

DÉVELOPPER LE FUTURE

SDE G EDC

Société du développement  
économique de Greenstone

Greenstone Economic  
Development Corporation

DEVELOPING THE FUTURE

**Greenstone Comparative  
Operational Study  
Northern Communities  
Investment Readiness Project**

Final - December 2010

Prepared by:



**SHS CONSULTING**

POLICY • RESEARCH • COMMUNITY DEVELOPMENT

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## 1.0 Introduction

### 1.1 Purpose

A range of new investment opportunities are emerging within the Greenstone region, particularly the Chromite Deposit in the “Ring of Fire” and the Premier Gold Hardrock project in the Geraldton-Beardmore Camp. This study is being conducted to assist in presenting the Greenstone region to potential new investors.

The overall goal of this study is to prepare a comparative cost analysis of operating a business within the Greenstone region compared to communities in other competing areas (including Manitoba, Quebec, Northern United States and Northwestern Ontario) in order to demonstrate the comparative advantages to potential investors of locating within the Greenstone region. A further key goal is to identify any potential disadvantages in order to help develop strategies to overcome them. The study would also enable Greenstone to target specific aspects of the identified sector in which Greenstone is the most competitive and would further assist the Senior Business Consultants within the Ministry of Economic Development and Trade to further understand the underlying opportunities within the Greenstone region and present them to their potential client base.

### 1.2 Objectives

This study seeks to achieve the following specific objectives:

- Identify comparative cost differences of operating a business in the Greenstone region versus communities in identified competing areas
- Identify advantages of locating within Greenstone
- Identify any potential disadvantages of locating within Greenstone
- Highlight any specific aspects of the identified sector in which Greenstone is most competitive

These objectives are to be met through gathering and reviewing comparative cost data for an identified relevant business within Greenstone and within a selected community in each of the four competing areas. From this information, specific competitive advantages and disadvantages of Greenstone are to be identified.

### 1.3 Scope

This study covers the area serviced by the Greenstone Economic Development Corporation, and compares the Greenstone region with the following competing areas: Flin Flon, Manitoba; Marathon, Ontario; Malartic, Quebec; Eveleth, Minnesota.

#### 1.3.1 Greenstone, Ontario

This study covers the area serviced by the Greenstone Economic Development Corporation. The Greenstone region currently has a population of 4,906. The Municipality of Greenstone was amalgamated in 2001 from the former communities of:

- Beardmore
- Caramat (physically separated)
- Geraldton
- Jellicoe
- Longlac
- Macdiarmid
- Nakina
- Orient Bay

The area also includes the First Nation Communities of:

- Aroland First Nation
- Ginoogaming First Nation
- Lake Nipigon Ojibway First Nation
- Long Lake #58 First Nation
- Rocky Bay First Nation

The Greenstone Region is part of the District of Thunder Bay, which is located in Northwestern Ontario.

#### 1.3.2 Flin Flon, Manitoba

Flin Flon is a mining community located on the Manitoba and Saskatchewan border. The City of Flin Flon has 5,594 residents.

### 1.3.3 *Malartic, Quebec*

Malartic is situated near three of Quebec's largest gold mines. Population peaked at 5,983 in the 1950's, declining with the economy and the closing of the major mines in the 1960s. In 2008 and 2009, mining exploration by Osisko Mining has revealed an untapped new gold deposit, estimated at approximately 9 million ounces of ore. The company has received approval from the government of Quebec to launch what would become Canada's largest-ever open pit gold mine. The current population of Malartic is 3,640.

### 1.3.4 *Marathon, Ontario*

Marathon is considered to be an economic hub on the north shore of Lake Superior, surrounded by boreal forests and rich mineral deposits. Currently, the population of Marathon is 4,400 with 72% of the population under 45 years of age.

### 1.3.5 *Eveleth, Minnesota*

The Town of Eveleth's economy has always been tied to iron ore mining and processing. This economic activity peaked during World War II and declined through the second half of the Twentieth Century. A resurgence of demand for iron ore occurred from 2005 to 2007. The current population of Eveleth is 3,585.

## 1.4 **Methodology**

A number of different sources of information were used to provide details on the Greenstone Comparative Operational Study. These include:

- **Statistical Data:** Statistics Canada's Community Profiles from 2006 and 2001 and the U.S. Census from 2000 were used to obtain data on economic characteristics such as the housing market and wages. Due to economic conditions since 2006, the data mentioned in this report may not properly reflect today's housing market and income levels. Therefore, the next Canadian Census in 2011 will have a more accurate estimate on 2010 market conditions.
- **Economic and Labour Market Studies:** Recent economic and labour market studies and reports provided by each region's Economic Development offices provided information on cost data such as land value and property tax rates
- **Other Materials and Resources:** Other materials and resources were also consulted in the preparation of this report and a complete list of these is included in the bibliography. This information was complemented by telephone interviews with key contacts identified in each sector.

## 2.0 Comparative Cost Differences

In order to determine the advantages and/or disadvantages of operating a business in the Greenstone region compared to its competitors, this report will compare key operating costs and incentives that could attract potential investors. This report will be analyzing the following major location-sensitive cost factors: commercial real estate and land, homeownership and rent, property taxes, wages, utility costs, corporate income taxes, and any incentives to operate in each region.

