**Minutes – Executive Policy Committee – May 13, 2009**

## REPORTS

**Minute No. 250 CentreVenture Development Corporation – 2008 Annual Report**
**eFile EP-1.2.3**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee recommends to Council:

1. That the CentreVenture Development Corporation 2008 Annual Report be received as information.

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

DECISION MAKING HISTORY:

Moved by Councillor Fielding,

That the CentreVenture Development Corporation 2008 Annual Report be received as information and forwarded to Council.

Carried



centreventure
development corporation

**Financial Statements**
**For the year ended December 31, 2008**

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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# Auditors' Report

**To the Board of Directors of**
**CENTREVENTURE DEVELOPMENT CORPORATION**

We have audited the statement of financial position of **CENTREVENTURE DEVELOPMENT CORPORATION** as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CentreVenture Development Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
January 22, 2009

# CENTREVENTURE DEVELOPMENT CORPORATION
## Statement of Financial Position

| December 31 | 2008 | 2007 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and bank (Note 2) | $ 3,982,287 | $ 2,794,262 |
| Restricted cash (Note 3) | 22,488 | - |
| Accounts receivable (Note 4) | 3,070,059 | 126,210 |
| Prepaid expenses | 12,271 | 12,988 |
| Property held for resale (Note 5) | 2,117,788 | 2,150,412 |
| Current portion of mortgages receivable (Note 6) | 1,307,460 | 1,745,000 |
| Current portion of loans receivable (Note 7) | 277,079 | 505,000 |
| | 10,789,432 | 7,333,872 |
| **Mortgages receivable** (Note 6) | 730,654 | 1,523,446 |
| **Loans receivable** (Note 7) | 2,249,275 | 1,755,106 |
| **Capital assets** (Note 8) | 986,107 | 2,159,054 |
| | $ 14,755,468 | $ 12,771,478 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 1,206,946 | $ 75,577 |
| Holdbacks payable (Note 3) | 22,488 | - |
| Deferred grant revenue (Note 9) | 1,313,381 | 890,826 |
| | 2,542,815 | 966,403 |
| **Commitments and contingencies** (Note 10) | | |
| **Net Assets** (Note 13) | | |
| Invested in capital assets | 986,107 | 2,159,054 |
| General | 1,915,660 | 1,722,126 |
| Urban Development Bank | 9,310,886 | 7,923,895 |
| | 12,212,653 | 11,805,075 |
| | $ 14,755,468 | $ 12,771,478 |

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## CENTREVENTURE DEVELOPMENT CORPORATION
## Statement of Changes in Net Assets

**For the year ended December 31**

| | Invested in Capital Assets | General | Urban Development Bank | 2008 Total | 2007 Total |
|---|---|---|---|---|---|
| **Balance**, beginning of year | $ 2,159,054 | $ 1,722,126 | $ 7,923,895 | $ 11,805,075 | $ 12,040,409 |
| **Excess (deficiency) of revenue over expenditures for the year** | 1,160,442 | 210,145 | (963,009) | 407,578 | (235,334) |
| **Net change in invested in capital assets** | (2,333,389) | (16,611) | 2,350,000 | - | - |
| **Balance**, end of year | $ 986,107 | $ 1,915,660 | $ 9,310,886 | $ 12,212,653 | $ 11,805,075 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# CENTREVENTURE DEVELOPMENT CORPORATION
## Statement of Operations

**For the year ended December 31**

| | General | Urban Development Bank | 2008 Total | 2007 Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Grant | | | | |
| City of Winnipeg | $ 100,000 | $ - | $ 100,000 | $ 250,000 |
| Designated grants | - | 76,423 | 76,423 | 122,693 |
| Interest | 460,999 | - | 460,999 | 468,761 |
| Commissions and development fees | 228,033 | - | 228,033 | 10,000 |
| Rental | 164,421 | - | 164,421 | 183,398 |
| Sale of properties | - | 1,870,001 | 1,870,001 | 20,000 |
| | 953,453 | 1,946,424 | 2,899,877 | 1,054,852 |
| **Expenditures** | | | | |
| Administration | 532,590 | - | 532,590 | 368,440 |
| Amortization | 115,408 | - | 115,408 | 67,596 |
| Bank charges and interest | 5,256 | - | 5,256 | 1,151 |
| Cost of properties | - | 1,655,455 | 1,655,455 | 192,575 |
| Grants paid out | | | | |
| Designated revenues | - | 76,423 | 76,423 | 122,693 |
| General | - | 4,000 | 4,000 | 99,019 |
| Insurance | 9,852 | - | 9,852 | 9,040 |
| Office | 66,526 | - | 66,526 | 78,280 |
| Professional fees | | | | |
| Contract management | 10,947 | 59,949 | 70,896 | 37,675 |
| IT and other | 14,413 | - | 14,413 | 20,797 |
| Accounting, legal and transaction costs | 25,738 | 76,733 | 102,471 | 61,256 |
| Marketing | 56,322 | 17,934 | 74,256 | 73,281 |
| Project development | - | 18,939 | 18,939 | 27,615 |
| Property rental | 8,281 | - | 8,281 | 15,900 |
| Public destinations | 13,383 | - | 13,383 | 114,868 |
| Central Park (Note 14) | - | 1,000,000 | 1,000,000 | - |
| | 858,716 | 2,909,433 | 3,768,149 | 1,290,186 |
| **Excess (deficiency) of revenue over expenditures before other items** | 94,737 | (963,009) | (868,272) | (235,334) |
| **Other Items** | | | | |
| Gain on sale of building | - | 1,275,850 | 1,275,850 | - |
| **Excess (deficiency) of revenue over expenditures for the year** | $ 94,737 | $ 312,841 | $ 407,578 | $ (235,334) |
| **Allocated to:** | | | | |
| General | $ 210,145 | $ - | $ 210,145 | $ 224,879 |
| Urban Development Bank | - | (963,009) | (963,009) | (392,617) |
| Invested in capital assets | (115,408) | 1,275,850 | 1,160,442 | (67,596) |
| **Excess (deficiency) of revenue over expenditures for the year** | $ 94,737 | $ 312,841 | $ 407,578 | $ (235,334) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# CENTREVENTURE DEVELOPMENT CORPORATION
## Statement of Cash Flows

| For the year ended December 31 | 2008 | 2007 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Excess (deficiency) of revenue over expenditures for year | $ **407,578** | $ (235,334) |
| Adjustments for amortization of capital assets | **115,408** | 67,596 |
| Gain on disposal of assets | **(1,275,850)** | - |
| Accrued interest on mortgages | **6,395** | (13,317) |
| Accrued interest on loans receivable | **(2,569)** | (7,541) |
| | **(749,038)** | (188,596) |
| Changes in non-cash working capital balances | | |
| Short-term investments | **-** | 4,082,422 |
| Accounts receivable | **(2,943,849)** | 238,179 |
| Prepaid expenses | **717** | 651 |
| Property held for resale | **32,624** | (676,409) |
| Accounts payable and accrued liabilities | **1,131,369** | (23,552) |
| Holdbacks payable | **22,488** | - |
| Deferred grant revenue | **422,555** | 517,390 |
| | **(1,334,096)** | 4,138,681 |
| | **(2,083,134)** | 3,950,085 |
| **Cash Flows from Investing and Financing Activities** | | |
| Purchase of capital assets | **(16,611)** | (272,319) |
| Proceeds on sale of capital assets | **2,350,000** | - |
| Advances of mortgages receivable | **(214,780)** | (1,508,562) |
| Advances of loans receivable | **(615,132)** | (962,919) |
| Receipts from mortgages receivable | **1,445,113** | 69,039 |
| Receipts from loans receivable | **345,057** | 184,895 |
| | **3,293,647** | (2,489,866) |
| **Increase in cash and cash equivalents during the year** | **1,210,513** | 1,460,219 |
| **Cash and cash equivalents**, beginning of year | **2,794,262** | 1,334,043 |
| **Cash and cash equivalents**, end of year | $ **4,004,775** | $ 2,794,262 |
| **Comprised of** | | |
| Cash and bank | $ **3,982,287** | $ 2,794,262 |
| Restricted cash | **22,488** | - |
| | $ **4,004,775** | $ 2,794,262 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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# CENTREVENTURE DEVELOPMENT CORPORATION
## Summary of Significant Accounting Policies

**December 31, 2008**

**Basis of Financial Presentation**

The corporation records its financial transactions on the deferred fund accounting basis as follows:

**General**

General includes transactions related to general operations and administration of the corporation.

