Report – Executive Policy Committee – January 18, 2006

Item No. 2 Multiple Family Dwelling Grant Program By-law No. 8060/2002 – Amendments
File EX

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 18, 2006, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That the amendments to the Multiple Family Dwelling Grant By-law No. 8060/2002, which are required to clarify the calculations of the approved grants and simplify the release of the approved grants to successful applicants, be approved.

2. That relative to Recommendation No. 1 above, By-law No. 8060 /2002 be amended as follows:

   A. In section 2, by adding the following definitions in alphabetical order:

      "Base Year" means the calendar year in which the project was approved;

      "Incremental Municipal Taxes" means the residential portion of the municipal taxes imposed on the land on which an approved project is located in each of the five applicable years immediately following completion of the construction of the approved project less the municipal taxes which would have been imposed on the said land in the Base Year if the project had not been approved;"

   B. In section 2, by repealing the definition "Accumulated Incremental Municipal Taxes".

   C. By repealing subsection 8(c).

   D. By repealing subsections 11(1) and 11(2) and substituting the following:

      "11(1) The maximum grant for an approved project will be equal to the lesser of the following two calculations:

         (a) 10% of the eligible construction costs to a maximum of Two Hundred Fifty Thousand ($250,000.00) Dollars; or

(b) the total amount of Incremental Municipal Taxes imposed in the five years immediately following completion of the approved project.

11(2) Notwithstanding subsection (1), if there is an existing boarded principal building or buildings located on the land on which the approved project is to be located, then an additional grant of Ten Thousand ($10,000.00) Dollars will be provided for each such existing boarded principal building to a maximum of Fifty Thousand ($50,000.00) Dollars provided that the total amount of the Incremental Municipal Taxes for the five-year period immediately following completion of the approved project is at least equal to the amount of the grant otherwise approved plus the additional grant."

E. By repealing subsections 12(1) and 12(2) and substituting the following:

"12. Subject to section 8, the grant shall be released to the applicant in the form of annual payments for up to five years beginning the year following the year in which Incremental Municipal Taxes were imposed."

3. That the request from CentreVenture Development Corporation to provide gap financing to successful applicants under the Multiple Family Dwelling Grant Program for eligible projects in the Downtown be approved.

4. That the request from CentreVenture Development Corporation be approved on the basis of the principle that the Multiple Family Dwelling Grant By-law No. 8060/2002 will have to be amended to allow for the assignment of the grant for the purpose of providing a security on a loan.

5. That relative to Recommendation No. 4 above, By-law No. 8060/2002 be amended as follows:

A. In section 2, by adding the following definitions in alphabetical order:

"CentreVenture" means CentreVenture Development Corporation, a corporation without share capital, incorporated 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;

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"Standing Policy Committee" means the Standing Policy Committee on Downtown Development if the project is located entirely or primarily in the area covered by The Downtown Winnipeg Zoning By-law or the Standing Policy Committee on Property and Development if the project is not located entirely or primarily in the area covered by The Downtown Winnipeg Zoning By-law".

B. In section 2, by repealing the definition "Standing Policy Committee on Property and Development".

C. By adding the following immediately following subsection 15(2):

"15(3) At the option of the applicant, the grant or any portion thereof to which the applicant would otherwise be entitled may be assigned as security for gap financing provided by CentreVenture in accordance with the terms of the agreement entered into between the City and CentreVenture for that purpose.

15(4) No other assignment shall be permitted unless approved by the Standing Policy Committee."

D. By striking out "Standing Policy Committee on Property and Development" wherever it occurs in subsection 15(2), section 15.2 and section 15.3 and substituting "Standing Policy Committee".

6. That the Chief Administrative Officer be delegated authority to finalize the terms of an agreement between CentreVenture Development Corporation and the City of Winnipeg specifying the circumstances under which grants would be paid directly to CentreVenture Development Corporation, at the applicant's option, to facilitate gap financing for eligible projects in the Downtown.

7. That the City Solicitor/Manager of Legal Services be requested to prepare the foregoing amendments to the Multiple Family Dwelling Grant By-law No. 8060/2002 for consideration by Council.