### 2.1 Cost of Property

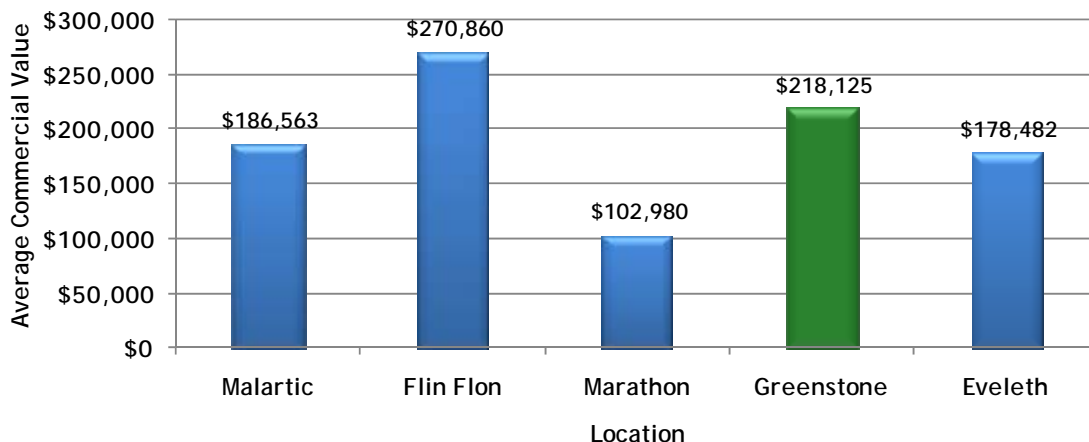
The biggest factor when comparing operating expenses within different cities is the cost of property. The three real estate comparatives this report will be analyzing are land value and commercial real estate, housing and rental costs, and property tax rates in each municipality.

#### 2.1.1 Commercial Real Estate and Land Value

In order to determine average commercial real estate prices, this report compiled samples from various real estate sources. During the sampling process, it was noted that commercial property costs in these locations are extremely volatile which is attributed to rather stagnant real estate markets currently being experienced. These volatile costs are largely the reflection of high existing vacancy rates, resulting from the slow economic recovery and the low number of new jobs being created by that recovery. Therefore, the following results do not fully reflect the true cost of commercial real estate when economic recovery is achieved.

As shown in the figure below, Greenstone region's average commercial property costs are one of the highest compared to its competitors. One of the biggest potential threats is the price of commercial real estate in Marathon, which is approximately 53% less expensive than in Greenstone.

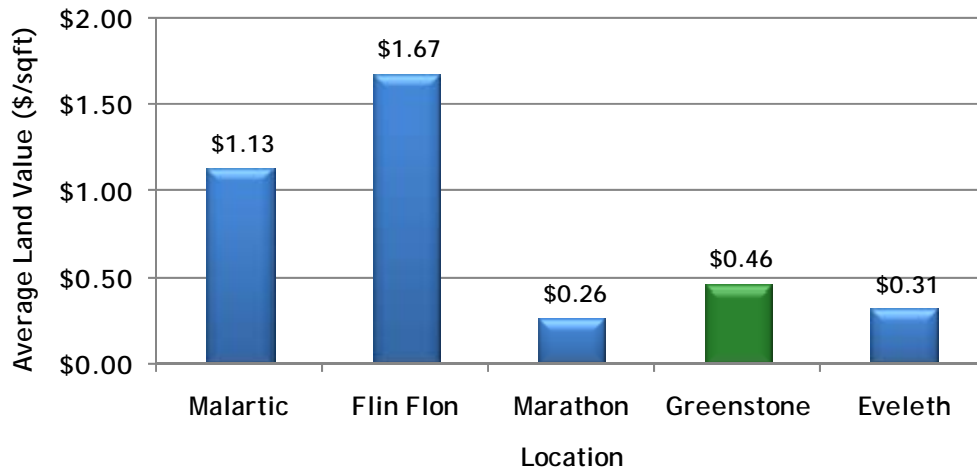
Figure 1: Average Commercial Real Estate Prices



Source : Business for Sale , 2010; Flin Flon Real Estate, 2010; ICX, 2010; Triad Realty, 2010

A more useful indicator of property valuation, especially for new businesses wishing to develop, is analyzing the average land value. The figure below illustrates the average land value amongst the comparators.

Figure 2: Average Land Value (\$/sq ft)



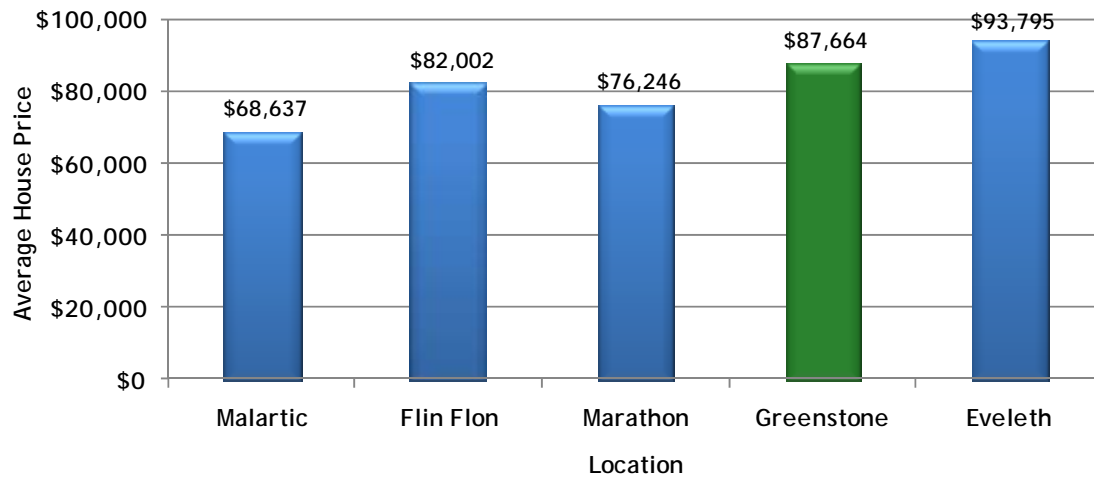
Source: ICX, 2010; Ville de Malartic, 2010; Municipality of Greenstone, 2010; City of Eveleth, 2010

All of the regions in this analysis have very competitive land prices, except for the cities of Malartic and Flin Flon, which have average prices approximately 158% higher than the rest of the comparators. One of the reasons behind Malartic's high property value is likely due to the new gold mine development by Osisko. However, amongst the regions with competitive land values such as Marathon and Eveleth, Greenstone's land value per square foot is approximately \$0.46, which is approximately 50% more expensive.

