Agenda – Executive Policy Committee – December 15, 2010

REPORTS

Item No. 1. Amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council amend the Council Decision of April 28, 2010, regarding the Economic Development Initiative for the redevelopment of the existing stadium site and the new stadium development at the University of Manitoba as follows:

    a. Direct the Planning, Property and Development Department to prepare and issue an Expression of Interest (EOI) for mixed-use development, which would include the demolition of the stadium structure for the lands 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");

    b. That Council enact a by-law creating a Tax Increment Financing (TIF) designated area for the ESS pursuant to section 222 of The City of Winnipeg Charter for incremental municipal taxes that is consistent with the area of a Community Revitalization Property set out in a provincial regulation enacted pursuant to The Community Revitalization Tax Increment Financing Act, and is consistent with an Area Master Plan that will accommodate significant growth and change in a sustainable way.

    c. Subject to approval of Recommendation 1b, all incremental municipal real property taxes and incremental business taxes which are generated from the TIF designated area, together with all incremental school taxes (including special education and education support levies) which are generated from the Community Revitalization Property, will be used to repay a $75 million loan, carried by the Province of Manitoba, plus interest calculated at the Provincial Crown Borrowing Rate, on the condition that the TIF designated area be designated a Community Revitalization Property by regulation pursuant to The Community Revitalization Tax Increment Financing Act.

2. That Council rescind its April 28, 2010 decision to sell the ESS to Creswin Properties Inc. and any terms related thereto;

3. That Council approve the City's membership in BBB Stadium Inc. ("BBB"), a non-share corporation with the City, WFC and the University of Manitoba as sole members;

4. That Council approve the nomination and the appointment of the Deputy CAO, Phil Sheegl, as the City's representative on the Board of Directors of BBB;

5. That Council approve a $7.5 Million grant to BBB payable upon receipt by the City of the net proceeds of the sale of the ESS that, together with the Province's $7.5 Million grant, be directed towards the design and construction of the roof canopy for the new stadium at the University of Manitoba site (New Stadium);

6. That all entertainment funding taxes remitted to the City in relation to the New Stadium be used to reduce any amount owing by the Winnipeg Football Club ("WFC") to the City relating to an agreement approved by Council involving Winnipeg Enterprises Corporation (the "WEC Agreement"). Following the repayment of the amount owing on the WEC Agreement, the City will pay to the WFC an amount equivalent to all entertainment funding taxes (EFT) remitted in respect of the operation of the New Stadium. The EFT will be paid in each fiscal year to WFC on the condition that WFC use that part of the EFT equal to the entertainment funding tax payable on regular season and exhibition Blue Bomber football games, together with facility fees payable on regular season and exhibition Blue Bomber football games, as follows:

    - the first Two Million ($2,000,000) dollars shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;

    - the next Five Hundred Thousand ($500,000) dollars shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund.

    - the balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

7. That should for any reason the WFC be unable to fulfill its repayment obligation, the City of Winnipeg shall not and will not be responsible for any unpaid portion of the WFC's $85 million undertaking to repay;

8. 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

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

ADMINISTRATIVE REPORT

Issue: **To amend 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 Geer A/Chief Financial Officer	M Ruta A/Chief Administrative Officer

RECOMMENDATIONS

1. That Council amend the Council Decision of April 28, 2010, regarding the Economic Development Initiative for the redevelopment of the existing stadium site and the new stadium development at the University of Manitoba as follows:

    a. Direct the Planning, Property and Development Department to prepare and issue an Expression of Interest (EOI) for mixed-use development, which would include the demolition of the stadium structure for the lands 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");

    b. That Council enact a by-law creating a Tax Increment Financing (TIF) designated area for the ESS pursuant to section 222 of *The City of Winnipeg Charter* for incremental municipal taxes that is consistent with the area of a Community Revitalization Property set out in a provincial regulation enacted pursuant to *The Community Revitalization Tax Increment Financing Act*, and is consistent with an Area Master Plan that will accommodate significant growth and change in a sustainable way.

    c. Subject to approval of Recommendation 1b, all incremental municipal real property taxes and incremental business taxes which are generated from the TIF designated area, together with all incremental school taxes (including special education and education support levies) which are generated from the Community Revitalization Property, will be used to repay a $75 million loan, carried by the Province of Manitoba, plus interest calculated at the Provincial Crown Borrowing Rate, on the condition that the TIF designated area be designated a Community Revitalization Property by regulation pursuant to *The Community Revitalization Tax Increment Financing Act*.

