Agenda – Council – July 27, 2005

Report – Executive Policy Committee – July 20, 2005

Item No. 13 CentreVenture Development Corporation Gap Financing of the Heritage Conservation Tax Credit Program
File G-3.1.5

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 20, 2005, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That the Heritage Conservation Tax Credit By-law No. 7155/98 be amended to allow for grants equivalent to the annual tax credits provided under this By-law to be paid by the City of Winnipeg directly to CentreVenture Development Corporation, at the applicant's option, as repayment of loans provided by CentreVenture to finance renovations and improvements of designated heritage buildings.

2. That the Chief Administrative Officer be delegated authority to finalize the terms of an agreement between CentreVenture and the City specifying the circumstances under which grants would be paid to CentreVenture to facilitate gap financing.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Council – July 27, 2005

Report – Executive Policy Committee – July 20, 2005

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 20, 2005, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

Re: CENTREVENTURE DEVELOPMENT CORPORATION GAP FINANCING OF THE HERITAGE CONSERVATION TAX CREDIT PROGRAM

For submission to: **Executive Policy Committee**

Original report signed by: **Director of Planning, Property and Development**

Report date: July 8, 2005

Recommendation(s):

1. That the Heritage Conservation Tax Credit By-law No. 7155/98 be amended to allow for grants equivalent to the annual tax credits provided under this by-law to be paid by the City of Winnipeg directly to CentreVenture Development Corporation, at the applicant's option, as repayment of loans provided by CentreVenture to finance renovations and improvements of designated heritage buildings.
2. That the Chief Administrative Officer be delegated authority to finalize the terms of an agreement between CentreVenture and the City specifying the circumstances under which grants would be paid to CentreVenture to facilitate gap financing.
3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- On July 18, 2001, City Council amended the Downtown Heritage Conservation Tax Credit By-law No. 7200/98 and the CentreVenture Heritage Tax Credit By-law No. 7632/2000 to allow for grants equivalent to the annual tax credits provided under these by-laws to be paid by the City of Winnipeg directly to CentreVenture, at the applicant's option, as repayment of loans provided by CentreVenture to finance renovations and improvements of designated heritage buildings.
- CentreVenture Development Corporation has requested that the City amend the Heritage Conservation Tax Credit By-law No. 7155/98 to allow CentreVenture to facilitate gap financing to successful applicants under the Heritage Conservation Tax Credit Program.

Implications of the Recommendation(s):

General implications:

	None
	For the organization overall and/or for other departments
X	**For the community and/or organizations external to the City of Winnipeg**

	Involves a multi-year contract

Comment(s):

- This initiative will provide greater flexibility in encouraging the redevelopment of heritage buildings in the city.

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required

Comment(s):

- Gap financing of awarded tax credits will not affect the Heritage Investment Reserve.
- As per Council policy, the incremental portion of the Municipal portion of the taxes received will be redirected to the Heritage Investment Reserve until the investment is repaid.

REASON FOR THE REPORT:
In June 2005 CentreVenture Development Corporation, in its role as a Development Bank, advised that it wishes to be able to provide gap financing to successful applicants under the Heritage Conservation Tax Credit Program, which is fully secured by payments equivalent to existing tax credits. The present Heritage Conservation Tax Credit By-law No. 7155/98 does not allow for the assignment of tax credits for the purpose of providing a security on a loan.

HISTORY:
On April 26, 1999, the Mayor and the Chief Administrative Officer released a working draft report titled, "CentreVenture: A new approach to Downtown Revitalization". The report recommended the creation of a new downtown development corporation – CentreVenture – to provide entrepreneurial leadership in the resurgence of the downtown.

CentreVenture Development Corporation ("CentreVenture"), a corporation without share capital, was incorporated on July 9, 1999 under The Corporations Act of Manitoba for the purposes of promoting and fostering economic, residential, and cultural growth and development in the Downtown district of the city.

Within the StartUp Business Plan, CentreVenture defined its responsibility as a Development Bank to: "primarily focus on maximizing the leverage of CentreVenture's funding with public/ private sector investments. The Development Bank will initiate creative financing, in the form of direct loans, loan guarantees, performance and discretionary grants, fund feasibility and architectural studies, realty, amusement, and business tax concessions."