### 2.1.2 Housing and Rental Costs

A primary motivator to operate a business in a particular city is looking at the associated living cost. A key indicator that reflects the cost of living is looking at the value of real estate and rental price for dwellings. The following figure illustrates the average housing price in Greenstone region compared to other competing cities.

Figure 3: Average Housing Prices, 2008



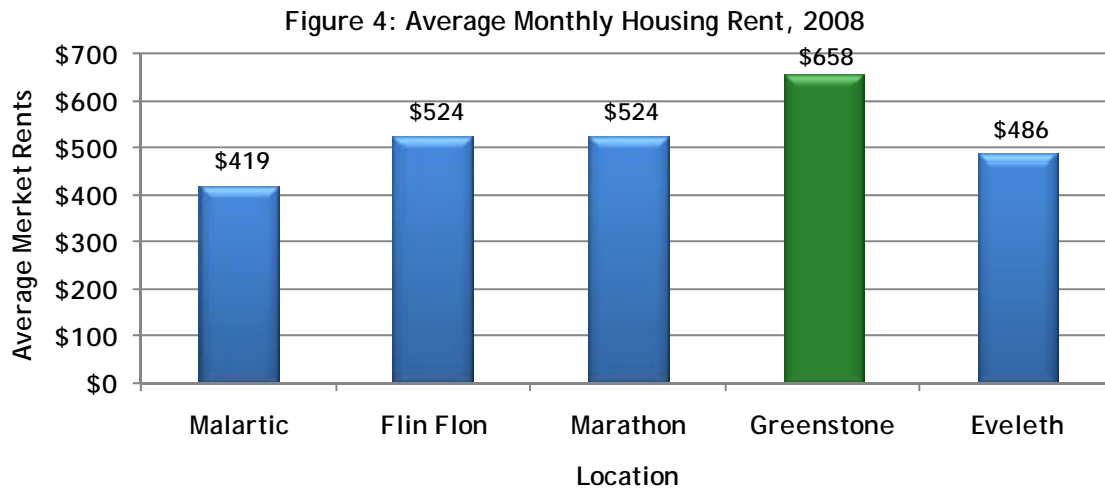
Source: Statistics Canada Community Profiles, 2006; City-Data, 2008  
Note: Canadian city housing prices have been adjusted with inflation by 4.6% from 2006 to 2008; City of Eveleth's housing price has been adjusted using January 1, 2008 exchange rate of 0.9977CAD/USD

The Greenstone region's average housing price in 2008 was approximately \$87,664<sup>1</sup>. When normal market conditions are occurring, Greenstone has the highest average house price when compared to other Canadian comparator municipalities. This can pose a potential threat when comparing Greenstone to one of its closer competitors, Marathon, which is approximately 13% less expensive.

The current market condition in Greenstone is characteristic of short-term recessionary levels and is somewhat below these levels. It is expected to return to normal values as anticipated economic growth occurs.

Although the average house price in Greenstone is marginally higher than the rest of the competing cities in Canada, the average monthly rent of housing is considerably higher, approximately 25% more expensive than its competitors. Figure 4 compares the average monthly housing rent in Greenstone region to other competing cities.

<sup>1</sup> As mentioned in methodology in Section 1.4, economic conditions since 2006 has affected the housing market, and therefore the data presented may not illustrate today's average housing price.



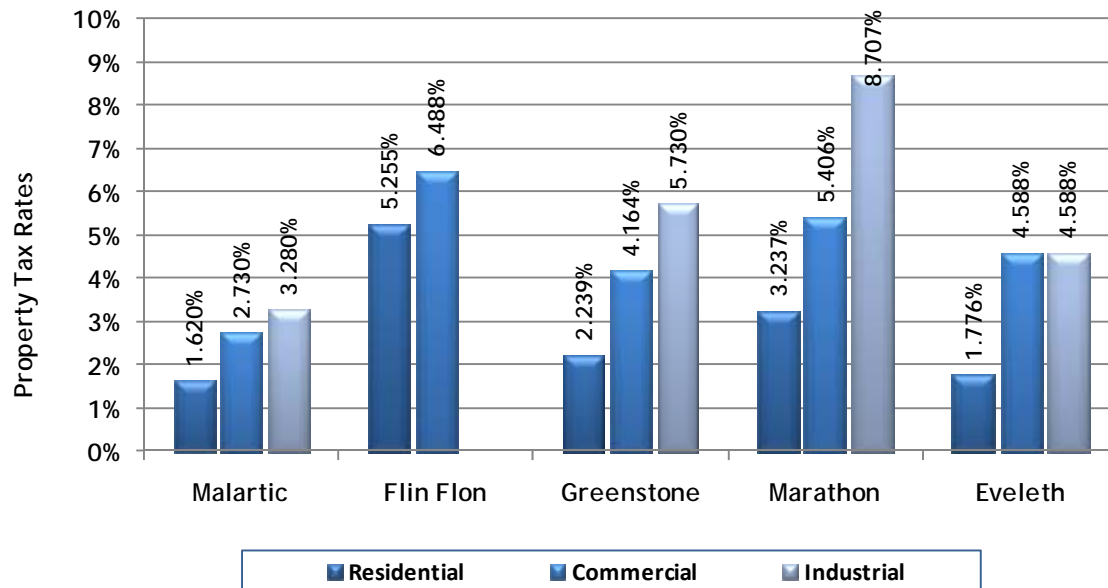
Source: Statistics Canada Community Profiles, 2006; City-Data, 2008  
 Note: Canadian city housing prices have been adjusted with inflation by 4.6% from 2006 to 2008; City of Eveleth's housing price has been adjusted using January 1, 2008 exchange rate of 0.9977USD/CAD