8. That the Proper Officers of the City of Winnipeg be requested to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 18, 2006, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

On December 7, 2005, the Executive Policy Committee granted an extension of time of sixty (60) days for the Administration to review the Multiple Family Dwelling Grant Program and report back.

On November 9, 2005, the Executive Policy Committee granted an extension of time of thirty (30) days for the Administration to review the Multiple Family Dwelling Grant Program and report back.

On July 6, 2005, the Executive Policy Committee filed the recommendation of the Winnipeg Housing Steering Committee and requested the Administration to review the Multiple Family Dwelling Grant Program and report back to the Executive Policy Committee within 90 days.

WINNIPEG HOUSING STEERING COMMITTEE RECOMMENDATION:

On June 20, 2005, the Winnipeg Housing Steering Committee recommended:

1. That the review of the Multiple Family Dwelling Grant By-law No. 8060/2002 be referred to the Winnipeg Housing Steering Committee.

2. That the Multiple Family Dwelling Grant Program incorporate other communities, including Old Transcona.

COUNCIL DECISION:

On May 22, 2002, Council adopted the recommendation of the Executive Policy Committee and approved the following:

I. That Council approve the Multiple Family Dwelling proposal for vacant and boarded properties in Winnipeg's Major Improvement and Rehabilitation Neighbourhoods and in the Downtown.

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DECISION MAKING HISTORY (continued):

II. That the Multiple Family Dwelling Grant By-law be approved for three years as a Pilot Project (three year bylaw).

III. That total City-wide tax grants available under the Program be limited to a maximum of $3,000,000.00.

IV. That the City Solicitor/Manager of Legal Services be instructed to prepare the Multiple Family Dwelling Grant By-law for consideration by Council.

V. That Council authorize the creation of a Multiple Family Dwelling Tax Investment Reserve Fund.

VI. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing recommendations, including the development of parameters for the Multiple Family Dwelling Tax Investment Reserve Fund.

Re: AMENDMENTS – MULTIPLE FAMILY DWELLING GRANT BY-LAW NO. 8060/2002

For submission to: **Executive Policy Committee**

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

Report date: **November 30, 2005**

Recommendation(s):

1. That Council be requested to approve the amendments to the Multiple Family Grant By-law No. 8060/2002, which are required to clarify the calculations of the approved grants and simplify the release of the approved grants to successful applicants.

2. Relative to Recommendation No. 1 above, that By-law No. 8060/2002 be amended as follows:
    a. In section 2, by adding the following definitions in alphabetical order:

        ""Base Year" means the calendar year in which the project was approved;

        "Incremental Municipal Taxes" means the residential portion of the municipal taxes imposed on the land on which an approved project is located in each of the five applicable years immediately following completion of the construction of the approved project less the municipal taxes which would have been imposed on the said land in the Base Year if the project had not been approved;"

    b. In section 2, by repealing the definition "Accumulated Incremental Municipal Taxes".

    c. By repealing subsection 8(c).

    d. By repealing subsections 11(1) and 11(2) and substituting the following:

        "11(1) The maximum grant for an approved project will be equal to the lesser of the following two calculations:

            (a) 10% of the eligible construction costs to a maximum of Two Hundred Fifty Thousand ($250,000.00) Dollars; or

            (b) the total amount of Incremental Municipal Taxes imposed in the five years immediately following completion of the approved project.

        11(2) Notwithstanding subsection (1), if there is an existing boarded principal building or buildings located on the land on which the approved project is to be located, then an additional grant of Ten Thousand ($10,000.00) Dollars will be

provided for each such existing boarded principal building to a maximum of Fifty Thousand ($50,000.00) Dollars provided that the total amount of the Incremental Municipal Taxes for the five-year period immediately following completion of the approved project is at least equal to the amount of the grant otherwise approved plus the additional grant."

e. By repealing subsections 12(1) and 12(2) and substituting the following:

"12. Subject to section 8, the grant shall be released to the applicant in the form of annual payments for up to five years beginning the year following the year in which Incremental Municipal Taxes were imposed."

3. That Council be requested to approve CentreVenture's request to provide gap financing to successful applicants under the Multiple Family Dwelling Grant Program for eligible projects in the Downtown.

