Agenda - Executive Policy Committee - April 21, 2008

REPORTS

Item No. 3 CentreVenture Development Corporation - Request for Funding
File EP-1.2.3

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council provide a loan guarantee for a line of credit for CentreVenture totaling $4.5 million, and;

2. That the Public Service be directed to review CentreVenture's business plan at the end of 2008 and consider further increases to the amount of the loan guarantee, and;

3. That the proper officers of the City do all things necessary to implement the above recommendation.

RE: Request for funding – CentreVenture Development Corporation

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Acting Chief Administrative Officer

REPORT DATE: April 16, 2008

RECOMMENDATION:

1. **That Council provide a loan guarantee for a line of credit for CentreVenture totaling $4.5 million, and;**
2. **That the Public Service be directed to review CentreVenture's business plan at the end of 2008 and consider further increases to the amount of the loan guarantee, and;**
3. **That the proper officers of the City do all things necessary to implement the above recommendation.**

Report Summary

Key Issues:

The City has provided cash grants and property at nominal cost to CentreVenture for the purpose of supporting development in the Downtown. CentreVenture expects that the remainder of its cash resources will be expended on downtown activities sometime during the early part of 2008. CentreVenture has prepared a business plan and has asked for additional funding by way of a grant, loan or any other means totaling $10 million to continue with its plan for the downtown.

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

( ) Involves a multi-year contract

Comment(s):

A healthy downtown working district will promote vibrancy in the central core of the City.

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Loan guarantees may be made under Section 218 of the City of Winnipeg Charter. Council has adopted a policy of limiting loan guarantees to $1 million however this may be changed by resolution of Council.

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):

CentreVenture represents a consolidated entity in the City's financial statements so any advances made on the operating facility will reflect on consolidation in the City's financial statements. The loan guarantee being requested will not impact the City's operating or capital budgets unless there is a default on the underlying loan by CentreVenture.

Report

REASON FOR THE REPORT:

Only Council can approve requests for loan guarantees.

HISTORY:

CentreVenture was created in May, 1999 by Council to provide leadership with respect to the revitalization of downtown Winnipeg. Since that time, Council advanced approximately $10 million in grants to CentreVenture and provided access to downtown real estate at nominal value. In turn, this funding was used to promote downtown ventures. On January 24, 2007, Council endorsed the Heart of Gold Plan (Strategic Plan 2007 to 2009) which called for further investment in the downtown.

Section 218(1) of The City of Winnipeg Charter allows Council to provide financial assistance "(c) to support economic and cultural development;" Section 218(2) outlines the form of financial assistance Council may provide, one form being a loan guarantee.

The City adopted a Policy and Criteria to be used as a Guideline in the Consideration of Requests for Loan Guarantees on June 17th, 1992. Loan guarantees constitute meaningful commitments by the City and these commitments have to be recorded in the notes to the City's financial statements, are factors in determining the City's potential liabilities, and are a factor considered by the City's credit rating agencies. As at December 31st, 2006 the City of Winnipeg was the guarantor of 15 different loans totalling just over $11.8 million.

DISCUSSION:

Subsequent to submission of the Heart of Gold Plan, representatives of the Board of Directors of CentreVenture and the administration of the City of Winnipeg met to discuss plans for 2008. CentreVenture has prepared a business plan which is attached requesting a grant, loan guarantee, or operating line of credit of $10 million to further its plans for the downtown.

The Public Service is recommending that the form of support in answer to this request be a loan guarantee for an operating line of credit for a maximum of $4.5 million. The Public Service is further recommending that a review of CentreVenture's operations be undertaken at the end of 2008 and that depending on the outcome of that review,

consideration will be given at that time to further increases to the amount of the loan guarantee.

The following is an evaluation of the business plan as provided by CentreVenture based on the policy and criteria related to requests for loan guarantees as adopted by Council on June 17th, 1992.

A. *Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy.*

   The Mayor received a funding request from CentreVenture on December 21, 2007 which was forwarded to the Chief Financial Officer for his review. It was subsequently determined that the request met the requirements of the policy.

B. *The organization requesting the loan guarantee must provide a service which, in whole or in part, falls within the mandate of the City of Winnipeg.*

   CentreVenture's goal is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

C. *The project for which the loan guarantee is being requested must not be in conflict with City policy. For example, if City policy stated that we already had more than enough hockey arenas for our population, the City would not guarantee a loan for the purpose of constructing a hockey arena.*

   The request for this loan guarantee is not in conflict with City policy.

D. *The organization's services must be available to the community at large without restrictions based upon ethnicity, religion or race and without unreasonably restrictive membership or user fees.*

   The services CentreVenture supplies are available to the community at large.

E. *The organization must be non-profit (as defined within the City of Winnipeg's Fees and Charges Policy).*

   CentreVenture is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999.

F. *The organization must produce financial records and a business plan that demonstrates the organization's long term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.*

CentreVenture's financial statements have been included with the City's Detailed Financial Statements since 2003 and therefore are readily available for review. Along with a request for funding, CentreVenture provided the City with a business plan for the years 2008 through to 2010. The Public Service met with CentreVenture senior staff and board members to clarify any questions or concerns that were identified through the review of the business plan.

G. *The organization structure and the principles of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization*.

CentreVenture has demonstrated the ability to implement the Heart of Gold Plan as endorsed by Council.

H. *Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00.*

The loan guarantee being requested is in excess of the maximum of $1,000,000.00. Council has granted loan guarantees in excess of this maximum in the past. Most recently a loan guarantee for a $2,000,000 line of credit for the Winnipeg Housing Rehabilitation Corporation was approved in March, 2005.

I. *The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantees must have raised at least 20% of the total project costs from non-City of Winnipeg sources as a down-payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down-payment*.

The amount of the loan guarantee being requested is $10,000,000.00. This represents more than 50% of the total assets of CentreVenture as at December 31, 2007. However, the Public Service is recommending that the amount of the loan guarantee be reduced to $4,500,000.00 at this time with the intention of reviewing CentreVenture's 2008 business plan in considering future requests for increase in the loan guarantee. This reduced amount represents approximately 30% of CentreVenture's total assets.