Greenstone region's average monthly housing rent is currently \$658 per month, which is approximately \$134 higher than the city of Flin Flon and Marathon, and \$239 higher than Malartic. This can be a barrier to potential investors, since it may be difficult to convince employees to live in a location that is more expensive.

### 2.1.3 Property Taxes

Although property taxes marginally affect the cost of an operation, they may be a factor that could ultimately attract investors to operate in a particular location. The figure below compares 2010 property tax rates for residential, commercial and industrial properties in the competing cities. *Note: The industrial property tax rate in Flin Flon is not shown since this information is currently not available.*

Figure 5: Property Tax Rates for Residential, Commercial and Industrial Property, 2010



Source: Saint Louis County, Rate Sheet 2010; Ville de Malartic, 2010; The Corporation of the Municipality of Greenstone, 2010 Tax Rates, 2010; Community Futures Greenstone, 2010; Town of Marathon, 2010

The Greenstone region has a competitive commercial property tax rate, having the second lowest rate at 4.164%. When comparing Greenstone to its interprovincial neighbour Marathon, Greenstone has approximately a 1% lower property tax rate on residential and commercial property, and 3% on industrial property. The only region that has a lower property tax rate is Malartic, which has the lowest rates for all types of property. Although the Greenstone region does not have the lowest property tax rates, it does have attractive rates compared to other competitors. Therefore, property taxes in the Greenstone region can be considered a competitive advantage.

## 2.2 Operating Costs

Operating costs can vary significantly depending on geographic location. When comparing the cost of operating a business among competing cities, it is important to look at the following location-sensitive costs: wages, utility costs, corporate tax rates, and incentives.

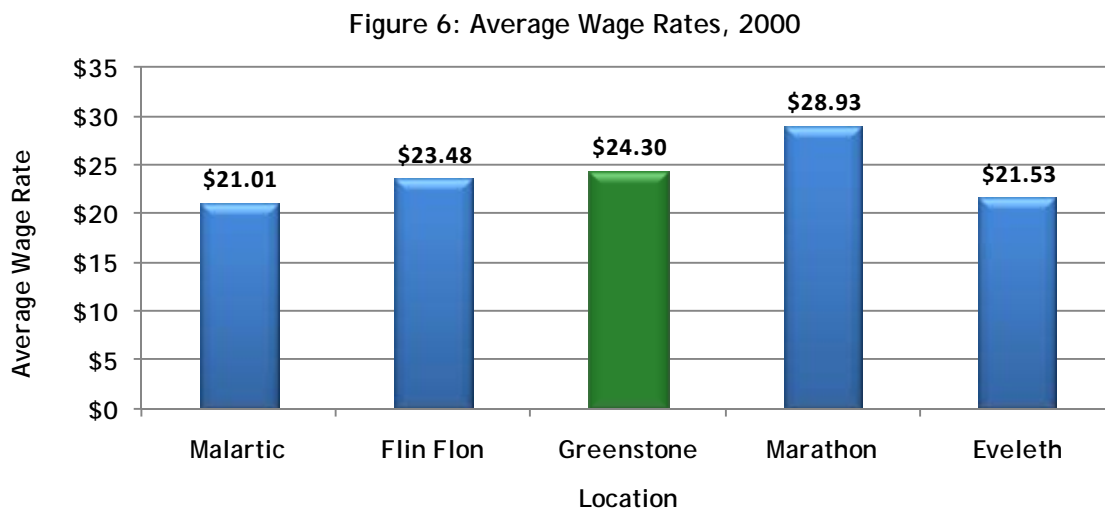
### 2.2.1 Wages

Labour costs are the key element in location-sensitive costs and can vary significantly depending on location. For example, for manufacturing operations, labour costs average 64% of location-sensitive costs, while non-manufacturing operations have labour costs attributing to 80% on average of location-sensitive costs (KPMG, 2004). Therefore, it is crucial to look at the

average and minimum wage rates in the competing regions.

Due to the different timing of the U.S. and Canadian Census periods, the following figure compares average wage rates based on the US Census last conducted in 2000 with the 2001 Census. Following this, we examine more current wages rates for Canadian comparator cities based on the 2006 Census.

Figure 6, illustrates average wage rates in 2000. Compared to the rest of the regions, Eveleth has a low average rate similar to Malartic. Therefore, when looking at Figure 7 on page 10, which compares average wage rates in 2005<sup>2</sup>, we can safely assume that the average wage rate in Eveleth will be greater than Malartic's, but less than the rest of the comparative regions.