2. That Council rescind its April 28, 2010 decision to sell the ESS to Creswin Properties Inc. and any terms related thereto;

3. That Council approve the City's membership in BBB Stadium Inc. ("BBB"), a non-share corporation with the City, WFC and the University of Manitoba as sole members;

4. That Council approve the nomination and the appointment of the Deputy CAO, Phil Sheegl, as the City's representative on the Board of Directors of BBB;

5. That Council approve a $7.5 Million grant to BBB payable upon receipt by the City of the net proceeds of the sale of the ESS that, together with the Province's $7.5 Million grant, be directed towards the design and construction of the roof canopy for the new stadium at the University of Manitoba site (New Stadium);

6. That all entertainment funding taxes remitted to the City in relation to the New Stadium be used to reduce any amount owing by the Winnipeg Football Club ("WFC") to the City relating to an agreement approved by Council involving Winnipeg Enterprises Corporation (the "WEC Agreement"). Following the repayment of the amount owing on the WEC Agreement, the City will pay to the WFC an amount equivalent to all entertainment funding taxes (EFT) remitted in respect of the operation of the New Stadium. The EFT will be paid in each fiscal year to WFC on the condition that WFC use that part of the EFT equal to the entertainment funding tax payable on regular season and exhibition Blue Bomber football games, together with facility fees payable on regular season and exhibition Blue Bomber football games, as follows:
    - the first Two Million ($2,000,000) dollars shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
    - the next Five Hundred Thousand ($500,000) dollars shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund.
    - the balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

7. That should for any reason the WFC be unable to fulfill its repayment obligation, the City of Winnipeg shall not and will not be responsible for any unpaid portion of the WFC's $85 million undertaking to repay;

8. 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

9. 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

- A Guaranteed Maximum Price contract of $190 million for the construction of the New Stadium will be funded as follows:

  $30M in Grants
    - $22.5 million Province of Manitoba
    - $7.5 million City of Winnipeg

$85M Loan from the Province to be repaid by Winnipeg Football Club as follows:
- $15 million by 2016
- $70 million payable over 40 years in annual payments plus interest calculated using the Provincial Crown Borrowing Rate commencing in 2017.

WFC will operate and manage the football team and the New Stadium on a self-sustainable basis and will contribute up to $85 million plus interest over a 45-year period.

$75M Loan from the Province with repayment using TIF.

Key Assumptions:

- Cost of the New Stadium is $190 million, financed by a $160 million loan; $22.5 million grant from the Province, and $7.5 million grant from the City.
- Any part of the City's Grant is payable only after receipt of the net proceeds from the sale of the ESS and will be "last in" dollars.
- WFC will repay $15 million by 2016 with no interest and will be responsible for repayment of $70 million over 40 years, with interest commencing in 2017.
- Interest on all outstanding debt is to be calculated at the Provincial Crown Borrowing Rate, as per the loan agreement between the Province and the University of Manitoba, on outstanding balance each year thereafter.
- It is contemplated that the ESS will be sold and begin to yield property tax in 2012.
- It is contemplated that Mixed-Use development of the ESS will be substantially complete by 2016.
- Annual municipal tax on the mixed-use development is assumed to stay constant until the $75M loan is repaid
- As previously approved by Council a 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

- No further contributions will be made by the City beyond the grants noted above.