J. *The loan that the City is guaranteeing must be related to a capital asset.*

The loan the City is guaranteeing is for the economic development of downtown properties.

K. *The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.*

CentreVenture is responsible for ensuring adequate insurance is in place for their portfolio of properties.

Rather than arrange a loan for CentreVenture, for ease of access, the Public Service recommends that City Council approve a loan guarantee of $4.5 million. The Public Service has reviewed the letter of commitment from the Assiniboine Credit Union provided to CentreVenture in respect of this transaction and has found it to be in order.

FINANCIAL IMPACT STATEMENT Date: April 16, 2008

There is no financial impact to the City in the granting of a loan guarantee unless there is a default in the payments on the loan.

"Original signed by Carrie Erickson"
Carrie Erickson

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Corporate Finance

External Consultation With:

THIS REPORT SUBMITTED BY:

Department: Chief Financial Officer
Division
Prepared by: Michael Ruta, FCA
File No.


CentreVenture
Business Plan

Copy

CENTREVENTURE
DEVELOPMENT CORPORATION

Business Plan
2008 - 2010



Table of Contents

A. Context for the Annual Plan 3

1. *The Approved Heart of Gold Plan*
2. *Progression in CV's Thinking*
3. *Progress Made in 2007*

B. Organization of CV's Activities 8

C. 2008 Operating Plan 11

1. *2008 Operating Budget*
2. *Commercial Development*
3. *Projected Targets for 2008 - 2010*
4. *Community Investment*

D. Financial Overview - 2008 and Beyond 16

1. *Background and Context*
2. *Overview of CV's Estimated Financial Position*
3. *Requirements for Cash Financing in 2008*
4. *Requirements for Cash Financing Beyond 2008*

E. Supporting Community Initiatives 21

F. Internal Priorities - Policies and Procedures 24

Appendix I – 2008 Operating Budget 26

Appendix II – Projections of Financial Position for 2008 to 2010 28

A. Context for the Annual Plan

1. The Approved Heart of Gold Plan

In early 2007, the Board of CentreVenture Development Corporation and the City of Winnipeg approved the Heart of Gold (HoG) Plan. The Plan contemplated that CV's mandate for the next three years would focus on the following:

Key Initiative	Impact
Profile Investments/ Develop Clusters	Complete three significant development projects in the downtown. Each project would include several adjacent properties that together form a cluster.
Profile Tenants	Attract three new high profile tenants to the downtown – with hope that these tenants would be significant, new "draws" of people to the downtown.
Parking/Services Support Projects	Support increased traffic and residency into the downtown, by identifying and pursuing three projects that provide support to downtown living and activity.
Financing (Mortgages & Loans)	Facilitate development by financing City of Winnipeg heritage tax credits and Multiple Family Dwelling Grants. Provide other mortgage and construction financing (where it was not obtainable by developers from normal commercial lenders). $3 million of additional loans were anticipated.
Public Destinations	Ideas for nine individual public parks were to be pursued so that, once developed, each park would be a substantial drawing card as a "world class" downtown destination.

The HoG plan anticipated that each of these initiatives would require CV to make a contribution of cash to "fill an economic gap" in order for the developments/projects to be economically viable. Two exceptions applied to this general approach:

1. Provision of loans – In this case, there would be full expectation that the amounts lent to borrowers would be repaid with interest.

2. CV's contribution to the public destinations, while significant in its own right, would only form a portion of the overall cost of public destinations. The HoG plan contemplated significant donations by private individuals and additional contributions from the public sector to achieve leverage of approximately 6 to 7 times CV's own investment.

2. Progression in CV's Thinking

The Board of CV continues to hold the HoG's targeted achievements as its aspiration. Nevertheless, after the hiring of a CEO in 2007 and with the benefit of further reflection, there are several ways in which CV's thinking about implementing the HoG plan has evolved.

a) Financial Objectives

- Annual Operations – The Board has resolved to ensure that the income generated from CV's investments, together with the operating grant received from the City of Winnipeg will annually cover the corporation's cost of operations. In other words, CV's core operations will be managed on a break-even basis, without a need to consume any of the Urban Development Bank capital which has been contributed to CV.

- Project Development – Not all of CV's development projects will require "gifts/contributions" to make them economically viable. CV has resolved that it will begin its participation in all potential development scenarios with a view that CV's involvement should be supportable on a commercial basis. This will entail CV expecting to earn a return on money which it invests and/or having CV's "contributions" to projects recognized as equity thereby providing CV with an ownership stake, sharing the risk and reward with the private sector. It may be that, in some instances, CV's participation must become one which "fills a gap" to make a project economically viable. However, CV is working on the basis that this will be the exception rather than the "starting position" on development deals that it considers and extensive due diligence will be done to determine the long-term sustainability of such projects.

3. 2007 Accomplishments

CentreVenture has had a very exciting and productive 2007....

- Following City Council's approval of the Heart of Gold Plan and renewed mandate for CV, the Board of Director's hired Ross McGowan as the new President & CEO. Mr. McGowan officially assumed the role full-time effective April 1, 2007. The announcement of Mr. McGowan's appointment was very favorably received by the private sector, the public sector and our stakeholder partners.

- Ms. Loretta Martin, an employee of CV since December 2003, was promoted to Director of Development and an additional permanent staff member, Mr. Jeff Palmer, was hired as Senior Development Officer effective March 23, 2007.

- In June, CV initiated and facilitated an interagency planning session with our stakeholder partners, The Forks North Portage Development Corporation, The City of Winnipeg, The Downtown Biz, The Exchange District Biz, The Winnipeg Chamber of Commerce and Destination Winnipeg. One of the outcomes of the session was the creation of a "Downtown Council" comprised of senior officers of each of the stakeholders, including the Province of Manitoba. The council meets on a regular basis and is intended to improve communication and coordinate initiatives in an attempt to more effectively utilize resources.

- In July, CentreVenture relocated its office to a vacant building on Main Street. The new location is highly visible and accessible giving the agency a strong street presence.