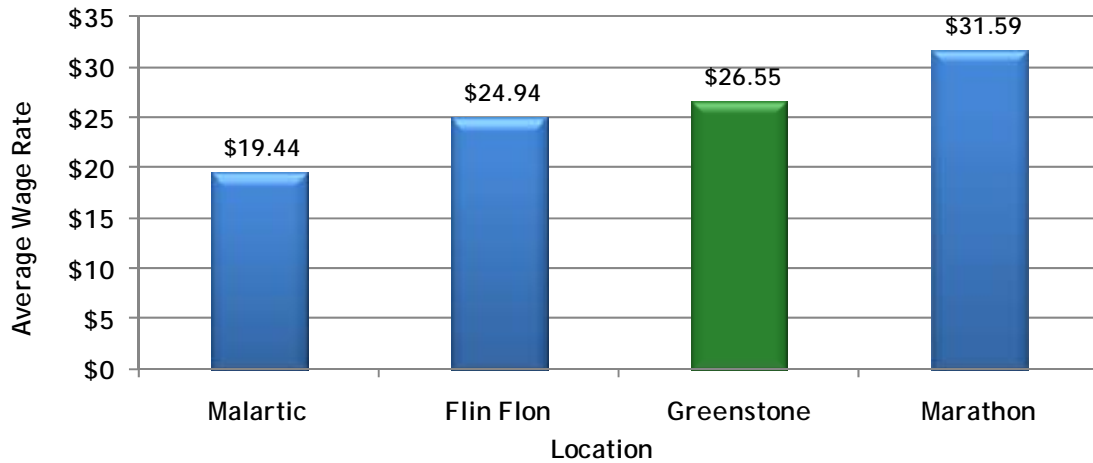
Source: Canada Census, 2001; U.S. Census 2000

Note: Eveleth wage is adjusted for inflation (2.19% in 2000) and then adjusted using January 1, 2000 exchange rate of 1.44559 CAD/USD

The Greenstone region has the second highest average wage rate compared to the rest of the competitive regions. This could be a disadvantage since potential investors may be enticed to operate in a competing location in order to reduce their operating costs. However, Greenstone's neighbouring competitor Marathon has a significantly higher average wage rate, which could be used as an advantage if a potential investor is indecisive between the two regions.

<sup>2</sup> As mentioned in methodology in Section 1.4, economic conditions since 2006 has affected the income levels, and therefore the data presented may not illustrate today's average wage rate.

Figure 7: Average Wage Rates, 2005

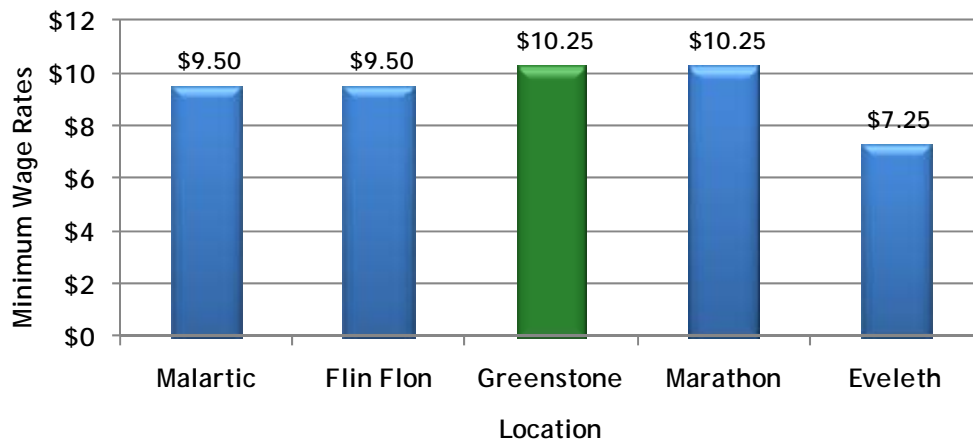


Source: Canada Census, 2006

The flip side to having a higher wage rate could be used by businesses to attract highly skilled workers to their location. Therefore, depending on how the information of having a higher than normal average wage rate is presented may be either a disadvantage or an advantage.

For small businesses that wish to pay minimum wage, the following figure illustrates the minimum wage in each comparator. The minimum wage in each town is set by either the local province or state. The State of Minnesota has two tiers of minimum wage rates: \$6.15 an hour if the enterprise has annual receipts of \$625,000 or more; \$5.25 if the enterprise has annual receipts less than \$625,000 (U.S. Department of Labor, 2010). However, in July 2009, the City of Eveleth passed a motion to increase the minimum wage to \$7.25 an hour in accordance with the new federal minimum wage rate (City of Eveleth, 2010).