**Urban Development Bank**

The Urban Development Bank was initiated in 1999 through a contribution by the City of Winnipeg. Funds are intended to enable CentreVenture Development Corporation to facilitate economic development initiates with private and non-profit sectors and provide creative financing options to encourage downtown investment. The assets of the Urban Development Bank are invested in loans, receivables and property held for development.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

**Revenue Recognition**

CentreVenture Development Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions. A transaction fee is levied by the Corporation on these sales.

**Special Projects - Restricted Funding Arrangements**

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by CentreVenture Development Corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

**Province of Manitoba:**
**North Main Economic Development Program Grant**

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

**City of Winnipeg:**
**Downtown Housing Strategy**

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

**City of Winnipeg:**
**Gail Parvin Hammerquist**

The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

**Mortgages and Loans Receivable**

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

**Allowance for Doubtful Loans**

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income and is reduced by write-offs.

**Financial Instruments**

The CentreVenture Development Corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the CentreVenture Development Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The CentreVenture Development Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The CentreVenture Development Corporation's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of trade receivable, mortgages receivable and loans receivables. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are netted against the amount initially recognized.

## CENTREVENTURE DEVELOPMENT CORPORATION
## Summary of Significant Accounting Policies

**December 31, 2008**

**Capital Assets**

Purchased capital assets are recorded at cost. Amortization is provided for on a straight-line basis in accordance with the following terms:

| | |
|---|---|
| Building | 25 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 3 years |

The acquisition costs of capital assets which are funded from capital financing sources are charged to operations and matched with the applicable revenue sources in the year of expenditure. Where capital is financed using prior year's equity, the cost will be charged to the related net asset balance. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Income Tax**

The corporation is exempt from income tax by virtue of p.149(1)(e) of the Income Tax Act. The corporation files a corporate tax return and a non-profit organization information return annually as required by the Canada Revenue Agency.

**New Accounting Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The corporation is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

**New Accounting Pronouncements (cont'd)**

Financial Statement Presentation

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The corporation is currently assessing the impact of the new standard.

Disclosure of Allocated Expenses

This new Section 4470 establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The corporation is currently assessing the impact of the new standard.

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The corporation is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

## 1. Nature and Purpose of the Corporation

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

## 2. Cash and Bank

The corporation has an approved operating line of credit with the Assiniboine Credit Union Limited to a maximum amount of $4,500,000. The line of credit bears interest at Assiniboine Credit Union prime rate less 0.25% and is secured by an authorization letter from The City of Winnipeg and a general security agreement on all assets of the corporation. As at December 31, 2008, the line of credit was unutilized.

## 3. Restricted Cash

The corporation has a holdback account that is jointly controlled with one of its contractors for a specific project.

## 4. Accounts Receivable

| | 2008 | 2007 |
|---|---|---|
| Sale proceeds receivable | $ 2,344,105 | $ - |
| Grants receivable | 500,000 | - |
| GST receivable | 82,520 | 50,983 |
| Other | 143,434 | 75,227 |
| | $ 3,070,059 | $ 126,210 |

## 5. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and The City of Winnipeg, CentreVenture Development Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price.

**5. Property Held for Resale (continued)**

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost. Property held for resale at year end consists of the following:

| | 2008 | 2007 |
|---|---|---|
| Property for sale | $ 1,936,245 | $ 1,916,570 |
| Property development costs | 181,543 | 233,842 |
| | $ 2,117,788 | $ 2,150,412 |

**6. Mortgages Receivable**

| | 2008 | 2007 |
|---|---|---|
| Mortgages receivable | $ 2,075,294 | $ 3,299,231 |
| Accrued interest receivable | 12,820 | 19,215 |
| Allowance for doubtful loans | (50,000) | (50,000) |
| | 2,038,114 | 3,268,446 |
| Current portion of mortgages receivable | 1,307,460 | 1,745,000 |
| | $ 730,654 | $ 1,523,446 |

Mortgages receivable on various properties in downtown Winnipeg with terms ranging from demand to maturity of 5 years, monthly installments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property, personal and corporate guarantees, and other forms of security. Interest rates charged for CentreVenture Development Corporation mortgages range from 5.25% to 8.0% and are both fixed and variable in reference to the bank of Canada's prime rate of lending at the time of loan disbursement.

Mortgage principal receipts are expected as follows:

| | |
|---|---|
| 2009 | $ 1,307,460 |
| 2010 | 277,515 |
| 2011 | 490,320 |
| Accrued interest | 12,819 |
| | 2,088,114 |
| Allowance | (50,000) |
| | $ 2,038,114 |

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2009.

## 7. Loans Receivable

| | 2008 | 2007 |
|---|---|---|
| Loans receivable | $ 2,611,899 | $ 2,348,220 |
| Accrued interest receivable | 14,455 | 11,886 |
| Allowance for doubtful loans | (100,000) | (100,000) |
| | 2,526,354 | 2,260,106 |
| Current portion of loans receivable | 277,079 | 505,000 |
| | $ 2,249,275 | $ 1,755,106 |

Loans receivable from various borrowers have a maximum term to maturity of 10 years, payable in monthly interest installments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 4.75% to 8.0%, are both fixed and variable in reference to the bank of Canada's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

| | |
|---|---|
| 2009 | $ 277,079 |
| 2010 | 305,360 |
| 2011 | 244,021 |
| 2012 | 192,889 |
| 2013 | 187,220 |
| Thereafter | 1,405,330 |
| Accrued interest | 14,455 |
| | 2,626,354 |
| Allowance | (100,000) |
| | $ 2,526,354 |

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2009.

## 8. Capital Assets

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Land | $ 864,774 | $ - | $ 864,774 | $ 864,774 | $ - | $ 864,774 |
| Building | - | - | - | 1,485,000 | 356,400 | 1,128,600 |
| Computer equipment | 67,879 | 59,056 | 8,823 | 60,211 | 52,789 | 7,422 |
| Furniture and fixtures | 25,352 | 15,173 | 10,179 | 25,352 | 11,647 | 13,705 |
| Leasehold improvements | 153,496 | 51,165 | 102,331 | 144,553 | - | 144,553 |
| | $ 1,111,501 | $ 125,394 | $ 986,107 | $ 2,579,890 | $ 420,836 | $ 2,159,054 |

## 9. Deferred Grant Revenue

Deferred grant revenue represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

| | 2008 | 2007 |
|---|---|---|
| Downtown Housing Strategy | $ 14,887 | $ 30,767 |
| Gail Parvin Hammerquist 2003 | 18,836 | 18,836 |
| Gail Parvin Hammerquist 2004 | 142,225 | 198,540 |
| Gail Parvin Hammerquist 2005 | 35,544 | 35,544 |
| Gail Parvin Hammerquist 2006/2007 | 599,289 | 604,539 |
| Gail Parvin Hammerquist 2008 | 500,000 | - |
| North Main Economic Development Program Grant | 2,600 | 2,600 |
| | $ 1,313,381 | $ 890,826 |

## 10. Commitments and Contingencies

CentreVenture Development Corporation has made commitments for grants that had not been disbursed by the December 31, 2008 year end in the approximate amount of $939,635 (2007 - $790,772). These grants will be funded by use of deferred grant revenue (Note 9).

