Agenda – Executive Policy Committee – April 21, 2010

REPORTS

Item No. 10 Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba
eFile G-8

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That lands described as the property bounded by Empress Street on the East, Maroons Road on the South, St. James Street on the West and St. Matthews Avenue on the North, which land is known as 1465 Maroons Road (the Existing Stadium Site "ESS") be declared surplus to the City's needs.

2. That the ESS be sold to Creswin Properties Inc. ("Creswin") in accordance with terms and conditions set out in this Report.

3. That a $2.5 Million Grant for the construction of a new Community Accessible Fitness Centre at the University of Manitoba in conjunction with the new stadium at the University of Manitoba, be approved and funded from the proceeds of the sale of the existing stadium site.

4. That a portion of the proceeds from the sale of the ESS remaining after the reduction recommended in #3 above be used to offset pending infrastructure improvements within the Polo Park area.

5. That a $1.1 Million Grant-in-kind for Permit and Development fees for the new stadium at the University of Manitoba be approved.

6. That in the event of default or if Creswin is unable to fulfill all conditions required by the City and Province for purchase of the football team assets prior to March 1, 2016, all incremental municipal taxes together with the incremental provincial education taxes from the development of the existing stadium site be used to repay the stadium bridge financing as set out in this Report on condition that the subject property be designated community revitalization property by the Province pursuant to The Community Revitalization Tax Incremental Financing Act.

7. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all documents and agreements required to implement matters as intended herein by Council.

8. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

ADMINISTRATIVE REPORT

Issue: **To approve the Economic Development Initiative for the re-development of the existing stadium site and the new stadium development at the U of M.**

Critical Path: **Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Thorgrimson	D. Joshi	M. Ruta	P. Sheegl Acting CAO

RECOMMENDATIONS

1. That lands described as the property bounded by Empress Street on the East, Maroons Road on the South, St. James Street on the West and St. Matthews Avenue on the North, which land is known as 1465 Maroons Road (the Existing Stadium Site "ESS") be declared surplus to the City's needs;
2. That the ESS be sold to Creswin Properties Inc. ("Creswin") in accordance with terms and conditions set out in this Report;
3. That a $2.5 Million Grant for the construction of a new Community Accessible Fitness Centre at the University of Manitoba in conjunction with the new stadium at the University of Manitoba, be approved and funded from the proceeds of the sale of the existing stadium site;
4. That a portion of the proceeds from the sale of the ESS remaining after the reduction recommended in #3 above be used to offset pending infrastructure improvements within the Polo Park area;
5. That a $1.1 Million Grant-in-kind for Permit and Development fees for the new stadium at the University of Manitoba be approved;
6. That in the event of default or if Creswin is unable to fulfill all conditions required by the City and Province for purchase of the football team assets prior to March 1, 2016, all incremental municipal taxes together with the incremental provincial education taxes from the development of the existing stadium site be used to repay the stadium bridge financing as set out in this Report on condition that the subject property be designated community revitalization property by the Province pursuant to The Community Revitalization Tax Incremental Financing Act;
7. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all documents and agreements required to implement matters as intended herein by Council; and,
8. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to implement the foregoing recommendations.

IMPLICATIONS OF THE RECOMMENDATIONS

- CanadInns Stadium is in a serious state of deterioration and will require a minimum of $52.5 million in investment in order to keep it safe and functional over the next several years.
- The current CanadInns stadium property is non-tax generating, underutilized and highly desirable for infill development.
- The construction of a new stadium and development on the Existing Stadium Site (ESS) will generate short and long term positive economic impacts.
- Continued presence of the Winnipeg Blue Bombers is important to Winnipeg and Manitoba and a new stadium at the University of Manitoba and development on the ESS will provide ongoing sustainability for the football franchise.
- The City may accept for consideration unsolicited offers for City-owned property and will sell these properties at or below market value when mandated by Council approved policies or programs. Based on the capital investment of approximately $115 Million for a new stadium and a proposed 700,000 square foot development on the ESS, the following policy statements within the Economic Opportunity Framework could support an unsolicited offer for the ESS:
    - *Building on community strengths and assets. Accountability for action. Partnerships and shared responsibility. Tourism-art-culture-recreation-sport and entertainment. Building on our strengths and assets. Competition for people, business, investment, visitors. Building a strong economic climate. Priority investment and Intergovernmental partnerships.*
- The City and Creswin mutually desire to conclude various agreements consisting of; a Term and conditions that would address the following together with other term and conditions deemed necessary by the CAO:

TERMS AND CONDITIONS OF SALE

- Sale is made in conjunction with a lease of University of Manitoba lands to build a new football stadium, with a minimum seating capacity of 30,000.