Figure 8: Hourly Minimum Wage Rates, 2010

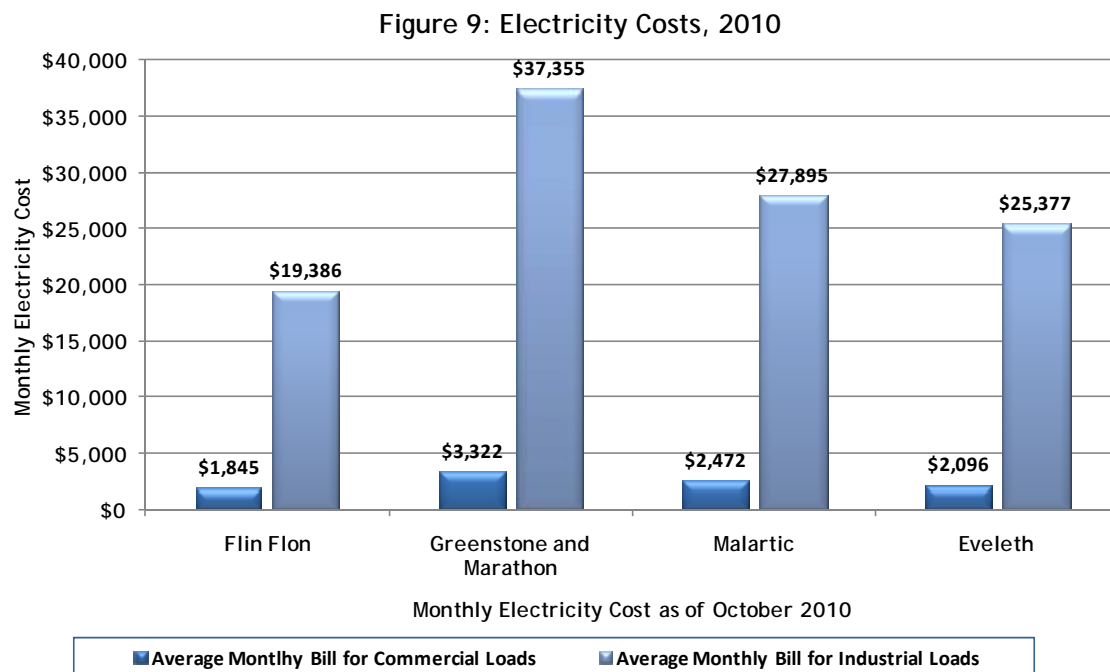


Source: Government of Manitoba, 2010; Government of Ontario, 2010; Government of Quebec, 2010; U.S. Department of Labor, 2010

Currently, Greenstone (and Marathon) has the highest minimum wage compared with other competing cities. If a business is paying minimum wage, an operation's labour costs in Greenstone would be 7.9% more expensive than Malartic and Flin Flon, and 41.4% more expensive than Eveleth. Although Greenstone does have a higher minimum wage, which in turn would result in higher operating costs, the marginal increase in wages could potentially attract employees to work in Greenstone

### 2.2.2 Utility Costs

Depending on the type and size of operation, utility costs could be a large portion of operating costs. Therefore, an examination of electricity costs in each location could give an idea of what the utility costs would look like. Figure 9 illustrates the monthly electricity costs for a commercial and an industrial business. Due to each area's geographic location, there are no local or regionally operated power stations. Therefore each location relies on the power provided by its province or state. Furthermore, Greenstone and Marathon will have the same costs, in view of their reliance on the same electricity provider.



Source: Manitoba Hydro, 2010; U.S. Energy Information Administration, 2010  
 Note: Assuming a commercial business is using 25,000kWh/month and an industrial business is using 400,000kWh/month;  
 Electricity cost in Eveleth was adjusted using October 19, 2010 exchange rate of 1.0299 CAD/USD

As shown in the figure above, Greenstone's electricity costs for commercial and industrial loads are much higher than the other competitors. For instance, the monthly average electricity cost in Greenstone is almost twice as much compared to the electricity cost in Flin Flon. The reason behind Flin Flon's inexpensive energy is Equalization, which is a federal subsidy

program that transfers revenue from prosperous to less prosperous provinces with the objective of ensuring reasonably comparable levels of public services at reasonably comparable levels of taxation. In this figure, Malartic has the second highest utility cost; however, Greenstone's electricity cost is still approximately 25% more expensive for both industrial and commercial loads. Accordingly, the high electricity cost in Greenstone could represent a disadvantage.

### *2.2.3 Corporate Income Taxes*

One of the biggest factors that affect the decision to operate a business is the corporate tax rate. Depending on the location, the corporate tax rate can vary substantially. Table 1 illustrates the corporate tax structure in each competing region. Again, since Greenstone and Marathon are located in the same province, their tax structure will be identical. In addition, the corporate tax system in the United States works on a system of graduated marginal tax rates, whereas in Canada the entire income is taxed at the same rate.

If a business is operating at an income below \$400,000 a year, the most competitive location is in Flin Flon, with the lowest tax rate of 11%. However, if a company is earning over \$400,000 a year, Greenstone (and Marathon) has the lowest corporate tax rates of 28%. This is a significant contributor to attract potential investors to operate a business in the Greenstone region. When compared to Eveleth, operating in Greenstone could save approximately 16% each year. Additionally, the Province of Ontario and the Canadian Government have made plans to gradually decrease their corporate tax rates annually. Therefore, by 2013, the corporate tax rate in Greenstone and Marathon will be 25%, approximately 1.5% lower than all other Canadian competitors.