- In July, Mr. Sandy Riley, President & CEO of Richardson Financial Group Ltd. and Ms. Ashleigh Everett, President & Corporate Secretary, Royal Canadian Securities were appointed to the CV Board of Directors. Mr. Jim Ludlow, President & CEO of True North Sport & Entertainment Ltd., was elected Chair of the Board.

- CV continues to facilitate development by providing financial support through Urban Development Bank loans. Over $1.5 million in new loans were advanced in 2007 with an additional $844,000 in new loans approved to be advanced in early 2008.

- The sale of one City owned surplus property was concluded facilitating the relocation of the Bridgman Collaborative Architects to the corner of Main & Higgins.

- CV identified a possible location for a new Winnipeg Regional Health Authority head office. The land assembly to accommodate the development has been successfully completed. An E.O.I. was issued to developers in November 2007. Five solid proposals were received (estimated $15+ million project). This will achieve redevelopment of 4 surplus city properties.

- CV purchased The Bell Hotel and adjacent building located at Main Street and Henry Avenue. CV is working with a local development team to effect redevelopment of this property into senior's housing.

- CV is in discussion with an unidentified charitable organization to explore the feasibility of constructing a new downtown head office for their organization.

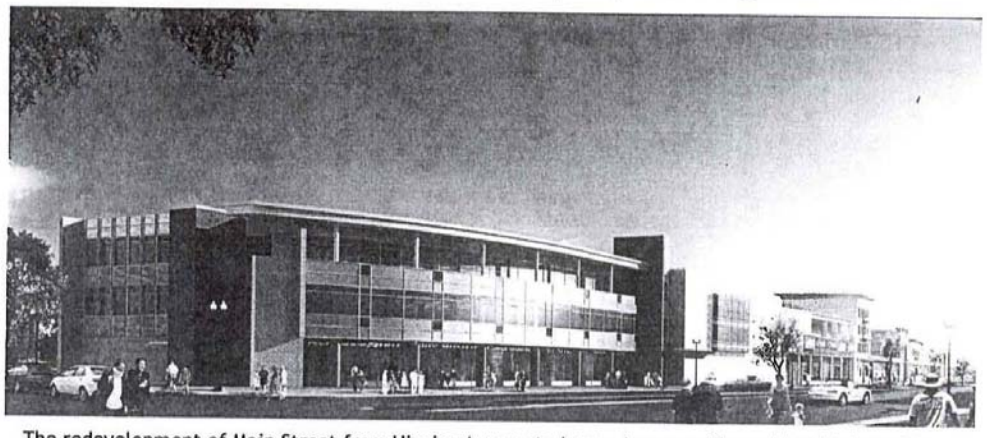
- CV is working with the owners of the Union Bank Building, Red River College and a private sector partner to facilitate an agreement to would see the property redeveloped into a mixed use educational/student housing facility (estimated $22 million project).

- CV continues to work with Me-Dian Credit Union to form a partnership or seek a developer to construct a new branch and head office at the corner of Main & Logan.

- CV is working with Knox Centre Inc., a non-profit charitable organization, to develop a housing model that will allow home ownership for lower income families in the Central Park neighborhood. Up to 30 new residential units will be constructed on surplus City property on Balmoral Street.

- CV successfully negotiated a deal with Bedford Investments and the City of Winnipeg for redevelopment of the Ryan Building at 104 King Street into a 186 stall parking structure with a main level commercial component that will allow the prominent facades to be preserved.

Proposed Commercial Development at Logan & Main



The redevelopment of Main Street from Higgins Avenue to Logan Avenue will provide a high profile *cluster* of activity leading to future success along Main Street.

New Parking Coming to the Exchange District



The recent approval by City Council of the plan to redeveloped 104 King Street into a 186 car parkade will preserve the historic façade and create new parking to support residential living in the exchange district.

B. Organization of CV's Activities

CV has historically conducted its activities under two banners: General operations and; Urban Development Bank (UDB) initiatives. The UDB activities fundamentally reflect the investments, grants, contributions and other financial participation by CentreVenture in individual transactions. This financial participation was funded from the original $10 million grant which the City of Winnipeg provided to CentreVenture.

Currently, CV considers its activities to include three discrete categories:

1. Operations

   Revenue sources include interest revenue from CV's asset portfolio, the City of Winnipeg annual operating grant, rental income from properties and fees for services. Expenses are the core operating expenses. In aggregate, annual operations should finish in breakeven position.

2. Commercial & Residential Development

   These activities are directed towards facilitating completion of development projects in CV's mandated area. Commercial & Residential development would include work on: Development Clusters; Profile Tenants; Support Projects; Mortgage/Loan financing. CV's participation could be in a wide variety of forms, including:

   - linking sources of capital and property with organizations that have real estate/ space requirements;
   - assembling land for development projects to be undertaken by others;
   - acting as a developer of a given project.

   These activities would be undertaken on a commercial basis, meaning that CV would expect to earn fee income, interest income or at least recovering its acquisition and holding costs where investments and properties are temporarily held.

   To date, CentreVenture has facilitated, either through advocacy or financial assistance, the completed or proposed development of over 525 new residential units in the downtown. CentreVenture will continue to identify opportunities for future residential development and will provide the financial and advocacy support to developers to increase the residential component in the downtown.

To date, CentreVenture has successfully marketed and prompted the redevelopment of 28 surplus City properties returning them to the tax roll and generating an estimated $470,000 in annual municipal taxes.