CentreVenture Development Corporation has made commitments for loans that had not been disbursed by the December 31, 2008 year end in the approximate amount of $882,000 (2007 - $868,801).

CentreVenture Development Corporation has made commitments for property development and property purchases with the maximum amount committed to be $0 (2007 - $1,081,262) pending the recipient's ability to meet the requirements of the agreement.

## 11. Related Party Transactions

The following table summarizes CentreVenture Development Corporation's related party transactions for the year:

| | 2008 | 2007 |
|---|---|---|
| **Revenue** | | |
| City of Winnipeg (parent) - operating grant | $ 100,000 | $ 250,000 |
| **Selling, General and Administrative Expenses** | | |
| City of Winnipeg (parent) - Property taxes | 50,349 | 40,334 |
| City of Winnipeg (parent) - Property purchases | 4 | 1 |
| **Other** | | |
| City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable | 227,072 | 155,714 |

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

## 12. Fair Value of Financial Instruments

The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

## 13. Capital Management

The Corporation manages its capital according to the following principles:

- Each year's operations are budgeted on a break-even basis, so that the Corporation's equity over the long-term neither grows nor diminishes on account of annual operations. The current year operating surplus of $94,737 arouse principally as a result of a $100,000 fee earned on a transaction that was originally expected to close in 2009. This current year surplus will be notionally carried over to 2009 to offset the annual deficit that is now expected for 2009, since that year's budgeted revenues included the transaction fee.

- The Corporation's invested equity includes the land included in "invested in capital assets", as well as its general net assets and the balance of the Urban Development Bank. In aggregate, this invested equity amounts to approximately $12.1 million. The Corporation's business plan contemplates that over the next two years this amount may be reduced to approximately $10 million as a result of several community investments that will contribute to the revitalization of Winnipeg's downtown.

- The Corporation's equity should not be allowed to be reduced less than $10 million, which is the original amount of the City's seed contribution to establish the Urban Development Bank. This ongoing base of capital will continue to be used to make investments that provide a return to the Corporation and which will be fully recovered. For example, this equity is currently invested in loans, mortgages and property that has been acquired for redevelopment.

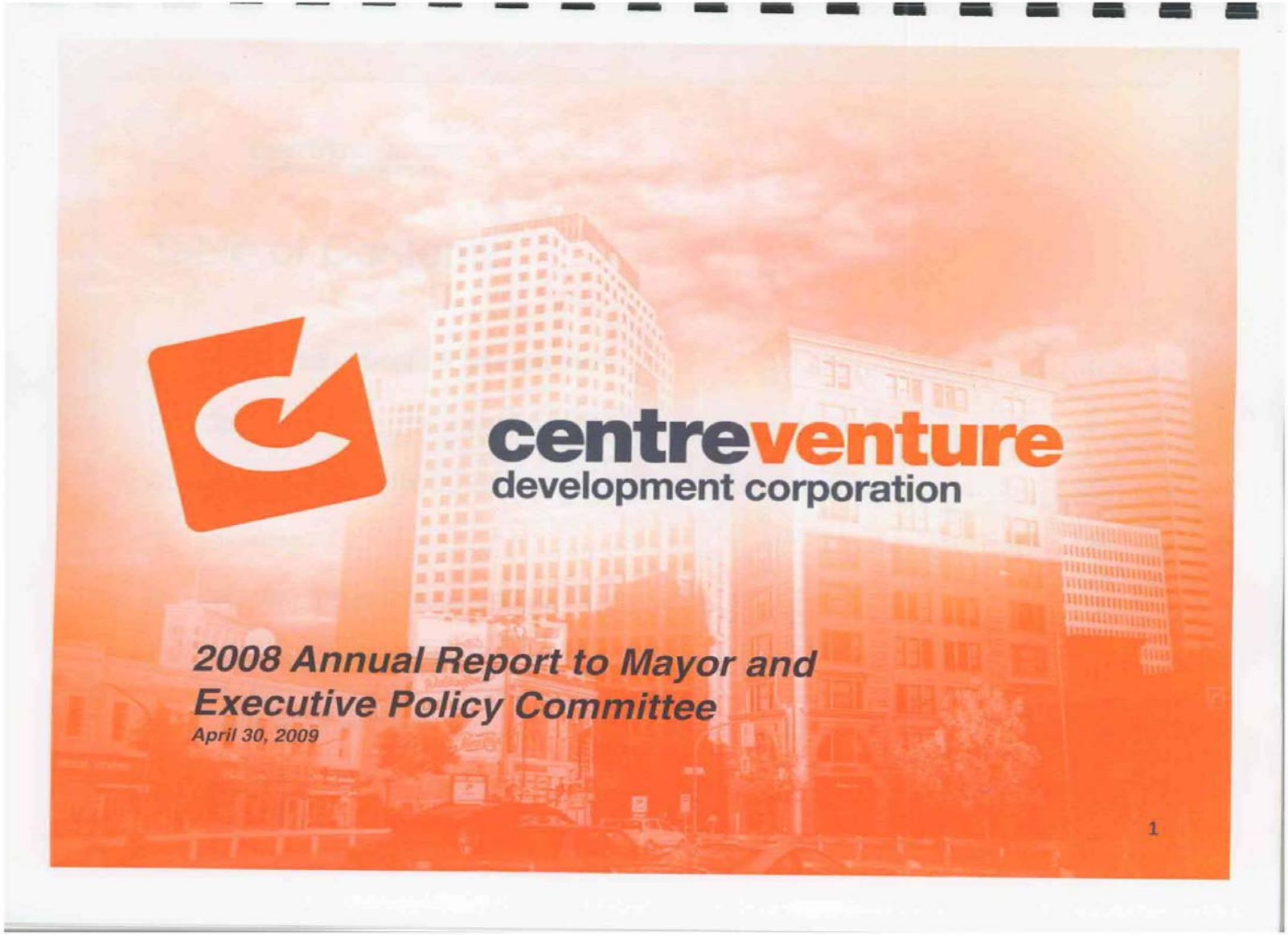
## 14. Central Park Redevelopment Project

CentreVenture Development Corporation has authorized a contribution of $1 million dollars under its Public Destinations Plan to the revitalization of Central Park. Central Park is one of the City's historic parks and the project will help to revitalize the downtown area. The project is a collaborative initiative between The City of Winnipeg, Province of Manitoba, The Winnipeg Foundation and the Gray Family. In addition to its cash contribution, CentreVenture will play a key role in administering the project over the construction period of 2009/2010.

In 2009, the Corporation will become party to funding agreements with certain of the partners in this initiative. The agreement(s) will identify the Corporation as the recipient of the contributions and require it to oversee the project according to various terms and conditions. At the time such contributions are received, they will be recorded as designated grants with an immediate and offsetting expense being recorded to reflect their specific designation for this project. It is currently expected that the aggregate community investment to revitalize Central Park, including the Corporation's contribution will be approximately $4.5 million.

## 15. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2007 have been reclassified to provide better comparison with the current year's presentation.