Table 1: Corporate Tax Rates, 2011

| Location<br>Income Bracket | Malartic   |                      |          | Flin Flon  |                      |          | Greenstone <sup>1</sup> |                      |          | Marathon <sup>1</sup> |                      |          | Eveleth <sup>3</sup> |         |          |
|----------------------------|------------|----------------------|----------|------------|----------------------|----------|-------------------------|----------------------|----------|-----------------------|----------------------|----------|----------------------|---------|----------|
|                            | Provincial | Federal <sup>2</sup> | Combined | Provincial | Federal <sup>2</sup> | Combined | Provincial              | Federal <sup>2</sup> | Combined | Provincial            | Federal <sup>2</sup> | Combined | State                | Federal | Combined |
| \$0-50,000                 | 8.0%       | 11.0%                | 19.0%    | 0.0%       | 11.0%                | 11.0%    | 4.5%                    | 11.0%                | 15.5%    | 4.5%                  | 11.0%                | 15.5%    | 9.8%                 | 15.0%   | 24.8%    |
| \$50,000-\$75,000          | 8.0%       | 11.0%                | 19.0%    | 0.0%       | 11.0%                | 11.0%    | 4.5%                    | 11.0%                | 15.5%    | 4.5%                  | 11.0%                | 15.5%    | 9.8%                 | 25.0%   | 34.8%    |
| \$75,000-\$100,000         | 8.0%       | 11.0%                | 19.0%    | 0.0%       | 11.0%                | 11.0%    | 4.5%                    | 11.0%                | 15.5%    | 4.5%                  | 11.0%                | 15.5%    | 9.8%                 | 34.0%   | 43.8%    |
| \$100,000-\$335,000        | 8.0%       | 11.0%                | 19.0%    | 0.0%       | 11.0%                | 11.0%    | 4.5%                    | 11.0%                | 15.5%    | 4.5%                  | 11.0%                | 15.5%    | 9.8%                 | 39.0%   | 48.8%    |
| \$335,000-\$400,000        | 8.0%       | 11.0%                | 19.0%    | 0.0%       | 11.0%                | 11.0%    | 4.5%                    | 11.0%                | 15.5%    | 4.5%                  | 11.0%                | 15.5%    | 9.8%                 | 34.0%   | 43.8%    |
| \$400,000-\$500,000        | 8.0%       | 11.0%                | 19.0%    | 12.0%      | 11.0%                | 23.0%    | 4.5%                    | 11.0%                | 15.5%    | 4.5%                  | 11.0%                | 15.5%    | 9.8%                 | 34.0%   | 43.8%    |
| \$500,000-\$10,000,000     | 11.9%      | 16.5%                | 28.4%    | 12.0%      | 16.5%                | 28.5%    | 11.5%                   | 16.5%                | 28.0%    | 11.5%                 | 16.5%                | 28.0%    | 9.8%                 | 34.0%   | 43.8%    |
| \$10,000,000-\$15,000,000  | 11.9%      | 16.5%                | 28.4%    | 12.0%      | 16.5%                | 28.5%    | 11.5%                   | 16.5%                | 28.0%    | 11.5%                 | 16.5%                | 28.0%    | 9.8%                 | 35.0%   | 44.8%    |
| \$15,000,000-\$18,333,333  | 11.9%      | 16.5%                | 28.4%    | 12.0%      | 16.5%                | 28.5%    | 11.5%                   | 16.5%                | 28.0%    | 11.5%                 | 16.5%                | 28.0%    | 9.8%                 | 38.0%   | 47.8%    |
| Above \$18,333,333         | 11.9%      | 16.5%                | 28.4%    | 12.0%      | 16.5%                | 28.5%    | 11.5%                   | 16.5%                | 28.0%    | 11.5%                 | 16.5%                | 28.0%    | 9.8%                 | 35.0%   | 44.8%    |

Source: KPMG: Income Tax Rates for General Corporations: 2011-2012, 2010; Tax Rates: United States, 2010

1. For all Ontario cities, the Provincial tax rate will be reduced annually: 11% effective July 1, 2012; 10% effective July 1, 2013
2. The Canadian Federal corporate tax rate will be reduced to 15% in 2012
3. The U.S. corporate tax system works on a system of graduated marginal tax rates whereas Canada taxes the entire income at the same rate

### 2.3 Incentives

The Northern Ontario Heritage Fund Corporation offers various programs to stimulate the economy in Greenstone and Marathon. One program which is specifically tailored to new enterprises is the Enterprises North Job Creation Program, which is designed to provide job creation and economic growth in Northern Ontario. This particular program offers funding of up to \$1 million in repayable loans and grants for eligible costs, such as capital construction costs related to the establishment of a business, purchase of new equipment, and intellectual capital (Ministry of Northern Development, Mines and Forestry, 2010).

Northeastern Minnesota has released an economic development incentive initiative aimed at providing job creation and growing and sustaining businesses. The program is called Job Opportunity Building Zones (JOBZ) and eligible companies are exempt from local and state tax until 2016, plus receive a tax credit for creating good paying jobs (Northland Connection, 2010). In turn, this could potentially reduce Eveleth's corporate tax rate to approximately 34%. This rate, however, is still much higher than Greenstone's tax rate.

The City of Flin Flon offers similar programs for new businesses. The Community Futures Greenstone (not to be confused with the Economic Development Corporation in Greenstone) serves the community of Flin Flon by providing financial, technical and planning assistance. Currently, Community Futures Greenstone has a Business Development Fund which offers up to \$125,000 term and equity loans to applicants in need (Community Futures Greenstone, 2010).

In July of 2009 Industry Canada/FedNor announced to all Community Futures Development Corporations an increase in their lending limit, as a result of FedNor's participation in the Government of Canada's Stimulus Package, which forms part of Canada's Economic Action Plan. GEDC can lend up to a maximum of \$250,000 during these hard economic times, and the increase will only be accessible until March 2011 at which time the lending limit will return to the original amount of \$150,000. Greenstone Economic Development Corporation joined six other Community Futures Development Corporations in Northwestern Ontario to create the "Northwestern Ontario Investment Pool", which provides the Corporation with the ability to provide business loans up to a maximum of \$500,000

### 3.0 Advantages and Disadvantages of Locating in Greenstone

Table 2 summarizes the cost of operating a business in the competing regions. Throughout this report it has been shown that there are particular advantages and disadvantages for locating a business in Greenstone.