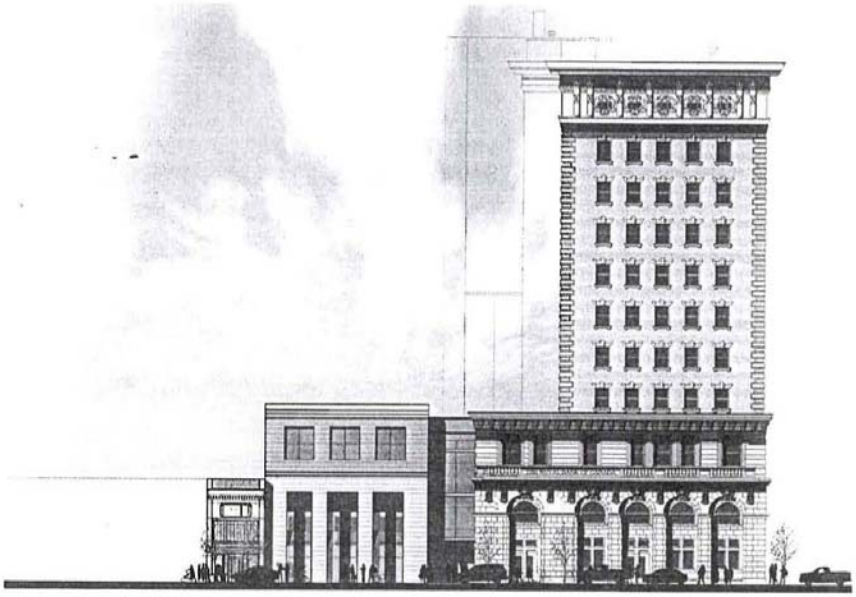
To date, other redevelopment/development projects CentreVenture has participated in through Urban Bank initiatives and/or heritage initiatives are expected to generate more than $560,000 in annual municipal tax revenue.

CentreVenture is currently working on several major redevelopment initiatives along Main Street that would essentially change the "face" of this important artery from Logan Avenue to Higgins Avenue. The scope of these projects is in progress, thus, estimating the additional future municipal tax revenue is difficult but is expected to be in excess of $300,000 annually. CentreVenture is working with the City and the Province to have an area surrounding Main Street designated as a Tax Increment Financing zone, compliance by province / city would facilitate more development of this blighted area with tremendous long term social and economic.

3. Community Investment

CV continues to expect that it will make grants and contributions to worthwhile projects, with a primary focus on the public destinations as envisioned by the HoG plan. Such grants will be made from surplus revenues on investments or through Gail Parvin Hammerquist grants or related programs. It would be CV's intent to establish an endowment fund over time with such surplus revenues and to provide for philanthropic contributions through a CV charitable foundation.

Union Bank Building at 500 - 504 Main Street



The planned restoration of what was Winnipeg's first Skyscraper into a student residence, café / restaurant and home for a new Red River College Culinary Institute at a cost of $22 million.

C. 2008 Operating Plan

1. 2008 Operating Budget

The budget, which is presented in Appendix I, suggests that CV's 2008 operations are expected to breakeven. Costs projected for the year include increasing staff as required to achieve the targeted goals and expanding communications efforts to address the transparency and accountability issues raised by the City Auditor and to increase the profile of the organization.

2. Commercial Development

Commercial development, by its nature, is difficult to plan and predict because it requires pursuit of a large number of potential opportunities with the expectation that only a small number of projects (which will individually require significant investment) will come to fruition. Accordingly, CV's plan in this area is expressed directionally, with specific, currently identified potential opportunities highlighted. The 2008 targets also set the context of CV's longer term goals, which are consistent with the HoG plan.

3. Projected Targets for 2008 - 2010

Element of HoG Plan	2008 Target	Achieved by 2010
Cluster Development	Successfully conclude development agreements on two significant projects with construction of the project commenced before December 31, 2008. Possibilities include: • Avenue Building (265 Portage Avenue) • Union Bank Bldg/Red River College at 504 Main Street • Main Street Revitalization/ WRHA Head Office (Main & Logan area) • Me-Dian Credit Union Head Office (corner Main & Higgins)	Complete development agreements for an additional 3 properties, with construction on the developments having commenced by December 31, 2010. Note that the original target for cluster development was three areas. It is possible that by 2010 more than 3 developments would have been achieved. These additional projects, beyond the original target of 3, could take the place of those once envisioned as Profile Tenant initiatives.

Projected Targets for 2008 - 2010 (cont'd)

Element of HoG Plan	2008 Target	Achieved by 2010
Pre-development Land Assembly	Assemble all, or the majority of, a city block to facilitate the development of an office building for relocation of a major charitable foundation not currently in the downtown.	Assemble land for 2 more major developments.
Profile Tenants	Pursue and arrange the relocation of two significant tenants from outside of CV's current mandate area into the mandate area, with lease agreements and arrangements completed by December 31, 2008 (occupancy could occur later).	Attract an additional 2 tenants from outside of CV's mandated area into that area with leasing agreements and arrangements completed by December 31, 2010 (occupancy could follow thereafter). Secure the establishment of two new businesses (not existing in Winnipeg today, though perhaps a chain already existing in North America, without a current Winnipeg presence) with leasing agreements and arrangements completed by December 31, 2010.
Non-cluster Development	Facilitate/invest in development outside the HoG focus area. Have 2 projects underway by December 31, 2008. Possibilities include, redevelopment of : • "The Brick" building for Wellington West expansion. • The Citadel building for CIER relocation. • The Bell Hotel into residential. • 230 Princess St. to mixed use. • Unidentified building for Assiniboine CU head office. • Expansion of the Sun Wah grocery complex. • James Avenue Pumping Station. • A & B Sound building on Portage Avenue. • 661/663/665 Main Street for relocation of Main Meats. • Union Tower for Red River College and student housing. • St Charles hotel into boutique hotel. • The Bay	Facilitate/invest in development outside the HoG focus area on an additional 3 properties.

Projected Targets for 2008 - 2010 (cont'd)

Element of HoG Plan	2008 Target	Achieved by 2010
Parking/Services Support Projects	• CV to participate in at least one redevelopment project that sees the establishment of such services in CV's mandated area. It is currently anticipated that this would be the redevelopment of the Ryan Building at 104 King Street. • In cooperation with the Winnipeg Parking Authority and City administration develop a summary of the most impactful parking support services projects that might be undertaken in CV's mandated area to accelerate the redevelopment of downtown.	• CV to participate in or initiate 2 additional parking/ services support projects by December 31, 2010.
Mortgage & Loan Financing	• Gap finance heritage tax credit loans and MFDG's in the amount of approximately $2.5 million to qualifying developers. • Arrange loans to borrowers acquiring and developing properties in CV's mandated area – estimated amount $1.5 million. • Work with the City of Winnipeg to structure the heritage tax credits in such a way that they would be a bankable asset for a typical commercial lender (to allow CV to ultimately exit this lending activity).	• Arrange mortgage financing for owners and developers in CV's mandated area in the amount of $6 million by December 31, 2010. • Decreased lending activity by CV will be required in the latter half of 2010 because credit unions and chartered banks see CV's mandated area more positively and provide more of redevelopment financing than they have in the past.

