Agenda - Executive Policy Committee - July 15, 2009

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Report - Standing Policy Committee on Property and Development - July 13, 2009

Item No. 6 Amendment to Acquisition Terms and Conditions - 222 Pembina Highway - Auto Outlet Inc.
(Fort Rouge-East Fort Garry Ward)
eFile FI-2(32)

STANDING COMMITTEE RECOMMENDATION:

On July 13, 2009, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the terms and conditions of the acquisition of the property identified as "Subject Property – Auto Outlet Inc." on Misc. Plan No. 13556 be amended to include the City's payment of Auto Outlet Inc.'s penalties for the early discharge of its existing mortgage.

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

Agenda - Executive Policy Committee - July 15, 2009

Report - Standing Policy Committee on Property and Development - July 13, 2009

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On July 13, 2009, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

ISSUE: **Proposed Amendment to Terms and Conditions of the Acquisition of 222 Pembina Highway - Auto Outlet Inc.**

Critical Path: **Standing Policy Committee on Property and Development**
Executive Policy Committee
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. S. Zabudney	D. Joshi	M. Ruta	G. Laubenstein P. Sheegl, Deputy CAO

RECOMMENDATIONS

1. That the terms and conditions of the acquisition of the property identified as "Subject Property – Auto Outlet Inc." on Misc. Plan No. 13556 be amended to include the City's payment of Auto Outlet Inc.'s penalties for the early discharge of its existing mortgage.

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

IMPLICATIONS OF THE RECOMMENDATIONS

- There are no regulatory, environmental or human resource implications associated with this report.
- Should Recommendation No. 1 of this report be approved, an additional $130,000 in funding will be required. Even with the appropriation of these additional funds, the negotiated settlement of the Pembina Chrysler will be within budget.
- The Winnipeg Transit Department has advised that adequate funding is available under capital project number 442-181000-420755-4230010509-PROPERTY.

HISTORY

At its meeting held on June 24, 2009, Council considered and approved a report titled "Proposed Acquisition of Auto Outlet Inc.'s Properties at 222 Pembina Highway / Negotiated

Settlement – Madidal Realty Corporation (Pembina Chrysler Dodge Jeep) – Rapid Transit Corridor Project Phase I.

Briefly this report outlined the proposed terms and conditions for the City to acquire the Auto Outlet Inc. property at an all inclusive purchase price of $5.75 million. In turn the Auto Outlet property then would be used for exchange purposes with Pembina Chrysler in order for the City to acquire the lands it needs for the Rapid Transit Corridor Project Phase I.

When Auto Outlet Inc. and the City agreed to the all inclusive purchase price of $5.75 million, it was anticipated that the penalty to discharge Auto Outlet's existing mortgage would be in the range of $15,000 - $20,000. Subsequent to Council's June 24th, 2009 approval, Auto Outlet Inc.'s lending institute advised that the penalty to discharges its existing mortgage had been estimated in the vicinity $130,000.

Due to the large difference between Auto Outlet Inc.'s higher fixed mortgage rate and the current lower mortgage rates, the penalty is calculated by taking the difference of the two rates times the remaining term of the mortgage. The actual amount of the penalty is not known at this time as it is calculated using the mortgage rates on the date the mortgage is actually discharged. The lending institution has advised it is not prepared to waive this penalty even though Auto Outlet Inc. intends on financing its new business venture through them.

Auto Outlet Inc. has requested that the all inclusive purchase price be amended to include the penalty for the early discharge of its mortgage. In consideration of Auto Outlet Inc.'s continued cooperation concerning the Pembina Chrysler settlement and that Auto Outlet Inc. has negotiated in good faith, the Planning, Property and Planning Department considers Auto Outlet Inc.'s request reasonable and recommends the requested amendment be approved.

The Planning, Property and Development Department further recommends that the approval be conditional upon, Auto Outlet Inc. providing the City with a copy of its lending institute's calculation of the mortgage penalty as of the date of possession its properties and compensation be limited to an amount not to exceed $130,000.

FINANCIAL IMPACT

Financial Impact Statement

Date: July 8, 2009

Project Name: **First Year of Program** **2009**

Proposed Amendment to Terms and Conditions of the Acquisition of 222 Pembina Highway - Auto Outlet Inc.

	2009	2010	2011	2012	2013
Capital					
Capital Expenditures Required	$ 133,900	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	133,900	-	-	-	-
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	$ -	$ 12,747	$ 12,747	$ 12,747	$ 12,747
Less: Incremental Revenue/Recovery	3,900	-	-	-	-
Net Cost/(Benefit)	$ (3,900)	$ 12,747	$ 12,747	$ 12,747	$ 12,747
Less: Existing Budget Amounts	(3,900)	12,747	12,747	12,747	12,747
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital expenditures in 2009 consist of the upset maximum $130,000 in penalties + short-term financing costs of $2,600 + corporate admin fees of $1,300; the latter two amounts offset by recoveries in the Corporate Finance Department's current budget. Direct costs from 2010 onward represent debt & finance charges on the 2009 capital expenditure and will be charged to the Transit Department's current budget.