Table 2: Summary of Costs of Operating a Business in Competing Regions

| Costs                            | Malartic  | Flin Flon | Eveleth   | Marathon  | Greenstone |
|----------------------------------|-----------|-----------|-----------|-----------|------------|
| Average Wage Rates               | \$19.44   | \$24.94   | N/A       | \$31.59   | \$26.55    |
| Residential Property Tax         | 1.6200%   | 5.2550%   | 1.7755%   | 3.2373%   | 2.2389%    |
| Commercial Property Tax          | 2.730%    | 6.488%    | 4.588%    | 5.406%    | 4.164%     |
| Corporate Tax Rate               | 28.4%     | 28.5%     | 43.8%     | 28.0%     | 28.0%      |
| Average Monthly Utility Cost     | \$2,472   | \$1,845   | \$2,096   | \$3,322   | \$3,322    |
| Average Residential Property     | \$68,637  | \$82,002  | \$93,795  | \$76,246  | \$87,664   |
| Average Monthly Residential Rent | \$419     | \$524     | \$486     | \$524     | \$658      |
| Average Land Value (\$/sqft)     | \$1.19    | \$1.67    | \$0.31    | \$0.26    | \$0.46     |
| Average Commercial Property      | \$186,563 | \$270,860 | \$178,482 | \$102,980 | \$218,125  |

#### 3.1 Advantages

The current tax structure in Greenstone is attractive, with the lowest corporate tax rate, and some of the lowest residential and commercial property tax rates. Additionally, the corporate tax rates in Greenstone are expected to decrease annually until 2013. This tax structure combined with the Northern Ontario Heritage Fund Corporation's programs, such as the Enterprises North Job Creation Program, can potentially attract investment to the Greenstone region due to the immediate accessibility to funding and the perpetual savings in taxes.

Although Greenstone does not have the lowest land value, it is relatively competitive. For instance, the land value is marginally more expensive in Greenstone compared to Eveleth and Marathon; however, it is significantly less expensive than Malartic and Flin Flon.

As mentioned in *Greenstone Regional Labour Market Study*, there are currently existing gaps in commercial services provided in the Greenstone region, and present and future employers note the need for more supply services in the area. Therefore, a potential advantage in the Greenstone area would be to develop of an investment attraction campaign aimed to small-scale niche businesses that fill existing gaps.

#### 3.2 Disadvantages

Under normal economic conditions, the cost of real estate in Greenstone is more expensive than its competitors. As previously mentioned, labour costs can attribute up to 80% of location-sensitive costs. Therefore, it could be a potential disadvantage that the Greenstone region has average wage rates

higher than three of its competitors. Although the land value in Greenstone is relatively inexpensive compared to Malartic and Flin Flon, it is nearly double the price compared to its neighbour, Marathon. In addition, Greenstone has the highest electricity cost compared to the rest of the competitors. For instance, the electricity cost in Greenstone is nearly twice the cost as Flin Flon. The high operating costs associated with expensive real estate, high cost of labour, and expensive electricity may discourage potential investors.

### 3.3 Comparative Cost Scenario

In order to illustrate the effects of the differences in costs of operating a business in competing regions, this report has created a comparative cost scenario. For this scenario, we assumed that each business will have an operating revenue of \$1 million a year, has five full-time employees, and each business operates by using 25,000 kWh of electricity per month. The following table illustrates the location-sensitive costs of the competing regions.

Table 3: Location-Sensitive Cost Scenario

|                 | Greenstone  | Flin Flon   | Eveleth     | Marathon    | Malartic    |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Revenue         | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| -Labour Cost    | \$258,863   | \$243,165   | \$238,095   | \$308,003   | \$189,540   |
| -Utility Cost   | \$39,864    | \$22,140    | \$25,152    | \$39,864    | \$29,664    |
| -Property Taxes | \$8,328     | \$12,976    | \$9,176     | \$10,800    | \$5,460     |
| =Gross Income   | \$692,946   | \$721,719   | \$727,577   | \$641,334   | \$775,336   |
| -Taxes          | \$194,025   | \$205,690   | \$325,945   | \$179,573   | \$220,195   |
| =Net Income     | \$498,921   | \$516,029   | \$401,632   | \$461,760   | \$555,141   |
| % Difference    | 0.0%        | 3.3%        | -24.2%      | -8.0%       | 10.1%       |

After looking at a cost scenario, the Greenstone region has an advantage over Eveleth (24.2% less profitable than Greenstone) and Marathon (8.0% less profitable than Greenstone). The reason why it is more expensive to operate in Marathon is largely due to its high labour costs. Moreover, Eveleth's corporate tax rates are significantly higher than the rest of the comparators, resulting in a much lower net income.

However, the City of Flin Flon and Malartic possess cost advantages compared to the Greenstone region (- 3.3% and 10.1% respectively) - due to Malartic's low labour costs and the inexpensive electricity costs in their respective province.

## 4.0 Conclusions

The Greenstone region has a prosperous future with the discovered Chromite Deposit in the “Ring of Fire” and the Premier Gold Hardrock project in the Geraldton-Beardmore Camp. Currently, disadvantages in wage rates, utility costs and real estate could discourage potential new investors who are considering operating a business in the Greenstone area. However, the current corporate tax structure and property tax rates paired with lucrative incentives provided by the Northern Ontario Heritage Fund Corporation are competitive and should be highlighted when promoting the Greenstone region. For instance, the Enterprises North Job Creation Program, which is designed to provide job creation and economic growth in Northern Ontario, provides up to \$1 million in repayable loans and grants for organizations promoting job creation. Therefore, although Greenstone has relatively costs in some areas, there are instruments in place to recover from these high costs.

In addition to the detailed cost data reviewed in this analysis, there are many non-cost factors, such as availability of skilled labor, regulatory environment and personal quality of life that should be considered when choosing a business location.

A recommendation would be to conduct further research comparing the Greenstone region to other communities in Northern Ontario, including qualitative factors that can have a significant influence on investment and business location decisions. The development of the chromite mine in the “Ring of Fire” will occur regardless of the cost/benefits in competing regions. Therefore, in order to attract potential investors, it is important to compare Greenstone to other regions where employees of the potential chromite mine may settle, such as Timmins, North Bay, Thunder Bay, and Sudbury. This analysis would highlight any competitive advantage the Greenstone region has compared to neighbouring regions, thus allowing the Greenstone Economic Developing Corporation to effectively attract potential investment to their region.

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