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2008 Annual Report to Mayor and Executive Policy Committee
April 30, 2009
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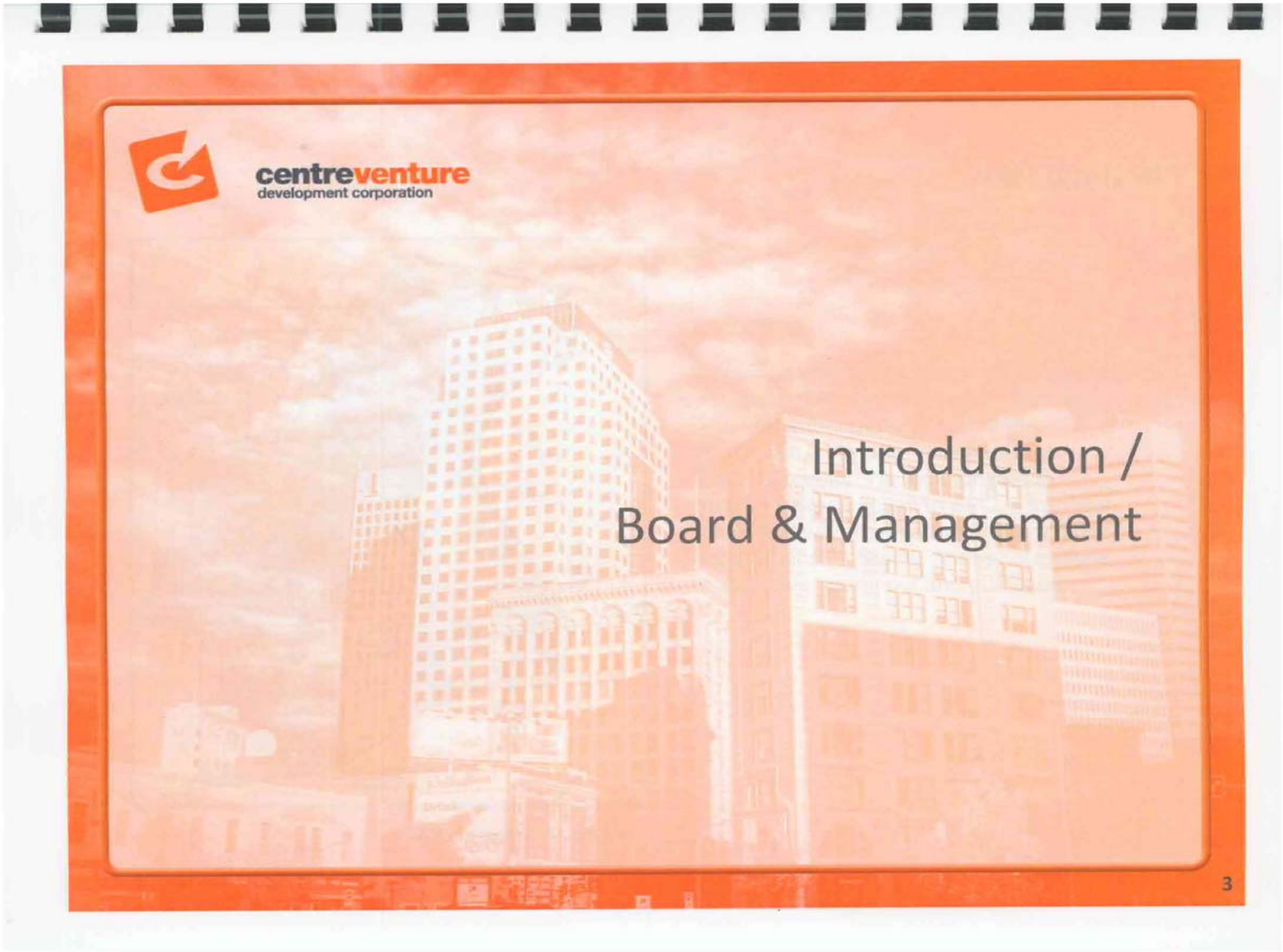
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# Introduction




**Downtown Winnipeg**

CentreVenture Development Corporation is pleased to provide the Mayor & Council with this written report of our 2008 operations, activities, initiatives and financial results. We look forward to making a presentation to EPC in the near future that will allow us to provide a more comprehensive review, answer questions and receive your input and guidance.

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# Introduction



CentreVenture Board at 2008 Strategic Planning Session

## Setting the Stage for 2008

- In January, 2008 CentreVenture Board and Staff conducted a strategic planning session.
- Out of this Planning Session the short and long term goals and direction for CentreVenture were determined.
- The 2008 to 2010 Business Plan was written and presented to EPC in February 2008.
- Council approved a renewal of CentreVenture's mandate for 3 years.
- Council approved a $4.5 million line-of-credit to enable CentreVenture to expand its Urban Bank activities.
- The City Auditor provided CentreVenture with a "clean bill of health".

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# Board and Staff



**Jim Ludlow**
CHAIR
President & CEO
True North Sports & Entertainment Ltd.

**Harry T. Ethans**
VICE CHAIR
President & CEO
Matlock Enterprises Inc.

**Richard Olfert**
SECRETARY/TREAS.
Partner
Deloitte & Touche LLP

**Rick Bachalo**
Vice President,
Mortgages and Investment
Great-West Life Assurance Company

**Curt Vossen**
President
James Richardson

**Dr. Jerry Gray**
Dean Emeritus and Senior Scholar
I.H. Asper School of Business

**Kevin McGarry**
President & C.E.O.
Intelligent Hospital Systems Ltd.

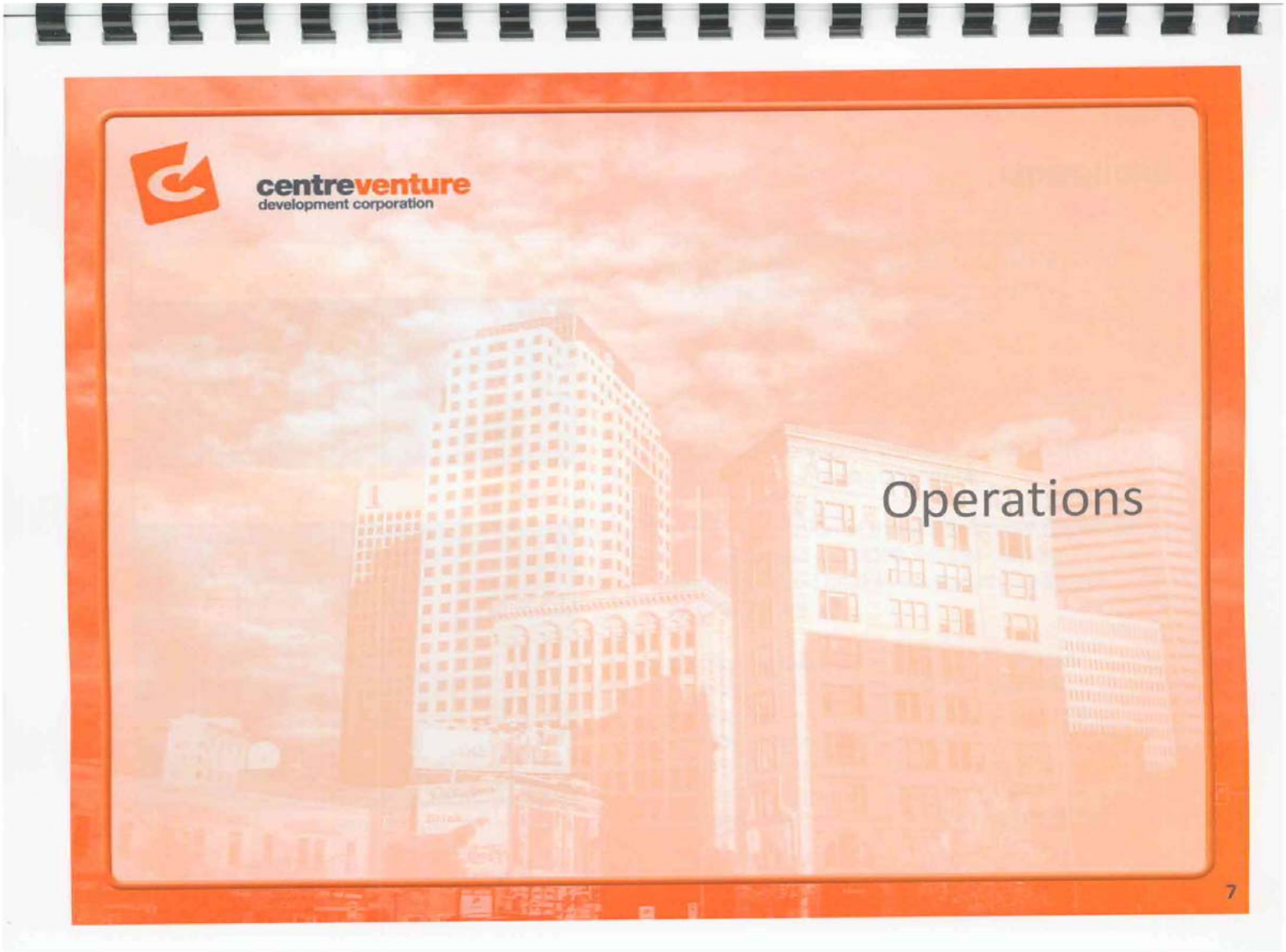
**Ashleigh Everett**
President & Corporate Secretary
Royal Canadian Securities Limited