4. That the above request be approved on the basis of the principle that the Multiple Family Dwelling Grant By-law No. 8060/2002 will have to be amended to allow for the assignment of the grant for the purpose of providing a security on a loan.

5. Relative to Recommendation No. 4 above, that By-law No. 8060/2002 be amended as follows:
   a. In section 2, by adding the following definitions in alphabetical order:
   ""CentreVenture" means CentreVenture Development Corporation, a corporation without share capital, incorporated 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;

   ""Standing Policy Committee" means the Standing Policy Committee on Downtown Development if the project is located entirely or primarily in the area covered by The Downtown Winnipeg Zoning By-law or the Standing Policy Committee on Property and Development if the project is not located entirely or primarily in the area covered by The Downtown Winnipeg Zoning By-law.".

   b. In section 2, by repealing the definition "Standing Policy Committee on Property and Development".

   c. By adding the following immediately following subsection 15(2):
   "15(3) At the option of the applicant, the grant or any portion thereof to which the applicant would otherwise be entitled may be assigned as security for gap financing provided by CentreVenture in accordance with the terms of the agreement entered into between the City and CentreVenture for that purpose.

   15(4) No other assignment shall be permitted unless approved by the Standing Policy Committee."

d. By striking out "Standing Policy Committee on Property and Development" wherever it occurs in subsection 15(2), section 15.2 and section 15.3 and substituting "Standing Policy Committee".

6. 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 directly to CentreVenture, at the applicant's option, to facilitate gap financing for eligible projects in the Downtown.

7. That the City Solicitor/Manager of Legal Services be requested to prepare the foregoing amendments to the Multiple Family Dwelling Grant By-law No.8060/2002 for consideration by Council.

8. That the proper officers of the City of Winnipeg be requested to do all things necessary to implement the intent of the foregoing recommendations.

REPORT SUMMARY

Key Issues:

- City Council passed the MFDG By-law to provide incentives for neighbourhood revitalization through multiple family redevelopments.

- Although the MFDG By-law has passed its expiry date of May 22, 2005, $2.6 million has been committed for sixteen projects. Grants provided under this program were intended to be based on five (5) years of incremental municipal taxes.

- The success of this program is currently being reviewed and recommendations are forthcoming regarding continuation and possible expansion of the program to other neighbourhood policy areas such as Business Improvement Zones.

- The City has been unable to release any grants because of problematic wording in the MFDG By-law that does not permit the timely release of incremental municipal taxes generated by the approved projects.

- CentreVenture is requesting the City of Winnipeg to consider the possibility of assigning the proceeds of the grant to CentreVenture for the purpose of developing a gap-financing tool.

Implications of the Recommendation(s):

General implications:

	None
X	**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):

- Proposed amendments will clarify and enable the most efficient way of calculating and releasing the approved grant to successful applicants by the Administration of the City of Winnipeg.

- The proposed amendments supporting CentreVenture's request can be used to support residential development within the Downtown.

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):

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REASON FOR THE REPORT:

Amendments to the Multiple Family Dwelling Grant By-law No. 8060/2002 (MFDG By-law) require Council approval.

HISTORY:

Section 138.4 of the former City of Winnipeg Act provided that Council may by by-law establish a program of grants, property tax credits or refunds to encourage and assist in the construction, renovation or preservation of buildings within an area designated by Council.

On May 22nd, 2002, City Council passed the MFDG By-law to provide incentives for neighbourhood revitalization through multiple family redevelopment and renovation of vacant and boarded sites in Winnipeg's Major Improvement Areas, Rehabilitation Areas and the Downtown (see Appendix A).

On February 28, 2005, CentreVenture Development Corporation made a request to the Director of Planning, Property and Development that "the City of Winnipeg consider the possibility of assigning the proceeds of the grant approval to CentreVenture." (See Appendix B for history of CentreVenture)

DISCUSSION:

The MFDG By-law was adopted in 2002 on the basis of a three (3) year pilot project in order to provide an opportunity to monitor and assess the impact of a multiple family tax grant program. Grants provided under this program were intended to be based on five (5) years of incremental municipal taxes for approved project to a maximum of $250,000.

