Report - Executive Policy Committee – June 11, 2008

Item No. 4 Winnipeg Regional Health Authority on Main Street – Downtown Development Grant (Point Douglas Ward) File G-8

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That a Downtown Development Grant be approved in favour of CentreVenture Development Corporation to gap-finance the construction of an office building incorporating main floor commercial space and a parkade for 300 vehicles for the Winnipeg Regional Health Authority in an amount equivalent to the incremental municipal portion of realty and business tax paid in respect of the subject property over a period not exceeding two years and in a total amount not exceeding $551,600.00.

2. That the source of funding come from the Economic Development Investment Reserve.

3. That incremental municipal property and business taxes received by the City of Winnipeg be credited to the Economic Development Investment Reserve in 2010 and 2011 sufficient to replenish the Fund.

4. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

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

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

RE: Winnipeg Regional Health Authority on Main Street

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Phil Sheegl, Director of Planning, Property and Development

REPORT DATE: June 3, 2008

RECOMMENDATION: That City Council approve:

1. A Downtown Development Grant in favour of CentreVenture Development Corporation to gap-finance the construction of an office building incorporating main floor commercial space and a parkade for 300 vehicles for the Winnipeg Regional Health Authority (WRHA) in an amount equivalent to the incremental municipal portion of realty and business tax paid in respect of the subject property over a period not exceeding two years and in a total amount not exceeding $551,600;
2. That the source of funding come from the Economic Development Investment Reserve;
3. That incremental municipal property and business taxes received by the City be credited to the Economic Development Investment Reserve in 2010 and 2011 sufficient to replenish the Fund;
4. The Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement Council approval; and
5. That the proper Officers of the City do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

- **The proposed WRHA project is critical to the revitalization of North Main Street.**
- On March 18, 2008 the WRHA announced a new $35 M office development including a parkade for 300 vehicles was planned for Main Street.
- The WRHA budget was capped at $19.00 per sq. ft. Unforeseen costs associated with site preparation and asbestos removal together with escalating construction costs have put the budget at $19.67 per sq. ft.
- Three-way cost sharing including WRHA / Re Solv and the City of Winnipeg-CentreVenture will ensure that the project will come in on budget ($19.00 sq. ft.)
- CentreVenture will provide gap financing of $484,000 at net present value ($551,600 from the Economic Development Reserve Fund) to assist with the unforeseen demolition costs resulting in rental rates exceeding the WRHA approved rental / lease range.

- The incremental taxes generated by this project will flow back to the City and credited to the Economic Development Reserve in 2010 and 2011 sufficient to replenish the fund.
- **The recent demolition accident that occurred on Thursday, May 1, 2008 which resulted in the front façade of the former Starland Theatre collapsing onto Main Street is NOT part of the increased demolition costs. Further, all costs associated with the aforementioned demolition accident are the responsibility of the permit applicant.**
- WRHA will increase parking rates to meet their cost sharing commitment.
- Re Solv, the property owner will also contribute $200,000 to ensure the project succeeds.
- **The $551,600 Downtown Development Grant will be the City's final financial contribution to the project.**

Implications of the Recommendation(s):

General Implications

(x) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

Policy Implications

(x) No

( ) Yes

Comment(s):

Regulatory Implications

(x) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

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): There is sufficient funding within the Economic Development Investment Reserve to finance the project as contemplated within the Report. That incremental municipal property and business taxes be credited to the Economic Development Investment Reserve in 2010 and 2011 sufficient to replenish the Fund

Report

REASON FOR THE REPORT:
CentreVenture and Re Solv on behalf of the Winnipeg Regional Health Authority (WRHA) have signed an agreement for the WRHA to construct a four-storey office building with a four-storey parkade on the west side of Main Street between Logan Avenue and Henry Avenue. This report recommends that the City participate in the project through a Downtown Development Grant requiring the approval of City Council.