**Sandy Riley**
President & CEO
Richardson Financial Group

**The CentreVenture Board of Directors**

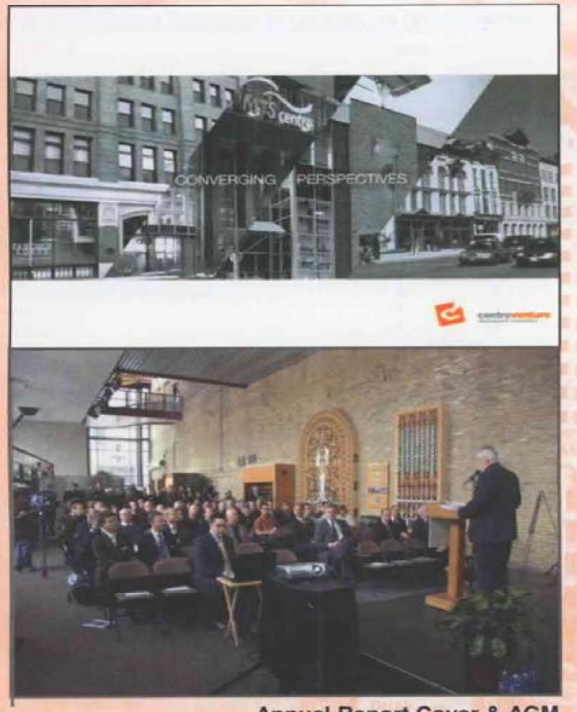
- The CentreVenture Board of Directors remained intact for 2008 providing continuity, understanding and commitment to achieving the objectives of the organization.
- A Board governance review was undertaken and subcommittees, with clearly defined responsibilities were established, providing management with the organizational structure to quickly access expertise, direction and decision making.
- A permanent, full-time Director of Finance position was created and was staffed in February 2008.
- CentreVenture operates with a total of five full-time staff, as follows:

President & CEO – Ross McGowan
Director of Development – Loretta Martin
Director of Finance – Sandra Henry
Senior Development Officer – Jeff Palmer
Executive Assistant – Patty Nero


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Operations
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# Operations




Annual Report Cover & AGM

CV is committed to being transparent and accountable to its single shareholder, the City of Winnipeg, the general public and the various stakeholders in downtown redevelopment.

- In 2008, CV published its 1st Annual Report (for 2007) and held its 1st public Annual General Meeting on March 18, 2008. Over 150 people were in attendance.

- The preparation of the 2008 Annual Report is underway and the 2008 Annual General Meeting will be held at Pantages Theatre on April 30, 2009.

- A City representative attends CV Board meetings to ensure the City's views are considered and allowing information to be relayed in a timely and accurate manner. CV and PP&D staff, in addition to ongoing interaction, meet monthly to comprehensively discuss initiatives that require collaboration.

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## Operations

**CentreVenture Satement of Operations (in thousands)**

| | 2008 Budget | 2008 Actual | 2007 Actual |
|---|---|---|---|
| **Revenue** | | | |
| Grants | | | |
| City of Winnipeg | $ 100 | 100 | $ 250 |
| Designated Grants | - | - | |
| Interest | 356 | 461 | 479 |
| Commission and development fees | 170 | 228 | - |
| Rental | 164 | 164 | 183 |
| | 790 | 953 | 912 |
| **Expenditures** | | | |
| Administration | 551 | 533 | 368 |
| Amortization | - | 115 | 68 |
| Bank charges and interest | 8 | 5 | 1 |
| Insurance | 11 | 10 | 9 |
| Office | 66 | 67 | 79 |
| Professional Fees | | | |
| Contract management | 13 | 11 | 14 |
| IT and other | 8 | 14 | 21 |
| Legal, accounting and transactional | 32 | 26 | 32 |
| Marketing | 60 | 56 | 33 |
| Property rental | 9 | 8 | 16 |
| Public destinations | 32 | 13 | 115 |
| | 790 | 859 | 755 |
| Excess (deficiency) | - | 95 | 157 |

**The 2008 audited financial statements were completed by BDO Dunwoody and approved on February 12, 2009. These statements were provided to the City's Corporate Finance Department on February 16, 2009.**

**A full copy of the audited financial statements has been provided to the Mayor's office. Copies an be obtained by contacting the CV office.**

In the 2008-2010 Business Plan, the Board committed to achieve a break-even position on its general operations, using income generated from investments, fees and the annual operating grant from the City of Winnipeg to cover the cost of operations.

- The 2008 operating budget was approved by the Board in December 2007 and projected a break-even position. For 2008, the actual revenues exceeded expenses by $95,000.00.

- The surplus is mainly due to the transaction fee on the sale of the Mountain Equipment Co-op building that closed in 2008, rather than 2009 as anticipated. Notionally, this surplus will be carried forward to 2009.

- Administration costs have increased over 2007, primarily due to the creation of the Director of Finance position and recording of full year salaries for the CEO and Senior Development Officer positions which were vacant for the 1st quarter of 2007.

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# Marketing & Media

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*the bold look*

*the old look*

CENTREVENTURE
DEVELOPMENT CORPORATION

**The "Downtown Living" logo to be made available to developers and marketers of downtown residential units, used to promote the semi-annual Downtown Living Tours and promote downtown living in general.**




## Marketing and Media

With CV's renewed sense of purpose and direction, it was deemed important to convey a new and more vibrant image to the public and the development community.

- CV had a new logo created and undertook an aggressive marketing campaign.
- The CV web site was redesigned and can be viewed at www.centreventure.com.
- CV participated with its downtown partners to create a brand for a downtown living campaign and in the formulation of a marketing strategy to promote downtown living.
- The CEO made numerous public presentations to promote awareness of the services CV provides and stress the importance downtown revitalization plays in the vibrancy of our City as a whole.
- CV contributed seed money to create the "Urbanite" magazine, a magazine dedicated to promoting all downtown has to offer. Promotional ads in various publications were also placed throughout the year.
- CV successfully communicated with the Media to generate more positive media coverage for downtown issues/projects.

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## Marketing and Media




Example of an Advertisement that CentreVenture has run in various publications.

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Planning
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# Planning




Other collaborative planning initiatives in 2008 include:

- South Point Douglas Secondary Plan
- Exchange District Secondary Plan
- Main Street Advisory Group
- Wpg. Parking Authority Advisory Committee
- Downtown Housing Strategy
- Downtown Retail Strategy
- Downtown Lighting Strategy
- Exchange Biz Residents Association
- Neon Museum Initiative
- Tax Increment Financing Consultations
- Urban Design Advisory Committee
- Safe Communities Committee

- CV places primary importance on the need for short and long term planning to successfully fulfill its mandate.

