Agenda – Executive Policy Committee – December 12, 2012

REPORTS

Item No. 2 Loan Guarantee Increase – CentreVenture Development Corporation

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That an additional loan guarantee of $6.6 million on behalf of CentreVenture Development Corporation ("CentreVenture") be approved to increase the Corporation's line of credit from $13 million to $19.6 million to enable the acquisition of strategically located properties within the downtown.

2. That the line of credit increase and additional loan guarantee noted in Recommendation # 1 be:

    a. Provided for a maximum of one year from the date of Council approval or until receipt by CentreVenture of $6.6 million in proceeds from the disposition of such strategically located properties, whichever occurs first, at which time the line of credit and related loan guarantee provided by the City of Winnipeg to CentreVenture will revert back to $13 million.

    b. Subject to an undertaking of CentreVenture Development Corporation to apply the $6.6 million, or such other amount realized, in net proceeds from the disposition of strategically located properties noted in Recommendation # 2a., to the reduction of the outstanding line of credit balance guaranteed by the City pursuant to the additional loan guarantee that is the subject of this report.

    c. Subject to such other terms and conditions as may be deemed necessary by the Chief Financial Officer to protect the interests of the City.

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

ADMINISTRATIVE REPORT

Title: **Request to Increase Loan Guarantee - CentreVenture Development Corporation**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	B. Thorgrimson	M Ruta	D Joshi COO

RECOMMENDATIONS

1. That an additional loan guarantee of $6.6 million on behalf of CentreVenture Development Corporation ("CentreVenture") be approved to increase the Corporation's line of credit from $13 million to $19.6 million to enable the acquisition of strategically located properties within the downtown.
2. That the line of credit increase and additional loan guarantee noted in Recommendation # 1 be:
    a. Provided for a maximum of one year from the date of Council approval or until receipt by CentreVenture of $6.6 million in proceeds from the disposition of such strategically located properties, whichever occurs first, at which time the line of credit and related loan guarantee provided by the City of Winnipeg to CentreVenture will revert back to $13 million.
    b. Subject to an undertaking of CentreVenture Development Corporation to apply the $6.6 million, or such other amount realized, in net proceeds from the disposition of strategically located properties noted in Recommendation # 2a., to the reduction of the outstanding line of credit balance guaranteed by the City pursuant to the additional loan guarantee that is the subject of this report.
    c. Subject to such other terms and conditions as may be deemed necessary by the Chief Financial Officer to protect the interests of the City.
3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

- CentreVenture requires an increased line of credit to proceed with acquisition of strategically located properties within the downtown in accordance with its mandate.
- Council approval is required for an increase to the loan guarantee provided by the City of Winnipeg on behalf of CentreVenture with respect to its line of credit.

IMPLICATIONS OF THE RECOMMENDATIONS

- CentreVenture will acquire the properties for future development within the downtown.
- CentreVenture will have a maximum of one year from the time of Council approval of Recommendation # 1 of this report to reduce the outstanding balance of their line of credit to no more than $13 million.
- Upon expiry of the one year period noted above or until receipt by CentreVenture of $6.6 million in proceeds from the disposition of such strategically located properties, whichever occurs first, the line of credit and related loan guarantee provided by the City of Winnipeg will revert back to the previously approved maximum amount of $13 million.

HISTORY / DISCUSSION

On June 23, 2010, Council concurred in the recommendation of Executive Policy Committee and adopted the following:

1. *That an additional loan guarantee of $8.5 million to CentreVenture Development Corporation be approved to increase the Corporation's line of credit from $4.5 million to $13 million.*

DISCUSSION

The increase in CentreVenture's line of credit to $13 million approved by Council on June 23, 2010 was to enable financing of new development initiatives in the downtown. Examples include bridge financing for the Downtown Residential Development Grant Program and property acquisitions such as the recent purchase of the St. Regis Hotel. The temporary increase to $19.6 million is necessary to enable the acquisition of strategically located properties within the downtown consistent with CentreVenture's mandate.

Loan Guarantee

- When the City guarantees a loan, it must disclose this potential liability in the financial statements. If the organization were in default of the loan agreement, the City would be obligated to make payments on the loan. In this specific situation, CentreVenture represents a consolidated entity in the City's financial statements so any outstanding debt reflects on consolidation in the City's financial statements. The following is the policy criteria related to requests for loan guarantees as adopted by Council on June 17th, 1992:

    A. Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy.

        This report has been submitted to the City Treasurer for review.

    B. The organization requesting the loan guarantee must provide a service, which, in whole or in part, falls within the mandate of the City of Winnipeg.

        CentreVenture's goal is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

    C. The project for which the loan guarantee is being requested must not be in conflict with City policy.

The project for which the loan guarantee is required does not conflict with City policy.

D. The organization's services must be available to the community at large without restrictions based upon ethnicity, religion or race and without unreasonably restrictive membership or user fees.

The services CentreVenture supplies are available to the community at large.

E. The organization must be non-profit.

CentreVenture is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999.

F. The organization must produce financial records and a business plan that demonstrates the organization's long-term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.

CentreVenture's financial statements have been included with the City's Detailed Financial Statements since 2003 and, therefore, are readily available for review. CentreVenture most recently provided the City with a business plan for the years 2011 through to 2013.

G. The organization structure and the principals of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.

CentreVenture has demonstrated the ability to implement its business plan as endorsed by Council.

H. Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00.

The increase of $6.6 million in the loan guarantee is for a limited period of time to a maximum of 1 year or until receipt by CentreVenture of $6.6 million in proceeds from the disposition of such strategically located properties, whichever occurs first. Council has granted loan guarantees in excess of this maximum amount in the past.

I. The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantee must have raised at least 20% of the total project costs from non-City of Winnipeg sources as a down payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down payment.

CentreVenture does not meet these criteria.

J. The loan that the City is guaranteeing must be related to a capital asset.

The increase in the Line of Credit to CentreVenture that the City of Winnipeg is guaranteeing is for the acquisition of capital asset(s).

K. The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.

Insurance arrangements will be made with CentreVenture Development Corporation by agreement.

Debt Strategy Impact

On June 22, 2011, Council adopted the Debt Strategy report for tax supported, utilities and total City borrowing. This project requires an additional $6.6 million in short-term debt financing. The impact on the City of Winnipeg's debt position is an incremental $6.6 million of debt as CentreVenture Development Corporation is consolidated within the City's financial statements. The Debt Strategy ratios are based on the 2012 Adopted Capital Budget and the 2013 Water and Sewer Rates Report.

The impact of this debt financing falls within the City debt limits established in the Council report as outlined in the table below.

Total City net debt as a percentage of revenue maximum of 85%
Forecasted peak rate including proposed debt from this report 70.0%

Total City debt servicing as a percent of revenue maximum of 11%
Forecasted peak rate including proposed debt from this report 7.8%

Total City debt per capita not to exceed maximum of $2,050
Forecasted peak rate including proposed debt from this report $1,720

FINANCIAL IMPACT

Financial Impact Statement Date: November 29, 2012

Project Name:

Request to Increase CentreVenture Development Corporation Line of Credit

COMMENTS:

There is no financial impact to the City in the granting of a loan guarantee unless there is a default in the payment of the loan. CentreVenture's debt forms part of the City's consolidated debt in the financial statements.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Corporate Finance
Legal Services

SUBMITTED BY

Department: Planning, Property and Development
Division: Economic Development
Prepared by: Gary Holmes, Manager of Economic Development
Date: December 5, 2012
File No.

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