Although the By-law has passed its expiry date of May 22, 2005, $2.6 million has been committed for sixteen projects containing a total of 532 new dwelling units. The program has leveraged approximately $86.4 million in private investment and generated an incremental tax value of $990,000 (See Appendix C). The success of this program is currently being reviewed and recommendations are forthcoming regarding continuation and possible expansion of the program to other neighbourhood policy areas, specifically within neighbourhoods in surrounding Plan Winnipeg *Character Areas* defined as Business Improvement Zones.

Amendments required to clarify "back end" process

So far, the City has been unable to release any grants because of problematic wording in the MFDG By-law that does not permit the timely release of incremental taxes generated by the approved projects. A number of amendments are required to clarify the "back-end" process for calculating and releasing the approved grants to successful applicants. The proposed amendments found in recommendation 2 rectify the following problems:

Wording in MFDG By-law	Description of Problem
Definition of "Accumulated Incremental Municipal Taxes"	The definition is unclear as to how and when incremental taxes are generated for the purpose of defining and calculating the grant. There is a need to define the base year for calculating the incremental municipal taxes (i.e. year when the project is completed).
Subsection 8(c)	This clause is problematic for condominium projects as the City would not be able to release any portion of the grant to the grant recipient (i.e. developer) if any of many condominium owners had an outstanding tax bill. By repealing this clause the City still has other mechanisms to ensure outstanding taxes are collected.
Section 11 (1)	This section, which defines the calculation of the grant, is incomplete. It does not define the amount of the grant based on incremental municipal taxes. An additional clause is required.
Section 11 (2)	This section, which provides for an additional amount if existing boarded buildings are present on the proposed project site, does not define the source of funds for the additional amount. A clarification is required to define the parameters surrounding this provision.
Section 12 (1)	This section is problematic because it does not permit the City to release the grant until incremental municipal taxes generated by the completed project have reached 10 percent of the construction cost. For some of the approved projects, meeting this requirement could take over ten years. The elimination of this section does not expose the City to additional financial risk while improving customer service. By virtue of the revised Section 12, annual grant payments are limited to the amount of incremental taxes generated in the previous year.
Section 12 (2)	This section is problematic and onerous as grant recipients would be required to make a case to the satisfaction of the Director for the need to have the incremental municipal taxes generated by the project released in the form of annual payments. Given the proposed new Section 12, this issue becomes a redundant point.

CentreVenture's Request

CentreVenture Development Corporation was created to provide entrepreneurial leadership in developing and sustaining business opportunities and economic growth in Downtown Winnipeg. CentreVenture made a request to the Director of Planning, Property and Development that "the City of Winnipeg consider the possibility of assigning the proceeds of the grant approval to CentreVenture."

According to CentreVenture, several developers have expressed strong interest in accessing gap financing for the MFDG. These eligible projects support Plan Winnipeg's vision for revitalization and residential development within the Downtown, since they involve redevelopment and/or conversion of both abandoned space and derelict properties. CentreVenture wishes to enter into a loan agreement with eligible MFDG recipient based on the principle that the grant recipient may be able to assign the proceeds of the grant to CentreVenture. It is noteworthy to mention that CentreVenture has 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 request, which is intended to provide greater flexibility of financing options to support the construction of multiple family dwellings in the Downtown. At present, the expired MFDG By-law does not allow for the assignment of the grant. CentreVenture is currently developing a gap-financing tool for MFDG program. The legal and financial details on how the assignment of the Multiple Family Dwelling Grant could be implemented have yet to be determined.

In response to CentreVenture's request, Administration has developed the necessary amendments that would permit the development of a gap-financing tool by CentreVenture for successful applicants under the Multiple Family Dwelling Grant Program. The amendments found in recommendation 5 would permit successful applicants of the MFDG Program to assign their grants to CentreVenture for the purpose of providing a security in exchange for a gap-financing loan. No other assignments will be permitted without the approval of the appropriate Standing Policy Committee. These amendments are intended to provide greater flexibility of financing options for infill multiple-family development projects in the Downtown.

Financial Impact Statement Date: November 24, 2005

COMMENTS:

The recommendations in this report, if approved, would serve to clarify the calculation of approved grants and simplify the release of payments to successful applicants, allow grants to be assigned to CentreVenture as security for gap financing loans, and provide delegated authority to the CAO to finalize the terms of an agreement with CentreVenture with respect to the assignment of grants. There are no financial implications to the City of Winnipeg associated with these recommendations.