- Purchaser: B & G Retail Ltd. as General Partner for and on behalf of B & G Retail Limited Partnership.

- Description of Lands: The property bounded by Empress Street on the East, Maroons Road on the South, St. James Street on the West and St. Matthews Avenue on the North, which land is known as 1465 Maroons Road in Winnipeg (the “Lands”).

- Purchase Price: Fair market value to be determined by appraisal.

- Closing, vacant possession and adjustment date: November 30, 2011.

- Purchaser to accept title to the Lands subject to all exceptions, reservations and encumbrances expressed or implied in the City's title and shall be subject to the provisions of the by-laws of The City of Winnipeg and all amendments thereto.

- The purchase of the Lands is on an "as-is, where-is" basis and the City provides no warranty as to the environmental condition of the Lands.

- Sale is subject to satisfaction or waiver of the following conditions precedent on or before October 31, 2010:

  - The Purchaser completing a development agreement with the City with respect to the Lands;
  - Purchaser and the City entering into an agreement with respect to Entertainment Funding Taxes associated with the new stadium reflecting the terms as noted below
  - Province of Manitoba, the City and the University of Manitoba and the Purchaser or affiliate, entering into a Community Access Agreement;
  - Completion of a development agreement with the City with respect to the new stadium and its lands at the University of Manitoba;

IN-KIND SERVICES

- The City and Creswin agree that the following In-Kind Services will be supplied to the University Stadium site to support construction of the University Stadium:

Building and development permit fees credit:	est.	$1.1 Million
Total maximum value in-kind services to be provided		$1.1 Million

- In addition to the foregoing, the City agrees in connection with the sale of the Lands that Creswin will be required to enter into a development agreement relating to the Polo Park site, with a capital contribution of Creswin to be required towards infrastructure renewal in accordance with the City's Development Agreement Parameters.

TAXES

- All property and business taxes levied upon all above noted lands and operations for the ESS will be paid as required by law.
- All entertainment funding taxes relating to pre-season and regular season games will be paid to the City to be used to reduce the amount outstanding of approximately $2.3 million at the end of 2009 between the Winnipeg Football Club and the City from a previous agreement passed by Council involving Winnipeg Enterprises Corporation. Once this amount is repaid, the City will return entertainment funding taxes earned on pre-season and regular season games to a not-for-profit corporation to be incorporated and designated as the stakeholder entity to represent the community interest in this transaction ("Stakeholders") for future capital improvements to the proposed new stadium. Entertainment taxes paid to the City on play-offs or other events at the Stadium will be returned to Creswin provided that a community and amateur sport access agreement as contemplated herein remains in force and provided further that Creswin is not in default of any of the agreements with the City as contemplated herein. For definition purposes, "other events" could include events allowed pursuant to a

community and amateur sport agreement should any such events be required to remit Entertainment Funding Tax.

- As permitted by provincial legislation, no property or business taxes will be assessed on the University Stadium, exclusive of any retail or like operations.
- All levies relating to future possible business improvement zone operations and charges in the area of the ESS will be assessed on the entire ESS. There will be no refund for payments of these amounts.

COROLLARY AGREEMENTS

- Control of the Stakeholder not-for-profit corporation will rest with the City and Province.
- The Parties will enter into a Community Interest Agreement to ensure that the Winnipeg Blue Bombers football team is maintained and retained as a football team operating in the City of Winnipeg on a stable and sustainable basis for the foreseeable future.
- The Parties will enter into a Community and Amateur Access Agreement with respect to the Stadium that will include but not be limited to access which will make the new stadium and all-weather "bubble" available to community groups on a no-cost or cost recovery basis.
- The City's contribution is also contingent on a financial contribution commitment by each of the Province and Federal Governments that will be sufficient for Creswin to proceed with the project.