4. Community Investment

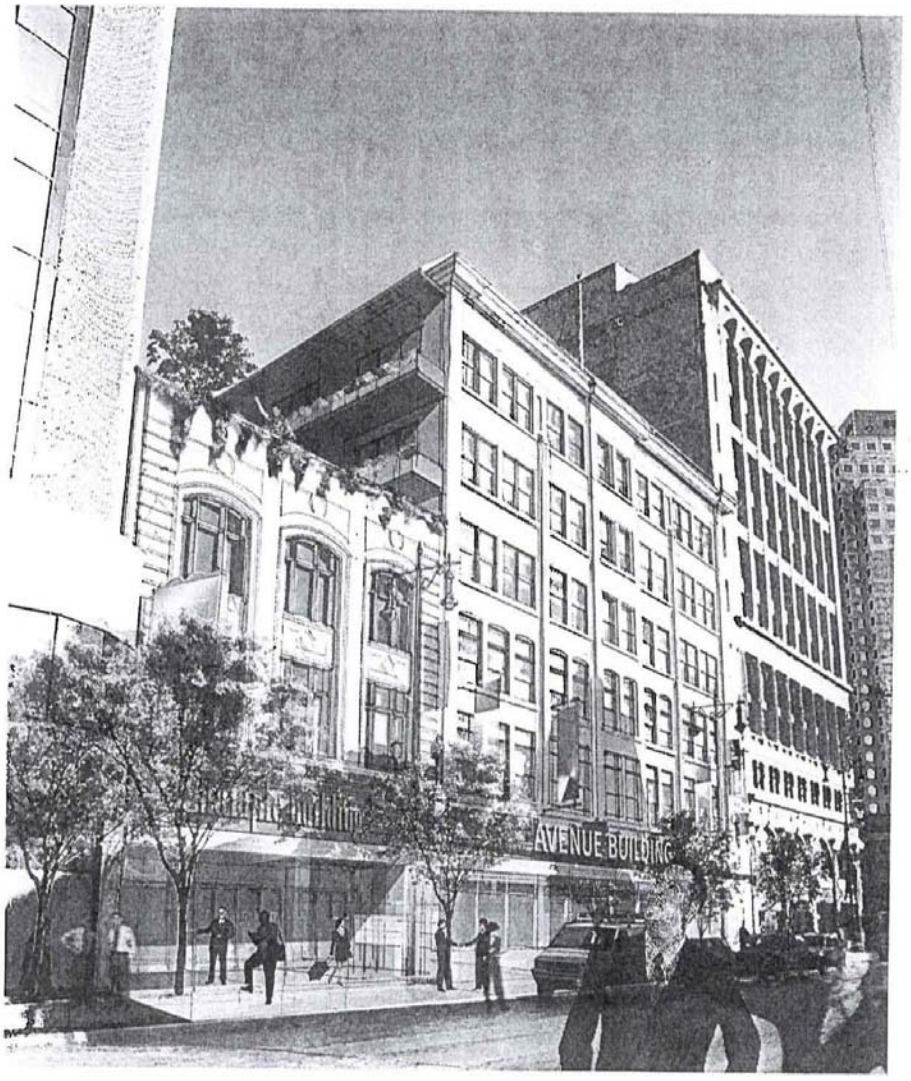
a) Public Destinations

- *By December 31, 2008* – CV will have participated in the conclusion of an agreement to create 1 public destination. The primary target for 2008 will be Central Park. CV's participation could be in the form of:
  - being a supporter and participant in negotiations;
  - coordinate the various funding parties;
  - contribute cash.
- *By December 31, 2010* – CV will have participated in the conclusion of arrangements to redevelop an additional 3 public destinations.

b) Granting Activities

- *Gail Parvin Hammerquist Grants* – Approximately $200,000 to $300,000 is available annually for grants to be made from this fund in support of the redevelopment of heritage buildings to enhance heritage sites. Recipients will be considered for approval by CV's Board upon the recommendation of management.
- *Other Granting Activities* – By December 31, 2008, CV will have developed guidelines to use to evaluate grant requests. During the period January 1, 2008 to December 31, 2010, it is not expected that CV's UDB grants to other parties will exceed $200,000 (excluding its contributions to public destinations).

The Avenue Building at 265 Portage Avenue



CentreVenture believes redevelopment of The Avenue Building at 265 Portage Avenue is the highest priority commercial project to pursue along Portage for 2008.

D. Financial Overview - 2008 and Beyond

1. Background Information

It is expected that as at December 31, 2007, CV's net asset balance will stand at approximately $12.3 million. This amount has been accumulated over the past 7 years as a result of the following:

	(000's)
Sources of Assets:	
• Net proceeds of land sales, under the terms of the asset agreement.	$ 3,000
• City of Winnipeg contribution to Urban Development Bank	10,000
	13,000
Community investment in and pursuit of CentreVenture's mandate (e.g. kick start redevelopment of Waterfront Drive, Skateboard Park, 25 properties converted to productive use, Mountain Equipment Co-op)	(1,100)
CentreVenture net assets, estimated at December 31, 2007	$ 11,900

2. Overview of CV's Estimated Financial Position

It is expected that as at December 31, 2007, CV's net assets will be invested as follows:

	(000's)
Cash Investments and Sundry Receivables	$ 2,350
Heritage Tax Credit and MFDG gap financing loans	2,390
Loans and mortgages	3,215
Property held for redevelopment (including Avenue Bldg., 109 James Avenue, Lot 26 Main Street)	2,060
Property at 7 Argyle	865
MEC Bldg.	1,345
Liabilities	350
Total Net Assets, estimated at December 31, 2007	$ 11,875

3. Requirements for Cash/Financing in 2003

CV has cash requirements for three items. These are:

a) operations,
b) investments in commercial development projects,
c) contributions made as part of community investment activities.