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

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

Corporate Finance Department

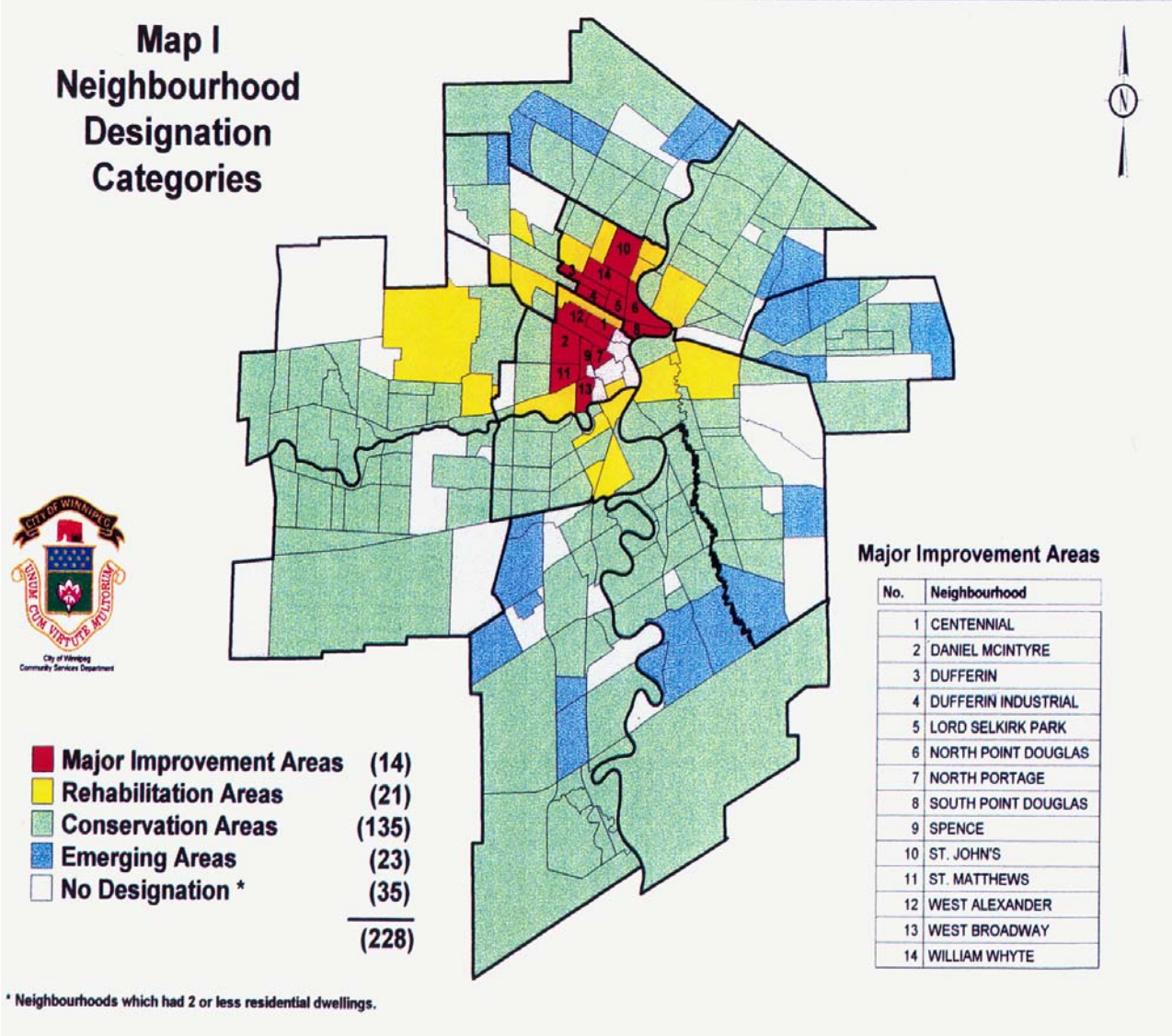
Legal Services Division

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Housing Development
Prepared by: David Stansen $_{MBA}$, Housing Development Manager
PPD File #:

Document name: o:\reports directive\housing development\ris report on amendments to mfdg by-law_v7 ds nov 25 2005.doc

APPENDIX A



Major Improvement Areas: older areas that have experienced significant decline to the point where housing and neighbourhood infrastructure require complete renewal. 14 neighbourhoods were categorized Major Improvement Areas.

