Agenda – Executive Policy Committee – November 9, 2011

REPORTS

Item No. 1 Sustainable Funding Model - CentreVenture Development Corporation

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That Council approve as follows:

1. A new operating grant of up to $300,000 per annum from 2011 to 2013 to CentreVenture Development Corporation (CentreVenture) to offset the projected operating budget shortfall identified in their 2011 – 2013 Business Plan

2. That the grant of up to $300,000 per annum from 2011 to 2013 be funded by a transfer from the Permit Reserve Fund to the General Revenue Fund (Planning, Property and Development Department's current budget)

3. That the purpose of the Permit Reserve Fund be amended to allow it to provide a source of funds for annual operating grants in 2011, 2012 and 2013 (to be approved by Council) to CentreVenture Development Corporation

4. That the recommended operating grant be disbursed in the following manner:
   a. fifty percent (50%) of the projected operating shortfall for each year prior to receipt of CentreVenture's audited financial statements for that year, and;
   b. the remainder after receipt of the audited financial statements for that same year

5. That the Planning, Property and Development Department be directed to further analyze additional and longer term funding options for a downtown community investment fund to enhance the goals of CentreVenture Development Corporation in the interest of sustaining downtown development initiatives

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

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 14, 2011, the Executive Policy Committee laid over the matter for a further 60 days.

On July 13, 2011, the Executive Policy Committee laid the matter over for 30 days.

On March 9, 2011, the Executive Policy Committee referred the CentreVenture Development Corporation 2011-2013 Business Plan to the Winnipeg Public Service for analysis and recommendation on future funding models and report back within 120 days.

Also on March 9, 2011, Ross McGowan, President and CEO, CentreVenture Development Corporation, presented additional documentation in support of the organization's 2011-2013 Business Plan.

The CentreVenture Development Corporation submitted its 2011–2013 Business Plan to the Executive Policy Committee for information.

ADMINISTRATIVE REPORT

Title: **Sustainable funding model for CentreVenture Development Corporation**

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	B. Thorgrimson	P. Olafson Acting CFO	J. Ferrier Acting CAO

RECOMMENDATIONS

That Council approve as follows:

1. A new operating grant of up to $300,000 per annum from 2011 to 2013 to CentreVenture Development Corporation (CentreVenture) to offset the projected operating budget shortfall identified in their 2011 – 2013 Business Plan

2. That the grant of up to $300,000 per annum from 2011 to 2013 be funded by a transfer from the Permit Reserve Fund to the General Revenue Fund (Planning, Property and Development Department's current budget)

3. That the purpose of the Permit Reserve Fund be amended to allow it to provide a source of funds for annual operating grants in 2011, 2012 and 2013 (to be approved by Council) to CentreVenture Development Corporation

4. That the recommended operating grant be disbursed in the following manner:
    c. fifty percent (50%) of the projected operating shortfall for each year prior to receipt of CentreVenture's audited financial statements for that year, and;
    d. the remainder after receipt of the audited financial statements for that same year

5. That the Planning, Property and Development Department be directed to further analyze additional and longer term funding options for a downtown community investment fund to enhance the goals of CentreVenture Development Corporation in the interest of sustaining downtown development initiatives

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

REASON FOR THE REPORT

At its March 9, 2011 meeting, the Executive Policy Committee referred the CentreVenture Development Corporation 2011-2013 Business Plan to the Winnipeg Public Service for analysis and recommendation on future funding models and report back within 120 days.(July)

At its September 14, 2011 meeting, The Executive Policy Committee laid over the matter for 60 days (minute 431 – CentreVenture Development Corporation 2011 – 2013 Business Plan)

Council approval is required to amend the purpose for which a reserve fund was created and for the operating grant.

IMPLICATIONS OF THE RECOMMENDATIONS

CentreVenture Development Corporation will have the resources required to execute its 2011-2013 Business Plan (attached as Appendix 1).

HISTORY

CentreVenture Development Corporation, as the City's downtown development agency, has prepared and submitted its 2011-2013 Business Plan that identifies the need for a sustainable source of funding to achieve the goals contained therein.

Sustainable sources of funding are required specifically and separately for

- Annual Resourcing
- Economic 'engine' for Community Investment

The execution of the 2011 Business Plan is expected to increase City revenues and require significant capital. CentreVenture's capital requirements align with the elements of operations, which include gap/bridge financing of tax credit and grant programs as well as land acquisition/assembly. In addition, there will be increased demand on staff and administrative resources to implement the Portage Avenue Development Strategy (including the SHED District).

<u>CentreVenture Development Corporation</u>

CentreVenture Development Corporation was created by Winnipeg City Council in June 1999 and is mandated to stimulate downtown revitalization by creating the investment climate for business and government to collaborate and to work with all downtown stakeholders to promote the downtown to investors, developers, businesses and residents.