BRIDGE FINANCING

- The City and the Province and Winnipeg Football Club ("WFC") agree to a plan to accelerate the construction of a new community-owned stadium at the University of Manitoba to be the home of the Winnipeg Blue Bombers and University of Manitoba Bisons.
- The Province will provide $90 million in bridge financing towards the stadium construction with sources of funding and repayment of bridge financing provided by:

Creswin Properties Contribution of Development Fees	$10.0 million
Province of Manitoba Grant	$15.0 million
Bridge Financing Repayment	
New Property Taxes from Retail Development	$75.0 million
Winnipeg Football Club	$15.0 million
Total	$115.0 million

- A new community accessible fitness centre will be constructed at the University of Manitoba with sources of funding provided by:

Government of Canada Grant	$15.0 million
Province of Manitoba Grant	$5.0 million
City of Winnipeg Grant	$2.5 million
Total	$22.5 million

- WFC will operate the football team and the stadium on a self-sustainable basis and will contribute up to $15 million over a five (5) year period ending not later than March 1, 2017 toward the stadium construction from the sale of naming rights to the new stadium,

sale of luxury seat licenses, proceeds from hosting the Grey Cup, and profits from the sale of any other capital revenue sources.

- WFC will contract with Creswin Properties to design, develop and construct the new stadium at a maximum cost of $115 million and Creswin Properties will provide a Performance Bond or Completion Insurance to cover any cost overruns.
- WFC has secured agreement from Creswin Properties to contribute stadium development costs incurred and future development fees up to $10 million in order to retain an option to purchase the football team assets.
- WFCS shall be granted a security interest, exercisable in the event of a default, in the retail development at the current stadium site which will open in 2013.
- Property taxes from the new retail development shall only be used to repay the stadium bridge financing, subject to City Council approval, if Creswin Properties is unable to fulfill all conditions required by WFC for purchase of the football team assets prior to March 1, 2016. This includes repayment of $90 million, plus interest at the provincial crown borrowing rate, and less any contributions made by the WFC satisfactory to the Province and the City.

COMMUNITY INTEREST AGREEMENT:

- Parties:

  Winnipeg Football Club
  B & G Centre Ltd., for and on behalf of B & G Centre Limited Partnership
  B & G Stadium Ltd., for and on behalf of B & G Stadium Limited Partnership
  B & G Football Operations Ltd., on behalf of B & G Football Operations Limited Partnership
  Creswin Properties Inc. and 3528333 Manitoba Ltd.
  The City of Winnipeg
  The Province of Manitoba as represented by the Minister of Infrastructure and Transportation
  Winnipeg Football Club Stakeholders Inc.

- The parties hereto will enter into various agreements to document the following transactions:

  (a) the acquisition and operation of the Winnipeg Blue Bombers football team by B & G Football Operations;
  (b) the acquisition of a leasehold interest in the Stadium Land by B & G Stadium;
  (c) the construction of a new stadium on the Stadium Land;
  (d) a management agreement and other agreements providing for the operation of a new stadium by B & G Stadium;
  (e) an access agreement providing for use of the Stadium by community groups for amateur athletics on a no-cost or cost-recovery basis;
  (f) the acquisition of the Shopping Centre land by B & G Retail LP;
  (g) the construction of a retail development on the Shopping Centre Land by B & G Retail LP;
  (h) the operation of a retail development on the Shopping Centre Land by B & G Retail LP;
  (k) the provision of certain contributions by Canada;

STAKEHOLDER ENTITY – WINNIPEG FOOTBALL CLUB STAKEHOLDERS INC. ("WFCS")

WFCS will be incorporated as a not for profit member based (and accordingly, non-share) corporation as the stakeholder entity to represent the community interest and to ensure the option of ownership of the new stadium and football operation as a community-owned entity. The members of WFCS will be Manitoba and Winnipeg.

HISTORY

- On February 8, 2007 the Winnipeg Football Club issued a Request for Expressions of Interest "to secure the long term viability of the Winnipeg Football Club by identifying an owner/operator/investor(s) who are capable of implementing new and innovative concepts for the stadium and adjacent land."

- On April 30, 2007 the Winnipeg Football Club announced the intention to proceed with Creswin Properties.