PLANNING RATIONALE FOR DEVELOPMENT AT EXISITING STADIUM SITE

- The proposed new City development plan, OurWinnipeg – Complete Communities Direction Strategy identifies that mixed use development in the Polo Park Area is of strategic importance to the overall economic well-being of the city.
- The Polo Park Area is designated a Transformative Area in the new plan, identifying it as an area that will accommodate significant growth and change in a sustainable way.
- The area is one of seven Regional Mixed Use Centres that are targeted to accommodate the highest density and building heights and broadest range of land uses outside of the downtown,

including residential development. NOTE: the Polo Park Area is currently required to comply with the Airport Vicinity Protection Area Planned Development Overlay but concerns regarding restrictions may be addressed through the Area Master Plan process.

- Commercial space requirement estimates for the next 20 years indicate demand increasing exponentially from approximately 346,875 square feet per year through to 2016 when the demand will increase to 433,960 square feet per year through to 2021.
- The Winnipeg Commercial Lands Study (2009) concluded that in order to meet the anticipated demand, significant vacant, underutilized or unoccupied (greyfield) lands in the Polo Park Area including the current ESS (26 acres) and the former Arena Site (8 acres) needs to be repurposed to ensure that a healthy choice of lands are emerging into the market and to mitigate any market distortions.

FINANCIAL ANALYSIS

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 Stadium. The Planning, Property and Development Department's current budget will be amended to increase permit / development fee revenues by a maximum of $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) for potential proceeds from sale. In addition, the FIS does not include the $2.5 million grant to the University of Manitoba (U of M) and the proposed $7.5 million grant for the canopy over the new stadium, which will be paid from the proceeds of disposition. The grants for the construction of a new Community Accessible Fitness Centre and canopy are payable upon receipt of the net proceeds of the sale of the ESS. While not determinable at this time, it is reasonably certain that the net proceeds will be sufficient to fund the $10 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. However, net sale proceeds after the $10 Million in grants will be directed to future infrastructure costs for the ESS Area.

- Infrastructure improvements are also required in the area of the New Stadium; the City's contribution net of other government grants is estimated at approximately $1.6M and is proposed for inclusion in the draft 2011 Capital Budget.

- Traffic management for events at the New Stadium will be on a cost recovery basis and will require consultation with the WFC and the approval of the City in advance of the events.

- The Province has calculated annual repayments of interest and principal of $7.6 million yearly on the $75 million loan. Repayment is based on forecasted Municipal taxes and school taxes (special levy and education support levy) on the proposed redevelopment of the ESS, assuming mixed-use development. Density considerations will impact the extent of taxes that can be obtained from development of the site and repayment will be impacted by absorption rates on-site. These considerations will, in turn determine the size of the TIF zone required to facilitate repayment.

- Sensitivity Analysis

Amortization Period Required to Repay City of Winnipeg's Share of Principal plus Interest on the $75 Million "TIF Loan"
(In Years)

Sale of ESS

Year	2014	2015	2016	2017	2018	2019	2020	Variation %
2018							47	+10
							51	+5
							57	0%
							65	-5
							76	-10
2017						39	46	+10
						42	50	+5
						46	56	0%
						50	63	-5
						56	73	-10
2016					32	38	45	+10
					35	41	49	+5
					38	45	54	0%
					41	49	61	-5
					45	55	70	-10
2015				27	32	37	44	+10
				30	34	40	48	+5
				32	37	44	53	0%
				35	40	48	59	-5
				38	44	53	67	-10
2014			22	27	31	36	43	+10
			24	29	34	39	47	+5
			27	31	37	43	51	0%
			29	34	40	47	57	-5
			32	37	43	52	65	-10
2013		18	22	26	31	36	42	+10
		20	24	29	33	39	45	+5
		23	27	31	36	42	50	0%
		24	29	33	39	46	55	-5
		27	31	36	43	51	62	-10
2012	15	18	21	26	30	35	41	+10
	16	20	23	28	32	38	44	+5
	19	22	26	30	35	41	48	0%
	20	24	28	33	38	46	54	-5
	22	27	31	36	42	49	60	-10

Full Absorption of the ESS

E.g. If the sale of the ESS occurs in 2012 AND full absorption by 2016 AND Projected Muncipal Taxes are $7.6 million, the amortization period required to repay the City's share of the TIF Loan + interest would be 26 years.