CentreVenture's StartUp Business Plan dated September 10, 1999 indicates that one of its functions is to act as an Urban Development Bank and that gap financing will be one method used to bring qualified projects to their logical conclusion.

On September 29, 1999, Council endorsed the spirit and intent of CentreVenture's StartUp Business Plan and recognized the June 1999 CentrePlan Development Framework as a guideline for downtown development.

Also on September 29, 1999, Council approved a total of $3 M in endowment funding for the CentreVenture Development Bank, as well as an annual operating grant of $250,000 for the years 2000 through 2002 inclusive.

On July 18, 2001, Council amended the CentreVenture Heritage Tax Credit By-law No. 7632/2000 and the Downtown Heritage Conservation Tax Credit By-law No. 7200/98 to allow for grants equivalent to the annual tax credits provided under these by-laws to be paid by the City of Winnipeg directly to CentreVenture, at the applicant's option, as repayment of loans provided by CentreVenture to finance renovations and improvements of designated heritage buildings.

DISCUSSION:
At present, the Heritage Conservation Tax Credit By-law No. 7155/98 does not allow for the assignment of the tax credit by applicants. CentreVenture wishes to enter into a loan agreement

with the applicants of this program and register mortgages against the applicants' property. The mortgages will rank behind existing mortgages on the property in terms of priority.
Also, The Heritage Conservation Tax Credit By-law No. 7155/98, similarly to The Downtown Heritage Conservation Tax Credit By-law No. 7200/98 and The CentreVenture Heritage Tax Credit By-law No. 7632/2000 prior to their amendment in 2001, provides that the approved tax credit or portion thereof may only be transferred to the new Owner or Long-Term Tenant of the applicant if Council so approves and if the new Owner or Long-Term Tenant agrees to assume all obligations of the applicant as set out in The Heritage Conservation Tax Credit By-law No. 7155/98, otherwise the tax credit or portion thereof is not transferable and will be cancelled.

In the case of a condominium project, upon completion there would be a number of new condominium unit owners. In order for the applicant to transfer the tax credit or unused portion thereof to the new condominium unit owners, each new owner would have to obtain the approval of Council and would have to agree to assume all obligations of the applicant under The Heritage Conservation Tax Credit By-law No. 7155/98. The developer and new owners would have to take into account the transfer of the tax credit or unused portion thereof when entering into an agreement of purchase and sale.

In order to avoid these difficulties, The Heritage Conservation Tax Credit By-law No. 7155/98 could be amended, similarly to the amendments made in 2001 to The Downtown Heritage Conservation Tax Credit By-law No. 7200/98 and The CentreVenture Heritage Tax Credit By-law No. 7632/2000, to allow for a condominium building owner applicant who has entered into a gap financing arrangement with CentreVenture to, at the applicant's option, continue to be entitled to receive the tax credit or unused portion thereof after the sale of the units. The tax credits would then be forwarded by the City to CentreVenture in the form of a grant to be applied against the applicant's gap loan.

CentreVenture was created to provide entrepreneurial leadership in developing and sustaining business opportunities and economic growth in Downtown Winnipeg. They have successfully gap financed a number of residential projects which received heritage tax credits under By-law No. 7200/98 and By-law No. 7632/2000.

The Administration is supportive of this initiative to provide greater flexibility in encouraging the redevelopment of heritage buildings in the city.

Financial Impact Statement Date: June 29, 2005

COMMENTS:

The report recommends that the Heritage Conservation Tax Credit By-law No. 7155/98 be amended to allow for grants equivalent to the annual tax credits provided under this by-law to be paid by the City of Winnipeg directly to CentreVenture Development Corporation, at the applicant's option, as repayment of loans provided by CentreVenture to finance renovations and improvements of designated heritage buildings. There would be no financial effect on the Heritage Investment Reserve Fund should this recommendation be approved.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Planning and Land Use
Prepared by: Giles Bugailiskis
PPD File #:

Document name: O:\Reports Directive\Planning and Land Use\Heritage\2005 Reports\Gap Financing-CentreVenture-HCTC.doc