Agenda – Council – April 27, 2011

Report – Executive Policy Committee – April 20, 2011

Item No. 8 Canadian Museum for Human Rights – Additional Funding Contribution

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 20, 2011, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That a grant of $3.63 million be approved as an additional funding contribution to the Canadian Museum for Human Rights subject to:

    a. The annual net Payments-In-Lieu of Taxes received from the Government of Canada in respect of the Canadian Museum for Human Rights be used as the funding source.

    b. The funding contribution commencing after the requirements of the Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation have been met.

    c. The Canadian Museum for Human Rights confirming other sources for the balance of the funding required.

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

Report – Executive Policy Committee – April 20, 2011

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 20, 2011, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: **PAYMENT IN LIEU OF TAXES TO BE USED AS THE FUNDING SOURCE FOR AN ADDITIONAL FINANCIAL CONTRIBUTION TO THE CANADIAN MUSEUM FOR HUMAN RIGHTS**

Critical Path: **EXECUTIVE POLICY COMMITTEE - COUNCIL**

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Chambers	N. Karpa	M Ruta o/b A/CFO	M Ruta A/CAO

RECOMMENDATIONS

1. That Council approve a grant of $3.63 million as an additional funding contribution to the Canadian Museum for Human Rights ("the Museum") subject to:

   a. The annual net Payments-In-Lieu of Taxes[1] ("PILT") received from the Government of Canada in respect of the Museum be used as the funding source.

   b. The funding contribution commencing after the requirements of the Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation have been met.

   c. The Museum confirming other sources for the balance of the funding required.

2. That the proper officers of the Public Service be authorized to do all things necessary to implement the intent of the foregoing.

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[1] *For the purposes of funding this additional financial contribution, only the municipal portion of the Payment-in-lieu of Taxes received from the Federal Government in respect of the Museum will be used. As such, school division taxes, provincial education support levies, local improvement charges, frontage levies, etc will not be used as part of the funding source.*

REASON FOR THE REPORT

The City's additional funding contribution in respect of the Museum requires Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

Council's previously approved financial contribution for the Museum will increase by $3.63 million from $20 million to $23.63 million (or by 18%).

The net PILT payments received in respect of the Museum after satisfying the existing agreement with the Manitoba Development Corporation will be used as the funding source of the $3.63 million (principle sum only) contribution.

HISTORY

At its meeting on June 28, 2006, Council approved a contribution of up to $20 million towards the development of the Museum. The $20 million contribution was to be made-up as follows:

Municipal tax relief over the life of the lease up to a maximum of:	$11,100,000
One-time capital cash contribution of:	$ 5,100,000
Ninety-nine (99) year Ground Lease of Parcel 3 valued at:	$ 2,500,000
Development and Permit fee refund up to a maximum of:	$ 1,300,000
Total:	**$20,000,000**

On June 20, 2007, Council approved an amendment to its June 28, 2006 decision in order to be consistent with the Statement of Intentions signed on April 20, 2007 by the Government of Canada, The Friends of the Canadian Museum for Human Rights, the Province of Manitoba, The Fork Renewal Corporation and the City of Winnipeg.

Among the recommendations approved by Council on June 20, 2007, was the authorization for the City to secure funding from the Province of Manitoba in the amount of $11.1 million to be used as payment in lieu of that portion of the City's contribution intended to be made by way of municipal tax relief.

The intent of this recommendation was implemented by way of a Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation which was executed on January 28, 2008. Pursuant to the terms and conditions of the Loan Agreement, the City has agreed to repay the $11.1 million loan (principal sum only) by way of instalments equal to the net PILT that the City receives from the Government of Canada in respect of the Museum.

During a meeting held on January 17, 2011, the Museum made a formal request for an additional $3.63 million funding contribution from the City of Winnipeg.

From its location on the historic site at The Forks, the City of Winnipeg will be the home of a signature world-class designed Museum which will be an inspiring international landmark, drawing visitors from around the world. The Museum is envisioned as an international destination and a centre of learning where Canadians and people from around the world can engage in discussion and commit to taking action against hate and oppression.

As a member of the Canadian Heritage Portfolio, the purpose of the Museum is to explore the subject of human rights, with special but not exclusive reference to Canada, in order to enhance the public's understanding of human rights, to promote respect for others and to encourage reflection and dialogue. CMHR will be home to student programming that will be open to youth across the city (and the country) – young people will become empowered to change attitudes and take action to promote respect.

The Museum will play an essential role in:

- Preserving and promoting our heritage at home and abroad;
- Contributing to the collective memory and sense of identity of all Canadians;
- Inspiring research, learning, and entertainment that belong to all Canadians.

In addition to providing significant economic activity during the construction phase, no other project in the Province has the same potential to attract new business, immigrants and young people to Manitoba.

For capital construction, total tax revenue impacts are estimated at $39.2 million, including $19.0 million for Federal tax collections, $15.3 million estimated for Provincial tax collection, and $4.9 for Local tax collection. At the construction site there are approximately 170 construction workers, and 30 staff on the construction management team. In addition CMHR currently employs 55 staff. Over the course of the next few years, 140 – 180 full and part-time jobs will be created at the Museum.

The economic spin-offs, post completion, resulting from increased local, national and international visitors will have a significant impact on the tourism industry in the City and Province. The Museum will attract youth, educators, scholars, international visitors, Canadians from other parts of the country and of course, local residents. Conservative estimates indicate the Museum will attract approximately 250,000 visitors annually to Winnipeg which will generate substantial tax revenue and spin-off expenditures including new jobs, services, capital projects and attractions that will develop in Manitoba because of the Museum. The estimated annual direct expenditure from this level of visitation is projected to be approximately $79 million, with the estimated annual gross economic impact projected to be approximately $160 million.

Investing in the museum will position the city as an international destination– creating new and high value jobs for our youth and significant positive impact for our economy.

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 14, 2011

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

Payment in lieu of taxes to be used as the funding source for an additional financial contribution to the Canadian Museum for Human Rights

	2011	2012	2013	2014	2015
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	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Council's previously approved financial contribution to the CMHR will increase by $3.63 million from $20.0 million to $23.63 million. The additional contribution will be fully financed from net Payments-In-Lieu of Taxes (PILT) received from the Federal Government after satisfying the existing loan agreement with the Manitoba Development Corporation (MDC) for $11.1 million. At this time it is not possible to determine when the MDC loan will be fully paid. This financial impact statement does not anticipate any net PILT revenues or payments to the CMHR before the end of 2015. No interest will be charged on the financed amount.

(Original signed by)
Radhika Abeysekera
Manager of Finance - Campus Departments
Corporate Finance

CONSULTATION

In preparing this report there was consultation with:

SUBMITTED BY

Department: Assessment and Taxation
Division: Support Services and Strategic Planning
Prepared by: Mel Chambers
Date: April 14, 2011
File No.