- Plans must be communicated effectively to instill confidence in the development community, stakeholders and the public. Plans, while still allowing for flexibility to take advantage of unanticipated opportunities and needs, must be adhered to and at the forefront of consideration during the decision making process.

- In 2008, CV took the initiative to update the CentrePlan Development Framework. The updated plan was accepted by EPC in the fall of 2008.

- CV also actively participates in many other planning exercises that are initiated and led by our downtown partners. There were numerous planning activities underway in 2008 and the results of all of these projects/plans have an effect on CV's decision making and direction of resources.

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# Planning



**The 2008 Downtown Council**

***Current Downtown Council Members:***

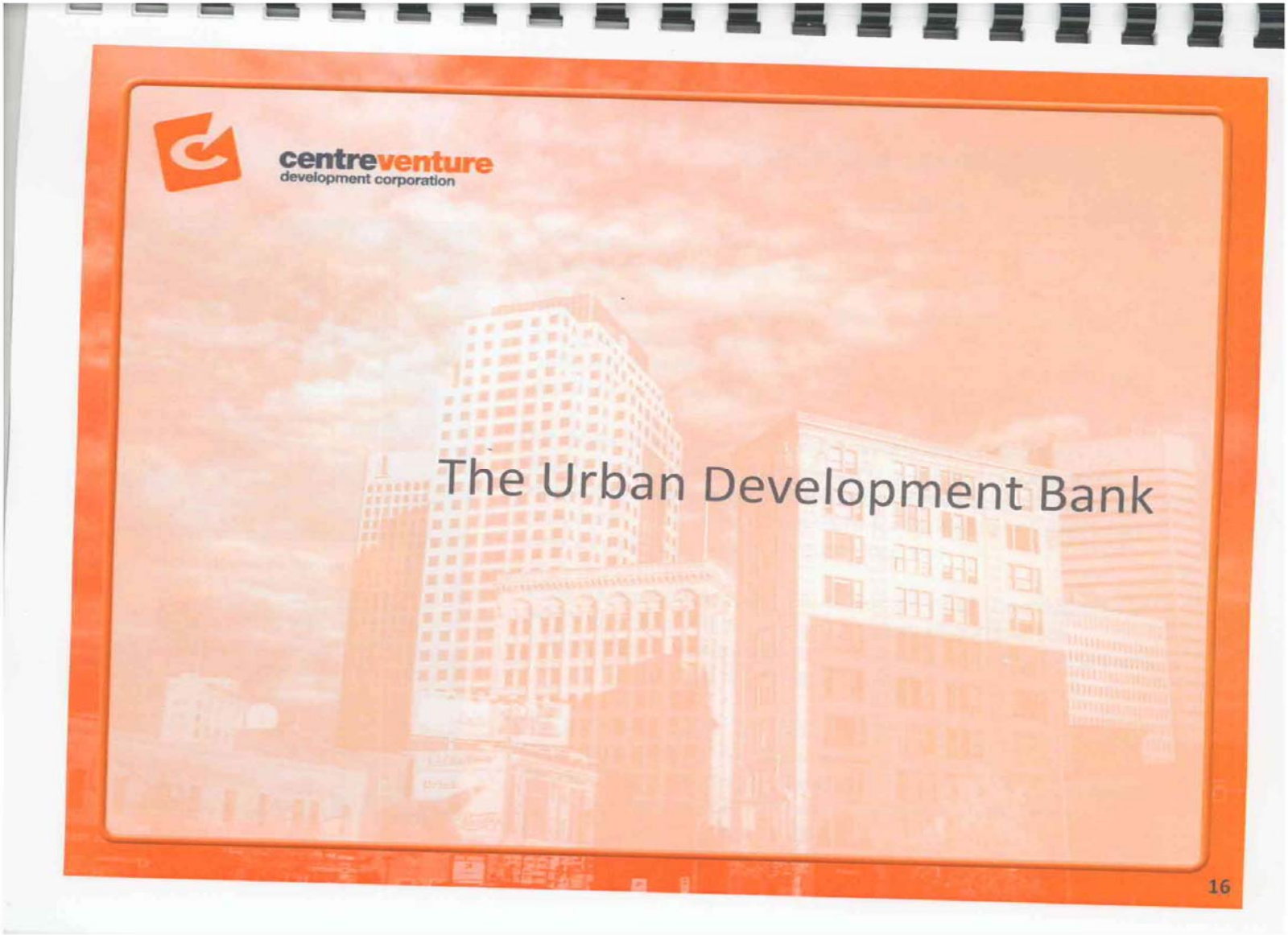
| | |
|---|---|
| *City Of Winnipeg:* | *Deepak Joshi* |
| *City of Winnipeg:* | *Barry Thorgrimson* |
| *Province of MB:* | *Angela Matheison* |
| *Wpg. Chamber:* | *Dave Angus* |
| *Destination Wpg.:* | *Stuart Duncan* |
| *Downtown Biz:* | *Stefano Grande* |
| *Exchange Biz:* | *Mal Anderson* |
| *Forks North Portage:* | *Jim August* |

- Downtown revitalization requires the commitment and participation of all levels of government and stakeholders from many organizations. In 2007, CV initiated the Downtown Council in an effort to avoid competitive and redundant efforts. CV continues to chair the Council, which has proven to be an effective means to achieve interagency and government collaboration, exchange information and discuss broader policy issues.

- CV is very encouraged by the Province's decision to introduce Tax Increment Financing (TIF) legislation that, if passed, will provide additional financial resources that can be used in conjunction with the municipal incentives to accelerate downtown revitalization efforts.

- CV is in the unique position of being able to fully concentrate its efforts and resources in the downtown and, as such, possess a unique knowledge of the opportunities and impediments to advancing downtown redevelopment. CV looks forward to being part of the consultation process for TIF policy and implementation.

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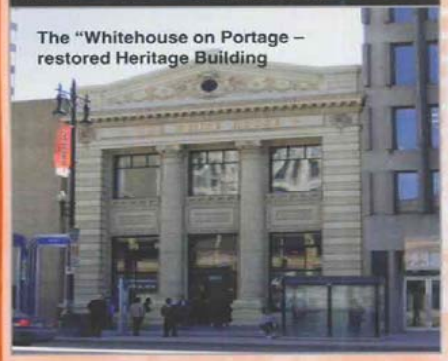

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The Urban Development Bank
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# The Urban Development Bank
## Loans & Mortgages


"You Cube" condominiums on Waterfront – new development


Ship Street Condominiums on Waterfront


The "Whitehouse on Portage – restored Heritage Building

2008 was a unique year in that, more dollars were received in loan principal repayment than were advanced as new loans.

- CentreVenture provided significant construction financing loans for two condominium projects , both of which sold a sufficient number of condominium units in 2008 to discharge the CV loans, resulting in a repayment of $1.4 million.

- In 2008, three new loans were advanced totaling $477,451. These loans were all gap financing of the tax credits/grants developers were approved for under the various City incentive programs. Two of the loans were for residential projects and one was for a commercial redevelopment.

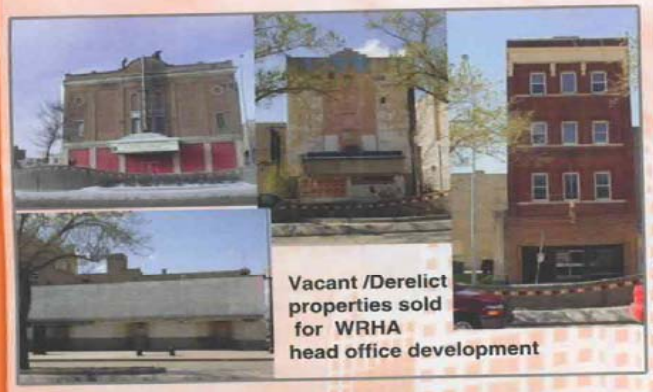
- The amount of the loans CV projected would be advanced in 2008 was $2.5 million. As is the nature of commercial development, some projects that were anticipated to start and require financing in 2008 were delayed.