- On April 2, 2009 the City of Winnipeg, the Province of Manitoba, the Government of Canada, the Winnipeg Football Club, Creswin Properties and the University of Manitoba announced agreements to proceed with the construction of a new stadium and fitness facilities at the University of Manitoba.

- On October 1, 2009 it was announced that the projects would be delayed due to the impact of worldwide recession.

- In December 2009, previous studies into physical state of the existing Stadium were updated to verify upgrades required to maintain the operational life of the Stadium for another 10 years. The report identified that a minimum of $52.5 million in upgrades are required.

- Recognizing the mounting costs and that complete obsolescence of the existing stadium can not be forestalled; on March 31, 2010 a Memorandum of Understanding to accelerate the stadium project was announced by all the stakeholders, subject to City Council approval.

FINANCIAL ANALYSIS

It is difficult to determine with reasonable certainty the financial implications associated with this proposed transaction given the number of unknown variables. However, a "Financial Impact Statement" has been prepared based on the following assumptions:

- The City will provide the maximum $1.1 million in "in kind" services (building and development permit fee credits) to support the construction of the new University Stadium. The Planning, Property and Development Department's 2010 current budget

will be amended to increase permit / development fee revenues by $1.1 million with a corresponding increase to grants-in-kind expenditures (net nil impact on the tax-supported budget).

- Estimated proceeds of disposition are not determinable at this time and, as such, no estimate has been included in the Financial Impact Statement (FIS) nor is the $2.5 million grant to the University of Manitoba (U of M). The grant, payable upon the sale of the ESS, for the construction of a new Community Accessible Fitness Centre is to be funded from net proceeds of disposition and, while not determinable at this time, it is reasonably certain that the net proceeds will be sufficient to fund the $2.5 million grant amount.
- It is not possible at this time to estimate with reasonable certainty the City of Winnipeg's share of the costs of infrastructure improvements related to the development of the ESS. Consequently, no amount has been included for this in the FIS. However, pursuant to Recommendation # 4, a portion of the proceeds of disposition of the ESS (i.e. net of any selling & other costs and the $2.5M grant to the U of M) are to be held to offset all or a portion of the cost of infrastructure improvements.
- Municipal property tax and provincial education taxes on the existing Stadium site have been calculated based on the estimated assessed value of the property prior to development (i.e. from the time of acquisition in November 2011 to the completion of the first phase of The Elms in October 2013).
- Municipal property tax and provincial education taxes on the redeveloped ESS have been calculated based on a 700,000 square foot retail development completed and fully leased as of September 2014. Municipal tax revenues upon completion have been estimated at $2.4 million and provincial education taxes are estimated to be $4.7 million for a total of $7.1 million per annum.
- Business taxes on the new development at the ESS are estimated to be approximately $1.6 million per annum.
- The inflow of tax revenues is predicated on the assumption that Creswin will be able to fulfill all conditions required by the City and Province for purchase of the football team assets prior to March 1, 2016 and, as such, incremental municipal taxes together with the incremental provincial education taxes from the development of the existing stadium site will not be required to repay the stadium loan.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 13, 2010

Project Name:

First Year of Program **2010**

Economic Development Initiative for the re-development of the existing stadium site and the new stadium development at the U of M.

	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	$ 1,100,000	$ 85,000	$ 505,000	$ 1,540,000	$ 4,652,000
Less: Incremental Revenue/Recovery	1,100,000	125,000	770,000	2,770,000	8,763,000
Net Cost/(Benefit)	$ -	$ (40,000)	$ (265,000)	$ (1,230,000)	$ (4,111,000)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ (40,000)	$ (265,000)	$ (1,230,000)	$ (4,111,000)

Additional Comments: Revenues in 2010 represents estimated permit fees applicable to the new stadium construction while direct costs reflect the waiving of those fees (i.e. grants-in-kind). Revenues in 2011 represent $125,000 in provincial/municipal realty taxes while expenses represent $85,000 in realty taxes remitted to the Province. Revenues from 2012 onward represent total realty taxes with expenses being realty taxes remitted to the Province. **See "Financial Analysis" section on previous page for additional information regarding the assumptions under which this Financial Impact Statement was prepared.

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

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Office of the Director
Prepared by:	Barry Thorgrimson
Date:	April 13, 2010
File No.	o:\reports directive\office of the director\downtown manager\new stadium incentive report - final - april 15-clean.doc