As described in the preceding section, CV's estimated December 31, 2007 net asset position (at book values) is approximately $11.9 million. However, of this amount, only $2.3 million is expected to be held in cash and liquid investments. The balance of CV's net assets are invested in income producing assets or assets held in anticipation of commercial developments or community investment.

The execution of the 2008 plan, as described in preceding sections, is expected to require significant financing. This financing aligns with the three elements of CV's operations in the following fashion:

Aspect of CV's Operations	Financing Needs
Operations	CV's philosophy is for its operations to breakeven. The income from its net asset investment portfolio and from the City of Winnipeg Operating Grant are sufficient to cover operations. No further grants or financing will be required.
Commercial development	The 2008 target is to effect the redevelopment of 2 clusters, 2 additional downtown tenants and 1 parking/services support project and 2 non-cluster projects. In addition, CV expects it may have opportunities to assemble additional land for future development. CV's projections estimate that it could require UDB capital of $5 million. This financing would enable CV to assemble the required land prior to selling it to the developer who will effect the development or to make an equity investment. In addition, continued demand for financing City of Winnipeg heritage tax credits, MFDG's and other loans and mortgages, will require additional cash. Based on the most recent history, we would anticipate that over the course of the next year, as much as $4.0 million of additional financing could be required. While this financing will be income producing, CV does not currently have the cash to make these loans.
Community investment	It is anticipated that CV's contribution to each public destination will be in the range of $1 million. If one is affected in 2008, then approximately $1 million of cash will be required for CV's contribution to the project. CV has net assets to make these contributions; however, they are currently invested in income producing properties.

Consequently, CV estimates that in 2008 it will experience a financing requirement of about $9 million. In summary, this is comprised of:

	($Millions)
Commercial developments	$ 5.00
Heritage tax credits, loans and mortgages	4.00
Total	$ 9.00

4. Requirements for Cash/Financing Beyond 2008

If CV looks out to 2010, it would have the following expectations:

- **Bridge Financing** – Interim financing obtained in 2008 to support the requirements immediately above would be sufficient financing to carry CV through its 2009 and 2010 years. This is on the basis that future developments would likely only occur after "cashing out" some of the amounts that were previously invested in commercial developments and loans. If some delay is experienced in "cashing out" development investments, additional financing will be needed; hence CV's request for $10 million UDB capital.

- **December 31, 2010 Financial Position** – Further, CV estimates that its community investment over the period of 2009 and 2010 would approximate $4.8 million (based on a calculation of $1 million per each of the 3 public destinations and $1.8 million of other grants). As a consequence, it is conceivable that CV's net assets will be reduced by December 31, 2010 to $6 million as a result of its community investments. However, its total assets could be as much as $16 million representing its invested equity and the invested proceeds of borrowing. The assets at that time would be of sufficient value that, if liquidated, all borrowings could be repaid and the anticipated $6 million of CV equity would be held in the form of cash.

5. Potential Variability of Results

The caveat on all of this future oriented analysis is that it is conceivable that CV's development activities could, in some instances, create gains and, in other cases, perhaps result in losses. Accordingly, the estimated December 31, 2010 financial position would be significantly impacted over the passage of time by the development projects which CV participates in.

In addition, the timing of CV's targeted projects could vary significantly, either by being deferred or accelerated. If CV is fortunate enough to accelerate its development project timetable, and have additional worthwhile projects to pursue, its ability to complete all of this development activity may well be constrained by the amount of financing available to CV. If these fortunate circumstances arise, CV would expect to meet again with City officials to determine the best way to take advantage of all development opportunities. Possibilities at that time could include an increase to the level of the City's interim financial support or a collaborative plan to make other financing sources (such as TIF zones or commercial lenders for HTC loans) available to CV.

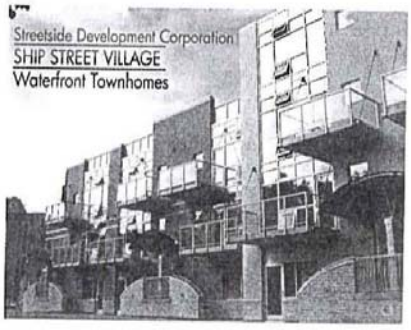
Waterfront Drive Represents $60 Million in Private Sector Investment



The $18 million Excelsior condominium project welcomed its first residents in early 2007.



The Strand represents a $6.5 million "green" development offering 16 residential units and additional commercial space.



The $4 million Ship Street Village combines eight residential units with eight commercial units (encompassing 4,000 square feet in total).



Sky waterfront is the largest Waterfront development at $29.5 million.

E. Supporting Community Initiatives

At the same time that CV is focused on its own operations, community investment and commercial development, there are several complementary and supporting community activities which CV will undertake. These are as follows:

a) **Increase Bankability of Downtown Winnipeg** – By working with commercial lenders, including Manitoba's credit unions and commercial banks, CV will endeavor to educate these lenders about the improving economic conditions in CV's mandated area. It is hoped that as a result of these activities, loans that currently must be made by CV because they would not be made on a commercial basis by these lenders, might begin to be financed by the traditional lenders. This would reduce the need for CV to provide interim financing for such projects.

b) **Bankability of Heritage Tax Credit Loans** – CV will work together with the City of Winnipeg to alter the terms of the heritage tax credits that are provided to downtown developers so that the value of these assured tax credits can be financed by a commercial lender. Currently, there are several aspects of the terms of these tax credits which make them not bankable from a commercial lender's point of view. As a result, CV has had to provide financing on these loans. If commercial bankability can be attained, CV's need for financing could be reduced or redeployed into other income producing projects.