- At the end of 2008, an additional $1.13 million in loans had been approved but not yet advanced. Two of the major projects we had expected to advance loans for in 2008 appear to be making progress and we anticipate they will make application for financing in 2009.

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# The Urban Development Bank
## Property Transactions



Vacant /Derelict properties sold for WRHA head office development



The new WRHA 70,000 sq. ft. head office and 300 stall parking structure

**Property Sales**

CV sold a total of 11 properties in 2008, with sale proceeds exceeding $1.8 million.

- Seven properties were sold to facilitate the WRHA project at the corner of Main & Logan. Of these seven properties, six were either vacant/boarded up buildings or undeveloped parcels.

- A vacant, derelict City surplus property at 661 Main was sold to Main Meats, who have done a fabulous redevelopment and relocated their grocery store to this location.

- An undeveloped City surplus property at the corner of Waterfront Drive and Heaton was sold and development of 21 new, mid-market priced, condominiums units will commence in the spring of 2009.

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# The Urban Development Bank
## Property Transactions



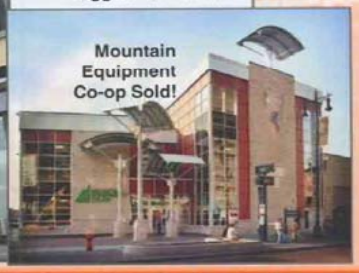
"You Cube" – 21 Unit residential condominium development at Waterfront & Heaton



New Aerospace Training Facility at Higgins & Meade



The "New" Main Meats



Mountain Equipment Co-op Sold!

**Property Sales (continued)**

- Undeveloped City surplus property at the corner of Higgins and Meade was sold to the Aboriginal Centre for the development of its aerospace training facility.

- Undeveloped City surplus property at the corner of Higgins and Argyle was sold to the Aboriginal Centre to provide the playground/parking required to open a Day Care Centre on the adjacent property.

- CV also sold one of its assets, the Mountain Equipment Co-op (MEC) building on Portage Avenue. CV developed the building in 2002 and leased it to MEC, with MEC having the option to purchase the building. Having been very pleased with the building and location and, having confidence in the future of Winnipeg's downtown, MEC exercised their option to purchase in November, 2008.

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# The Urban Development Bank
## Property Transactions



"Sky Waterfront" - largest Waterfront Drive condominium/mixed use development.

**Urban Development Bank – Financial Note**
The UDB had an excess of revenues over expenditures of $313,000 for the year ending December 31, 2008.

- Following the environmental remediation of the largest development parcel offered for sale in the 2004 Waterfront Drive request for proposals, the sale of the land was finally concluded and construction commenced. The development will have 128 residential units and approximately 8,000 sq. ft. of commercial space.

**General Comments...**

CV has very few City surplus properties remaining on the Asset Agreement and, as of the end of 2008, all but one of the developable parcels had been either committed for pending development or sold.

CV's property sales/acquisitions going forward will be concentrated on either purchasing underutilized properties for redevelopment and/or doing land assemblies to facilitate larger redevelopment opportunities.

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## The Urban Development Bank
# Property Transactions – Land assembly







Properties assembled for United Way Head Office




In the summer of 2008, CentreVenture started working with the United Way of Winnipeg (whose current lease expires in 2010) to explore downtown options for their relocation.

It was ultimately determined that United Way space requirements could support a stand alone building. It was their desire to be located closer to their constituents and CV seized the opportunity to further Main Street revitalization efforts. CV committed to assembling land to accommodate a new 21,000 sq. ft. United Way head office.

By the end of 2008, CV had successfully negotiated purchase agreements on four underutilized properties fronting on Main Street between Alexander and Pacific Avenues.

The property purchases will close in early 2009. Construction of the new head office will start in June 1, 2009 with occupancy in June 2010.

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# Advocacy & Facilitation

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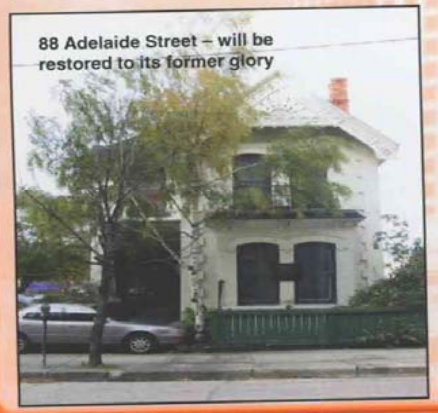
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# Advocacy & Facilitation




CV continues to play a significant role initiating, facilitating and advocating for numerous other downtown developments, for example:

- CV was instrumental in brining the owner, the City and the heritage advocates together to finalize development plans and financial commitments that will save the façade of 104 King Street, an extremely significant building in the Exchange District;




- CV was able to successfully negotiate with the owner of 88 Adelaide Street to arrive at a solution that will see the Kelly House restored. The City's commitment to provide a loan to assist with the redevelopment was a key to this project and CV will provide ongoing management of the property until the City loan is fully repaid with interest;

- CV staff have been working with the Central Park community to initiate a new housing development in the neighbourhood. Utilizing six City surplus lots and by doing a complicated series of land swaps and a subdivision, CV has assembled a property that will soon be the site of the "Centre Village Non-Profit Housing Co-op.

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# Advocacy & Facilitation



Sport MB Office and sport training facility - Redevelopment of the office is underway

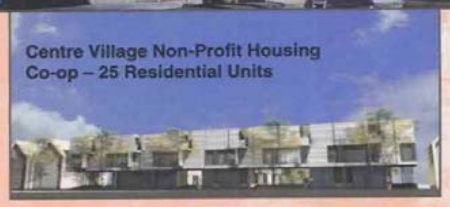
- CV worked closely with Sport MB to resolve heritage issues that could have jeopardized the ability for Sport MB to purchase 146 Alexander for the site of their new office and training facility. CentreVenture offered to finance the acquisition if the Provincial loan was not able to be put in place in time to close the sale;

- CV acted as an intermediary between the seller and the buyer of 93 Lombard. This acquisition will see the partially vacant building redeveloped to high quality office space;

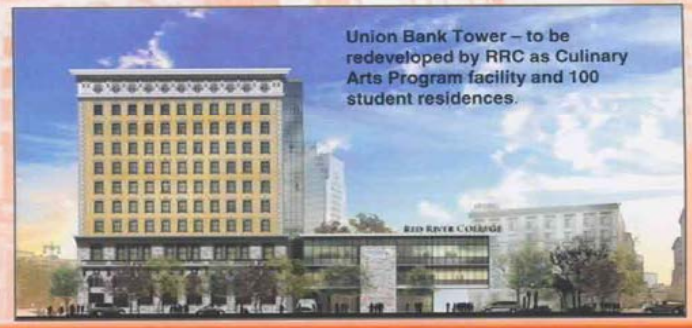
- CV worked tirelessly throughout 2008 toward the redevelopment of the Union Tower by Red River College. All parties are optimistic this project will proceed in 2009.



