realty Inc.		romeo.girardi@farrow.com	519-252-4415 ext. 575	

Appendix A: Location Map



LOCATION MAP - 2001 HURON CHURCH ROAD

 SUBJECT PROPERTY 

May 7, 2012

**Farrow Realty Inc.
Business Plan Summary**

Project Purpose/Objective

Conversion of 10,000 sq ft of vacant warehouse space to functional office space plus enhancement of property exterior to compliment adjoining properties.

Company History

Farrow Realty Inc. (FRI) is the property holding company in the Farrow Group Inc. (FGI) group of companies. FRI's principal tenant is Russell A. Farrow Limited (RAFL), whose head office is located at 2001 Huron Church Rd., Windsor. RAFL is the largest family owned customs brokerage company in Canada with in excess of 600 employees approximately 200 of which reside in Essex County. FGI and the Farrow family has been long standing supporters of the Windsor community having made significant contributions to Hospice, Habitat for Humanity, Windsor Essex Therapeutic Riding Association, The Alzheimer Society and a number of other benefactors.

FGI through its various operating companies facilitates the collection and remittance of in excess of \$1.4B in duty and taxes annually and completes well in excess of 1M transactions annually.

RAFL celebrated its 100th anniversary in 2011 and was honoured to be designated, for the third consecutive year, as one of Canada's 50 Best Managed Companies. In addition RAFL was awarded the Windsor Chamber of Commerce Large Company of the Year for the second time in 2011.

Construction/Renovation Plans & Employee/Employment Impact

RAFL was recently awarded a significant new account and will be facilitating the importation of all products into Canada for a significant new retailer to Canada. In order to facilitate the requirements for this new importer RAFL will need to hire initially approximately 25 – 30 individuals with an expectation of up to a total of 50 new employees to service this account. These individuals could be located at any one of RAFL's 3 Regional offices or alternatively expand its Etobicoke, Ontario facility which is in close proximity to this new Canadian retailer's corporate office.

A decision was reached to locate these new positions in Windsor thereby increasing our Windsor/Essex workforce from approximately 180 to 210 individuals with the potential of increasing this even further to an approximate total of 230 plus spin off jobs in the community. To accommodate this influx of employees, FRI commenced renovations of approximately 10,000 sq ft of vacant warehouse to commercial office space. At the same time a decision was reached to improve the overall appearance of the facility at 2001 Huron Church Rd. A decision was also reached to apply for an Economic Revitalization CIP Grant to assist in offsetting the capital cost of the renovations.

Due to client commitments and requirements, renovation work was commenced immediately in order to meet a tight time line. Vacant warehouse space is being converted to accommodate up to 60 new employees. In addition a new boardroom facility is being constructed as well as a physical fitness room for staff to utilize. These interior improvements will be complemented by updating the exterior of the facility to match adjoining properties. Parking lot improvements as well as an exterior staff "green space" is being constructed.

Public Benefit

In addition to the new jobs being created the exterior improvements along one of the most travelled gateway roads into Ontario and Canada, will reflect positively on the City of Windsor.

The Economic Revitalization CIP Grant will assist in mitigating the financial strain on the company caused by the capital improvements which are now well underway with a projected completion for all renovations of June 30, 2012.

Attached are copies of the architectural drawings for the renovations and we would be pleased to provide a guided tour of the interior and exterior renovations to representatives from the City of Windsor.

To coordinate a site visit please contact the undersigned at your convenience.

Romeo J. Girardi
Executive Vice President
Farrow Realty Inc.
Phone – 519-252-4415 ext 575 or romeo.girardi@farrow.com

Appendix C: Estimated Grant Calculation

Estimated Grant Calculation - (2001 Huron Church Rd)			
Year of Grant	Pre Development Municipal Taxes	Post Development Municipal Taxes	Value of Grant (Tax Increment)
1*	\$150,453	\$165,704	\$15,251
2	\$150,453	\$165,704	\$15,251
3	\$150,453	\$165,704	\$15,251
4	\$150,453	\$165,704	\$15,251
5	\$150,453	\$165,704	\$15,251
6	\$150,453	\$165,704	\$15,251
7	\$150,453	\$165,704	\$15,251
8	\$150,453	\$165,704	\$15,251
9	\$150,453	\$165,704	\$15,251
10	\$150,453	\$165,704	\$15,251
Total	\$1,504,529	\$1,657,037	\$152,508

* Year 1 commences after development is completed and the property has been reassessed by MPAC

Note: Totals include cents not shown above.

Assumptions

Current Property Value Assessment	\$4,903,000
Current Property Value Assessment Apportioned to Office Use	\$3,118,380
Current Property Value Assessment Apportioned to Commercial Use	\$1,784,620
2011 Office Tax Rate (municipal portion)	3.087119%
2011 Commercial Tax Rate (municipal portion)	3.036207%
Current Municipal Tax Levy	\$150,453
Investment (Estimated Eligible Costs)	\$1,200,000
Estimated Post-Redevelopment Property Value Assessment	\$5,400,000
Estimated Post-Redevelopment Property Value Assessment Apportioned to Office Use	\$3,434,380
Estimated Post-Redevelopment Property Value Assessment Apportioned to Commercial Use	\$1,965,620
Estimated Post-Redevelopment Municipal Taxes	\$165,704

Property assessment values are assumed to remain constant throughout the period of the grant program for purposes of pro-forma calculations. Actual grant amounts will be calculated on an annual basis throughout the lifespan of the program and will be retroactive to date of completion, prorated for part year(s)