Rehabilitation Areas: areas where decline is having a spillover effect to the extent that it is beginning to impact the overall stability of the neighbourhood. Some intervention would be required in order to stimulate private reinvestment and improve infrastructure. 21 neighbourhoods were categorized Rehabilitation Areas

APPENDIX B

A Brief History of CentreVenture

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 Start-Up 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 Start-Up 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 Start-Up 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.

APPENDIX C – Summary of Approved Grants under the MFDG Program

Project	Proponent	Area	Project Description	Approval Date	Total Project Cost	Incremental Tax Generated Annually	Estimated Tax Grant
457 Young	Spirit Management Ltd.	Spence	Development of a **23** unit apartment building for student housing	12-Jul-02	$ 700,000	$ 2,672	$ 13,360
99 Gerard	Gerard Street Development Corporation	McMillan	Development of a **42** unit condominium complex	18-Jul-02	$ 3,993,000	$ 71,000	$ 290,000
630 & 636 Gertrude	Qualico Developments (Winnipeg) Ltd.	McMillan	Development of a **18** unit condominium complex	22-Sep-03	$ 2,168,764	$ 25,534	$ 127,670
380 Wellington Crescent	380 Wellington Ltd.	Crescentwood	Development of a **25** unit condominium complex	05-Sep-03	$ 5,500,000	$ 74,101	$ 250,000
520 Portage	520 Portage Avenue Ltd.	Downtown (Colony)	Development of a **11** unit condominium complex	30-Jan-04	$ 1,933,430	$ 35,901	$ 129,045
330 Stradbrook	Waterfront Housing Corporation	River-Osborne	Development of a **33** unit condominium complex	29-Oct-04	$ 3,767,200	$ 60,461	$ 250,000
218 Alexander	Winnipeg Chinatown Development Corporation	Downtown (China Town)	Development of a **35** unit rental complex	05-Feb-05	$ 4,157,414	$ 14,244	$ 71,220
230 - 244 Waterfront	Ship Street Development Corporation	Downtown (Forks)	Development of a **8** unit condominium complex	18-Apr-05	$ 3,765,000	$ 38,281	$ 191,403
139 - 155 Provencher	Streetside Development Corp.	Central St.Boniface	Development of a **48** unit condominium complex	18-Apr-05	$ 11,950,000	$ 78,487	$ 235,462
443 Webb	North Portage Development Corp.	North Portage	Development of a **11** unit condominium complex	18-Apr-05	$ 892,522	$ 10,232	$ 51,164
280 & 290 Waterfront	Sherwood Developments Ltd.	Downtown (Forks)	Development of a **48** unit condominium complex	18-Apr-05	$ 14,969,460	$ 188,304	$ 250,000
Parcel BFJK Waterfront	Streetside Development /Sunstone Resort Communities	Downtown (Forks)	Development of a **123** unit condominium complex	18-Apr-05	$ 19,101,000	$ 260,664	$ 250,000
300 Waterfront	4944306 Manitoba Ltd.	Downtown (Forks)	Development of a **15** unit condominium complex	02-May-05	$ 5,190,838	$ 43,110	$ 172,440
435 Cumberland	Indochina Chinese Assoc of Manitoba Inc.	North Portage	Development of a **36** unit rental complex	02-May-05	$ 3,700,000	$ 13,653	$ 54,610
571-585 Balmoral	Hold Zone Inc.	North Portage	Development of a **20** unit rental complex	02-May-05	$ 1,362,000	$ 9,525	$ 47,624
450 Youville	Barkman Construction	Central St.Boniface	Development of a **36** unit condominium complex	16-May-05	$ 6,123,000	$ 69,924	$ 250,000

TOTAL Multiple Family Dwelling Grants	**532 units**		**$ 89,273,628**	**$ 996,092**	**$ 2,633,998**