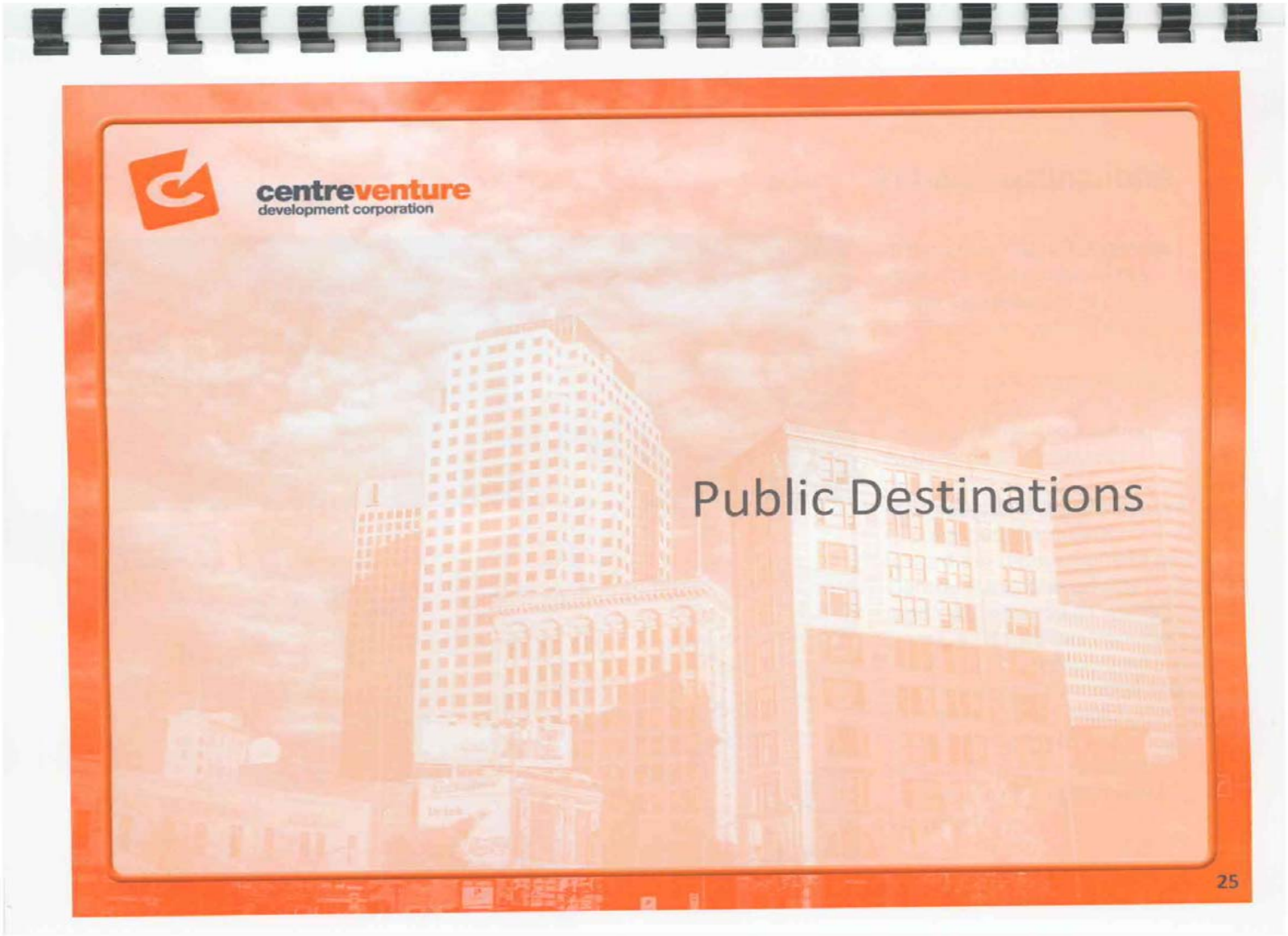
93 Lombard – United Equities converting the Brick's Fine Furniture building to Office space



Centre Village Non-Profit Housing Co-op – 25 Residential Units

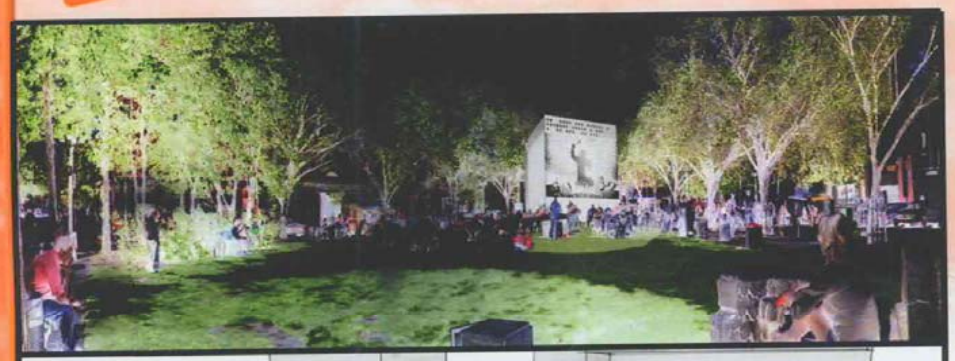


Union Bank Tower – to be redeveloped by RRC as Culinary Arts Program facility and 100 student residences.


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Public Destinations
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# Public Destinations





In the 2008 – 2010 Business Plan, CV committed to the Public Destinations program for downtown open space.

- CV made a commitment to provide a cash contribution to assist with the Old Market Square redevelopment.

- CV secured a private donor to contribute $1 million toward the redevelopment of Central Park. The private funding leveraged $1 million from CV, $1 million from the Province , $.5 million from the Winnipeg Foundation and with the City's $1 million commitment, there is a project budget sufficient to enable major additions and upgrades.

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# Public Destinations



Central Park redevelopment plan - $4.5 million budget with work to commence in May 2009 with completion scheduled for November, 2009.

A conceptual rendering of "Carousel Park". Donors are being sought and discussion are ongoing with the Forks regarding the possibility of this being located adjacent to the Children's museum.



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# Financial Position & 2009 Budget

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# Financial Position

| CENTREVENTURE DEVELOPMENT CORPORATION<br>Statement of Financial Position (in thousands) | | |
|---|---|---|
| December 31 | 2008 | 2007 |
| **Assets** | | |
| **Current Assets** | | |
| Cash and bank | $ 4,005 | $ 2,794 |
| Short term investments | - | - |
| Accounts Receivable & Prepaid Expenses | 3,082 | 139 |
| Property held for resale | 2,118 | 2,150 |
| Current portion of mortgages & loans receivable | 1,585 | 2,250 |
| | 10,789 | 7,334 |
| Mortgages receivable | 731 | 1,523 |
| Loans receivable | 2,249 | 1,755 |
| Capital Assets | 986 | 2,159 |
| | 14,755 | 12,771 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 1,229 | $ 76 |
| Deferred grant revenue | 1,313 | 891 |
| | 2,543 | 966 |
| **Net Assets** | | |
| Invested in capital assets | 986 | 2,159 |
| General | 1,916 | 1,722 |
| Urban Development Bank | 9,311 | 7,924 |
| | 12,213 | 11,805 |
| | 14,755 | 12,771 |

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# 2009 Budget

| CentreVenture Development Corporation<br>2009 Operating Budget (in thousands) | | |
|---|---|---|
| **Revenue** | | |
| Grant | | |
| City of Winnipeg | $ | 100,000 |
| Interest | | 488,351 |
| Commission and development fees | | 236,350 |
| Rental | | 24,000 |
| | | 848,701 |
| **Expenditures** | | |
| Administration | | 607,517 |
| Amortization | | 62,000 |
| Bank charges and interest | | 600 |
| Insurance | | 10,250 |
| Office | | 70,496 |
| Professional Fees | | |
| Contract management | | 7,622 |
| IT and other | | 11,250 |
| Legal, accounting and transactional costs | | 25,966 |
| Marketing | | 48,000 |
| Public destinations | | 5,000 |
| | $ | 848,701 |
| Excess (deficiency) of revenue over expenditures | $ | - |