In the initial years after its formation in 1999, CentreVenture received two assets from the City of Winnipeg that were critical to the financing of its operations.

1. First, CentreVenture received a grant of $10 million dedicated to its Urban Development Bank (UDB). The UDB was to be used as a means of financing loans, mortgages and

temporary real estate holdings. Interest revenue generated from these activities went to finance CentreVenture's annual operations. The City made clear its expectations that the UDB would be maintained and used on a revolving basis to finance the investments that CentreVenture would need to make.

2. Second, CentreVenture was given a land bank made up of surplus City land, at no cost. The land bank became CentreVenture's economic 'engine', providing it with land that could be contributed or sold to facilitate individual redevelopment transactions in downtown Winnipeg. By the end of 2008, CentreVenture's activities had fully depleted the land bank as planned. Furthermore, the UDB had grown to $13 million as a result of the net surplus generated from the sale of these properties.

2008-2010

CentreVenture's Business Plan called for three elements to its financial strategy during this period:

1. CentreVenture's annual operations would be 'break even' or better. By managing the interest margin carefully and earning fees on transactions (sometimes earned from the UDB for facilitating transactions), CentreVenture's operations for the three year period were expected to generate a surplus of $100,000.00.

2. Targeted community investments would reduce the UDB from the start of 2008 to the end of 2010. Important community investments were made for the development of the United Way building, Paterson Global Foods Institute Union Bank Tower project, streetscaping on Waterfront Drive, the redevelopment of Central Park and other projects on Main Street. It was forecast in 2008 that by December 31st, 2010 the UDB would stand at $10.7 million.

3. CentreVenture's capacity to provide loans in support of Heritage Conservation Tax Credit programs and the Downtown Residential Development Grant, required more investment capital than CentreVenture's own UDB allowed. Accordingly, the City of Winnipeg guaranteed a $10 million line of credit, which CentreVenture had arranged to fund its growing portfolio of loans and mortgages.

<u>Transfer from Permit Reserve Fund</u>

On March 20, 2007 Council approved the following:
A. That under Section 289(1) of The City of Winnipeg Charter, a Permit Reserve Fund be established in order to:

i. *Mitigate revenue shortfalls in boom/bust cycles.*
ii. *Fund temporary staffing needs during busy periods during the boom/bust cycle.*
iii. *Provide a source of funds for service and system improvements.*

B. That the Director of Planning, Property and Developme*nt be designated as the Reserve Fund Manager and thereby authorized to draw on the Reserve when the approved annual operating budget is insufficient to cover the costs of responding to the needs* described above.

C. That funds be transferred *from the Permit Reserve Fund to the Planning, Property and Development Department to finance:*

iv. Shortfalls in actual permit revenue in the Development and Inspections Division compared to budget in any given year.

v. The cost of additional temporary staff resources, beyond that already identified in the Department's budget, required to respond to annual fluctuations in construction activity in order to provide a consistent level of service.

vi. *iii. The cost of additional resources, outside the normal budget process, required in order to respond quickly to unanticipated opportunities for service improvements (e.g. Permits X-Press, Implementation of new Zoning By-law, Red Tape Report).*

D. That the source *of funds for the Permit Reserve Fund be the excess of actual permit revenue in the Development and Inspections Division compared to budget in any given year and that the transfer of any such excess to the Permit Reserve Fund be effective beginning with the 2007 fiscal year.*

FINANCIAL IMPACT

Financial Impact Statement **Date:** November 4, 2011

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

Sustainable funding model for CentreVenture Development Corporation

	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	$ 300,000	$ 300,000	$ 300,000	$ -	$ -
Less: Incremental Revenue/Recovery	300,000	300,000	300,000	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	100,000	100,000	100,000	-	-
Net Budget Adjustment Required	$ (100,000)	$ (100,000)	$ (100,000)	$ -	$ -

Additional Comments: Direct costs consist of the requested operating grant of $300,000/annum from 2011 to 2013. Operating grants beyond 2013 are not included in this Financial Impact Statement. Currently, budget exists for an operating grant of $100,000/annum. The transfer from the Permit Reserve Fund of the $300,000 annual amount required to offset the grant will result in a decrease of $100,000 in Planning, Property and Development's mill rate support requirement.

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

CONSULTATION

In preparing this report there was consultation with:

CentreVenture Development Corporation

SUBMITTED BY

Department: Planning, Property and Development
Division: Office of the Director / Economic Development
Prepared by: Gary Holmes
Date: November 4, 2011
File No.

Appendix 1



CentreVenture
2011-2013 Business F