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

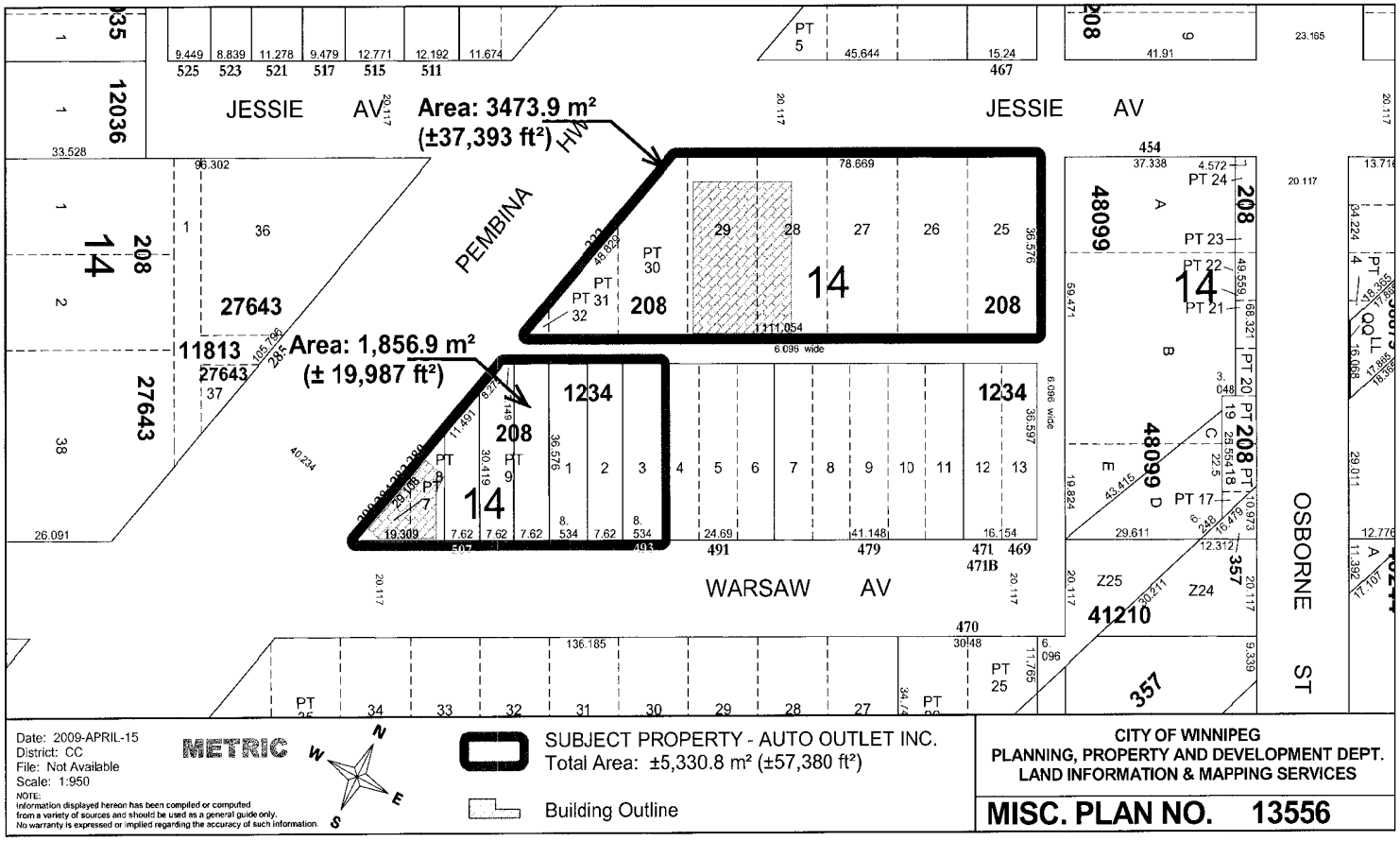
CONSULTATION

In preparing this Report there was consultation with:

SUBMITTED BY

Department	Planning, Property and Development
Division	Real Estate
Prepared by	Stewart Anderson
Date:	July 6, 2009
File No.	8435

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Area: 3473.9 m²
(±37,393 ft²)
Area: 1,856.9 m²
(± 19,987 ft²)
JESSIE AV
PEMBINA HWY
WARSAW AV
OSBORNE ST
SUBJECT PROPERTY - AUTO OUTLET INC.
Total Area: ±5,330.8 m² (±57,380 ft²)
Building Outline
Date: 2009-APRIL-15
District: CC
File: Not Available
Scale: 1:950
METRIC
NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed or implied regarding the accuracy of such information.
CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES
MISC. PLAN NO. 13556