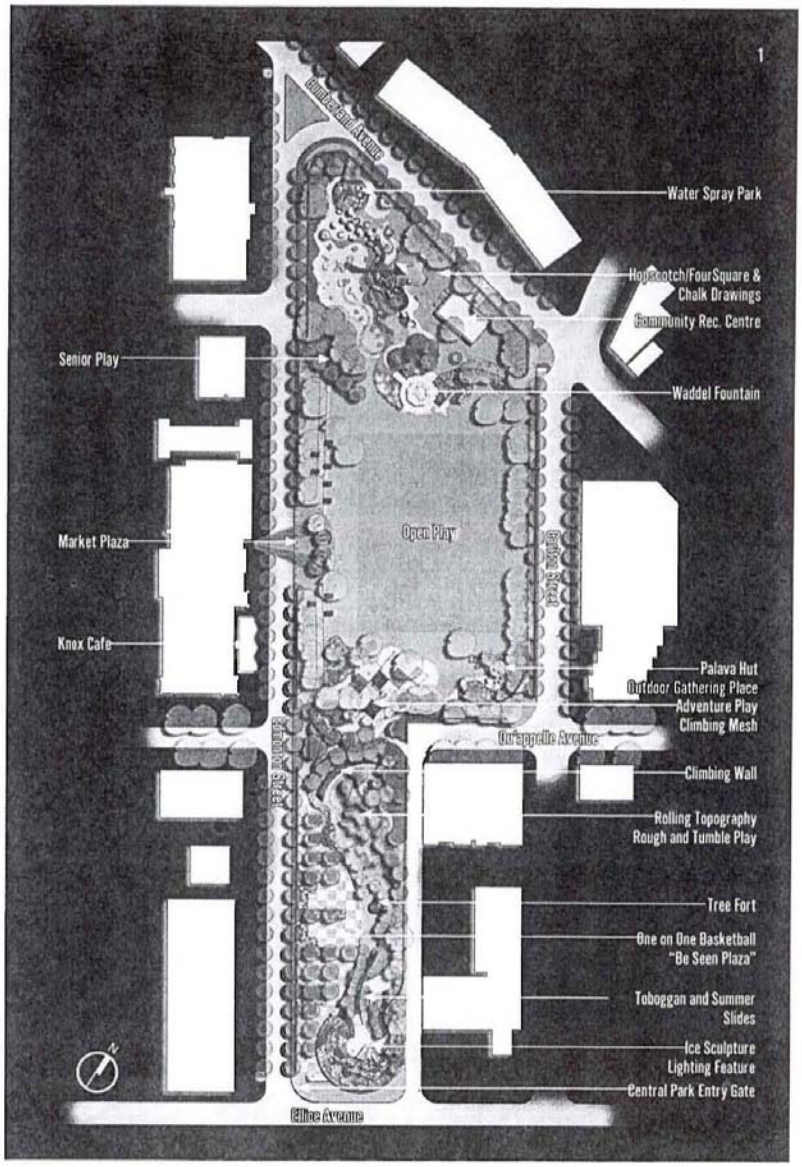
c) **Agency Collaboration** – There are a variety of agencies that have some aspect of downtown revitalization as a component of their mandate. These include Forks North Portage, the Downtown Biz, the Exchange Biz and Destination Winnipeg, the Winnipeg Chamber and the Province of Manitoba. CV recently held a planning session with representatives of these agencies and as a result, a "Downtown Council" was formed to promote communication between agencies for service delivery coordination. CV will continue to play a leadership role in bringing these agencies together so that their plans are complementary to rather than competitive and redundant.

d) **Relationship with the City of Winnipeg** – CV is working to continually improve its relationship with the Mayor of the City of Winnipeg, City Council, the committees responsible for the downtown, and the City's Planning, Property & Development Dept. An example of this "working together" is the lead which CentreVenture is taking in the updating of CentrePlan.

e) **Tax Increment Financing (TIF) Zones** – CV will spearhead efforts with the civic and provincial governments to create and implement TIF Zones. This will provide further capital to be deployed in the future redevelopment of downtown Winnipeg, based on the success of current redevelopment efforts. It is essential the Province participates in downtown revitalization efforts.

CentreVenture has and will continue to play a pivotal role in increasing the profile and economic health of the downtown through the initiatives identified above and by taking quick advantage of other opportunities that arise. The focus and structure of CV contributes to its ability to react quickly when an opportunity is presented and to create opportunities by being "down on the street" with our stakeholders and private sector partners.

Central Park Design



The redevelopment of Central Park is a priority of CentreVentures' Public Destinations initiative.

F. Internal Priorities - Policies and Procedures

CV is addressing the following internal operational priorities over the course of 2008:

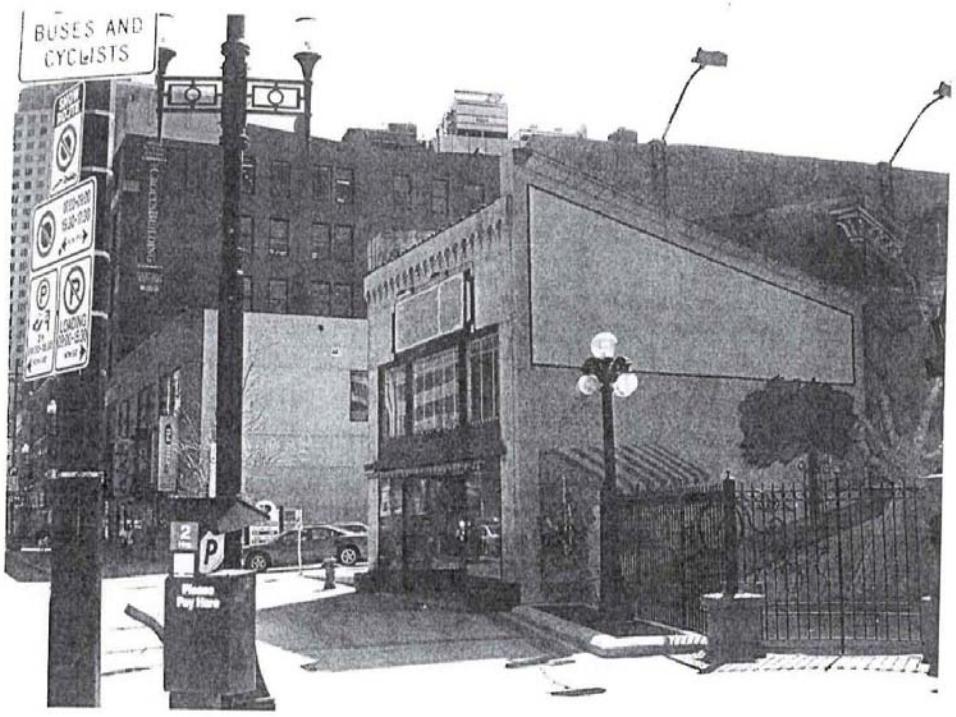
a) **Governance** – A subcommittee of the Board, chaired by Dr. Gerry Gray, is examining the Board's governance practices with a view to making recommendations for improvement. In addition, a Board strategic planning session is being held with an outside facilitator on January 9, 2008. It is expected that these activities will result in the implementation of various governance enhancements throughout 2008 and beyond.