HISTORY:
The majority of properties located on the west side of Main Street, between Logan Avenue and Higgins Avenue, have remained vacant for several years.
In September, 2007 Bridgman Collaborative Architecture Ltd. purchased the former Dominion Bank Building at 678 Main Street. In October 2007, a heritage conservation tax credit was approved by Council for the re-development of the property.
CentreVenture, under the Asset Agreement, acquired the remaining properties on the west side of Main Street, between Logan Avenue and Higgins Avenue, including the former Bell Hotel, the Starland and Epic Theatres.

On March 25, 2008 Standing Policy Committee on Property and Development recommended the de-listing of the two theatres from the Heritage Conservation list resulting in an application for demolition of the theatres being filed in anticipation of the new office/parkade building

DISSCUSSION:
On March 18, 2008 the WRHA announced that their corporate offices would be constructed on Main Street. The $35M project will consist of approximately 81,000 sq. ft. of office building with main floor commercial space and a parkade for approximately 300 vehicles.

Based on initial cost estimates provided by the Architect and the Contractor, the WRHA did not renew their lease in their existing building. Further, very aggressive timelines were required to ensure occupancy in the new office building is achieved by June 1, 2009.

The WRHA budget for the Main Street project was approved at $19.00 per square foot. Upon entering the theatres for a closer inspection, the Contractor identified a significant asbestos problem. Additionally, areaways beneath the public sidewalk would impact the demolition process, adding significant time and cost to the project. Further, construction costs have continued to escalate. These unforeseen costs have put the project budget at $19.67 per square foot, putting the entire project in jeopardy.

CentreVenture, the Developer and the WRHA have reached an agreement to share the additional increased costs thereby bringing the project back to the approved budget amount of $19.00 sq. ft.

CentreVenture has agreed to gap finance both the additional costs associated with the demolition (approximately $285,000) and also the $200,000 cost share agreement having a future value of $551,600, subject to the City directing the incremental municipal portion of taxes, estimated at $530,000 per year, back to CentreVenture.

FINANCIAL IMPACT:

			2007 Mill Rates Used
Municipal:	533,586.03		25.448
Water, Sewer and Street Renewal:	0.00		
Total Municipal Taxes:		**533,586.03**	
School Division Taxes:	583,363.35		27.822
Provincial Education Support Levy:	335,944.49		16.022
Total School Taxes:		919,307.84	
Total Estimated Tax:		**$1,452,893.87**	

The following Plan Winnipeg policy statements support City participation in the WRHA project:

The City shall promote downtown development to stimulate revitalization and capitalize on existing infrastructure by:

- *Encouraging the retention, recruitment, development, and incubation of unique and important businesses in the downtown,*

The City shall accommodate commercial and retail development by:

- *Recognizing and supporting the importance of a strong downtown as the preferred location for concentration specialty retail, tourist-oriented commercial uses and office development.*

The City's financial participation through a Downtown Development Grant will maximize densification while providing an attractive and desirable pedestrian edge and will enhance the value of the North Main Street area. The additional public parking will also support downtown in the immediate area and may lever additional private investment.

Financial Impact Statement

Date: April 29, 2008

Project Name:

Winnipeg Regional Health Authority on Main

First Year of Program **2010**

	2010	2011	2012	2013	2014
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 551,600	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	533,000	18,600	-	-	-
Net Cost/(Benefit)	$ 18,600	$ (18,600)	$ -	$ -	$ -
Less: Existing Budget Amounts	18,600	(18,600)	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs in 2010 represent amount of the grant to be provided to CenterVenture to repay the $484,000 in gap-financing plus interest that they will provide the WRHA. Funding for the grant is to come from the Economic Development Investment Reserve. Incremental municpal property taxes over 2010-2011 totaling $551,600 will be credited back to the Reserve to replenish the Fund.

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

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Legal Services

External Consultation With:
CentreVenture Development Corporation

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development
Division: Office of the Director
Prepared by: Barry Thorgrimson
PPD File No.