E.g. If the sale of the ESS occurs in 2013 AND full absorption by 2018 AND Projected Muncipal Taxes are vary by -5% from $7.6 million, the amortization period required to repay the City's share of the TIF Loan + interest would be 39 years.

Assumptions

1. TIF period begins January 1 of year following the sale of the ESS
2. Full absorption of the ESS will occur, at the earliest, two years following the sale of the ESS
3. Taxes based on assessed value of the ESS (land only) until year of full absorption
4. Provincial share of remaining principal at the end of Year 25 is paid out with the City share being amortized based on municipal taxes only.

Projections of municipal and provincial taxes were prepared to estimate principal and interest payments to be made by the City for its share of the "TIF loan". These projections reflect the Winnipeg Public Service's judgment as to the type and timing of development to occur on the ESS. Due to the uncertainties inherent in predicting future conditions, assessed values, portioning and mill rates as well as the business tax rate reflect those that would be used if the anticipated development were in place in 2010. Future results will vary, perhaps materially, from the information presented.

CORPORATE STRUCTURE

- A non-share corporation, BBB, has been incorporated with the City, WFC and the University of Manitoba being sole members. There will be 4 Directors of the Corporation, 1 Director each from the City, Province, University of Manitoba and the Winnipeg Football Club.

COROLLARY AGREEMENTS

The Parties consisting of the City, Province, University of Manitoba and WFC will enter into various agreements to document the following transactions:

- Development Agreement for the construction of the New Stadium;
- A Management Agreement between WFC and BBB for the operation of the New Stadium;
- The Parties will enter into an Access Agreement with respect to the use of the New Stadium that will include but not be limited to access that will make the New Stadium and all- weather "bubble" available to community groups. The City's contribution to the Community Accessible Fitness Centre is contingent on a financial contribution commitment by each of the Provincial and Federal Governments;
- A Transition Agreement among all parties to facilitate the transition of matters required to meet the amended Economic Development Initiative.

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) that is capable of implementing new and innovative concepts for the stadium and adjacent land."
- 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.
- 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.
- March 31, 2010 a Memorandum of Understanding to accelerate the stadium project was announced by all the stakeholders, subject to City Council approval.
- On April 28, 2010 Council adopted recommendations which provided for the participation of Creswin Properties Inc.

FINANCIAL IMPACT

Financial Impact Statement **Date:** December 13, 2010

Project Name: **First Year of Program** **2011**

Economic Development Initiative for the Re-development of the Existing Stadium Site and the New Stadium Development at the University of Manitoba.

	2011	2012 to 2016	2017 to 2021	2022 to 2026	2027 to 2038
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	$ 700,000	$ 9,864,000	$ 38,010,000	$ 38,010,000	$ 83,622,000
Less: Incremental Revenue/Recovery	700,000	9,864,000	38,010,000	38,010,000	83,622,000
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Revenues in 2011 represents estimated remaining (i.e. of original $1.1M) permit fees applicable to the new stadium construction while direct costs reflect the related grants-in-kind. Direct costs from 2012 to 2038, which total $169 million, consist of estimated principal & interest payments of approximately $85 million in respect of the City's share of the $75 million "TIF loan" + $85 million in education taxes remitted to the Province. Revenues from 2012 to 2038 represent incremental municipal realty/business taxes + provincial school taxes (including special education and education support levies) generated from the TIF zone. **See "Financial Analysis" section earlier on in this report 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:

Office of the CAO
Legal Services
Public Works
Province of Manitoba
Winnipeg Football Club

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Real Estate and Economic Development
Prepared by:	Barry Thorgrimson
Date:	December 14, 2010
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