b) **Strategic Planning & Monitoring** – As part of CV's request for financing from the City of Winnipeg, CV has undertaken the preparation of this document to more clearly articulate its operating plan for the upcoming year and the following two years. This process will be assisted by the January 2008 strategic planning session. Where the session results in modifications to this annual plan, changes will be made. Appropriate internal reporting will then be established to regularly track progress.

c) **Communications and Constituency Relations** – CV recognizes the need to become transparent and accountable to its major shareholder, the City of Winnipeg, the various stakeholders in downtown redevelopment and the public. As a consequence, CV has developed a communication plan which it will implement to ensure that CV's plans are understood by the community and to ensure that CV is accountable to its public. This plan includes preparation for an annual general meeting in 2008 and the distribution of a formal annual report.

d) **Staff Complement** – CV will increase staffing in the development and finance areas to ensure it has the resources to execute its plan.

CentreVenture Moves to Main Street



On July 16, 2007 CentreVenture Development Corporation moved its offices to the previously vacant store front of 492 Main Street (the former MacDonald Shoes building).

Appendix I – 2008 Operating Budget

CENTREVENTURE DEVELOPMENT CORPORATION
2008 OPERATING BUDGET

Approved by CentreVenture Board - December 14, 2007

	2008 Budget	Projected 2007 Year End
Revenue:		
City of Winnipeg Grant	250,000	250,000
Rental Income	164,000	189,272
Fee Income	100,000	10,000
Interest on Cash/Investments	11,000	181,322
Interest on Loans	345,000	283,121
TOTAL REVENUE	**870,000**	**913,715**
Expenses:		
Loan Guarantee Fee	25,000	0
Administration	576,750	413,535
Education/Training/Dues	17,500	1,877
Meeting Expenses	17,000	12,440
Professional Fees	45,000	58,063
Marketing/Communications	78,000	45,135
Rental Expenses	9,000	7,079
Miscellaneous	10,000	8,230
Subtotal	**778,250**	**546,359**
Pubic Destinations:		
Wages/Professional Fees:	75,000	54,948
Travel & Miscellaneous	16,750	15,982
Subtotal	**91,750**	**70,930**
TOTAL OPERATIONAL EXPENSES	**870,000**	**617,289**
NET OPERATING INCOME:	**0**	**296,426**

Notes to 2008 Operating Budget:

Treatment of Interest on the Guaranteed Line of Credit

Interest is to be paid on the guaranteed line of credit that has been drawn. Draws on the line will be for one of two purposes:

1. **To fund loans/mortgages** – interest paid on these draws will be offset by additional, incremental income that will be earned on the loans/mortgages that CV makes. The 2008 budget includes only interest income related to the portfolio of loans that exists at December 31, 2007. Therefore, the interest income and expense on draws to fund new loans and mortgages will basically offset to a nil impact on the results for the year.

2. **To fund temporary investments in development properties** – Interest paid on these draws will be treated as a cost of the development and will be capitalized into the investment cost of these properties. Then, as CV arranges transactions to see these properties through to development, CV will strive to recover its full cost, including capitalization interest, on the disposition of the properties.

Therefore, the incremental interest on the guaranteed line of credit will not have an adverse effect on the 2008 budget that has been established for CV's 2008 operations.

Appendix II – Projections of Financial Position for 2008 to 2010

CentreVenture Development Corporation

Summary of Projected Financial Positions
As at December 31, 2008, 2009 and 2010

Balance Sheet		Estimated @ December 31, 2007	Projected as December 31 2008	2009	2010
Current Assets					
	Cash/Investments	2,350	0	0	0
	Mortgages and notes receivables	3,350	5,625	7,825	7,875
	Heritage Tax Credit Loan Receivables	2,390	1,865	1,165	2,015
	Allowance for doubtful accounts	(150)	(150)	(150)	(150)
	Prepaid expenses	15	15	15	15
	Property held for sale	2,060	5,060	4,810	3,060
		10,015	12,415	13,665	12,815
Fixed Assets		1,345	1,345	1,345	1,345
Other Assets		865	1,365	1,000	2,000
Total Assets		12,225	15,125	16,010	16,160
Current Liabilities					
	Line of Credit	0	4,550	7,950	9,750
	Accounts payable	50	50	50	50
	Deferred Revenue/Restricted Funds	300	300	300	300
		350	4,900	8,300	10,100
Equity		11,875	10,225	7,710	6,060
Total Liabilities		12,225	15,125	16,010	16,160

These projected results are based on the following projected activities:

Commercial Development

Investments made

Cluster Development	2 @ $1,000	1 @ $750	2 @ $625
Pre Development Land Assembly	1,000	1,000	
Non-Cluster development	2 @ $750	2 @ $500	1 @ $1,000
Investments in Parking and support services	500	500	1,000
New Loans			
Heritage tax credit loans	2,500	1,850	1,850
Other mortgages and receivables	1,500	1,350	1,350

Investments Recouped

Proceeds on completion of development projects and resale of land to developers	1,500	3,000	4,000
Loan Activity			
Heritage tax credit loans	525	700	1,000
Other mortgages and receivables	1,725	1,000	1,300

Community Investment

Public Destinations	1 @ $1,000	1 @ $1,000	1 @ $1,000
Incentive payment to attract profile tenants	250	250	250
Other grants and/or non-repayable contributions to commercial developments	400	400	400