Minutes – Executive Policy Committee – July 11, 2012

Minute No. 362
Report – Standing Policy Committee on Downtown Development, Heritage and Riverbank Management – July 9, 2012

Item No. 1 Amendment to the Downtown Residential Development Grant Program By-law 77/2010

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management and submits the following to Council:

1. That the amendments to the Downtown Residential Development Grant Program By-law 77/2010 (Appendix "A") be enacted, which will:

   A. Authorize the Chief Financial Officer to approve the annual "discount rate", determined on an appropriate basis acceptable to the Chief Financial Officer, which is used in the calculation of the lump sum payment of eligible grants.

   B. Amend the definition of "discount rate" to permit one or more annual discount rates, dependent upon a 10 or 15 year term.

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

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DECISION MAKING HISTORY:

Moved by Deputy Mayor Swandel,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Carried

Moved by Deputy Mayor Swandel,

That the recommendation of the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On July 9, 2012, the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Amendment to Downtown Residential Development Grant Program By-law 77/2010

Critical Path: SPC Downtown Development, Heritage and Riverbank Management - Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
W. Yee	B. Thorgrimson	Mike Ruta	Deepak Joshi

RECOMMENDATIONS

1. That the amendments to the Downtown Residential Development Grant Program (DRDGP) By-law 77/2010 attached as Appendix "A" hereto be enacted, which will:

   A. Authorize the Chief Financial Officer to approve the annual "discount rate", determined on an appropriate basis acceptable to the Chief Financial Officer, which is used in the calculation of the lump sum payment of eligible grants.
   B. Amend the definition of "discount rate" to permit one or more annual discount rates, dependent upon a 10 or 15 year term.

2. 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

By-law amendments require Council approval.

The first grants under the Downtown Residential Development Grant Program (DRDGP) become eligible for payment in 2012. The process for administering these grant payments involves presentation of payment options to applicants, and making the grant payment based on the option selected. The options include a) a stream of annual payments over several years (10 years for condominium projects and 15 years for rental units) or b) a lump sum payment that represents the net present value (NPV) of the stream of future payments. Both options are subject to an administrative fee.

Under By-law 77/2010 (DRDGP), an annual discount rate is to be used in the formula to calculate the NPV of eligible grants for the lump sum payment option. The discount rate will vary depending on whether the term is for 10 or 15 years. The by-law currently requires Council approval of an annual discount rate and did not contemplate two annual discount rates. As a result, the by-law requires amendment to allow a different annual discount rate depending on whether the term is for 10 or 15 years.

The requirement that Council approve the discount rate under the By-law restricts Centre Venture's ability to deliver the program in a timely fashion as financial institutions have advised the lengths of time they are willing to guarantee a borrowing rate are much shorter than the timelines reflected in the By-Law. Delegating authority to the CFO to approve the annual discount rates would result in a shorter timeframe for this part of the process.

IMPLICATIONS OF THE RECOMMENDATIONS

As part of the DRDGP, the City of Winnipeg directs Centre Venture to borrow funds for grant distribution to eligible recipients who choose a lump sum payment option. As part of this process, Centre Venture solicits bids from financial institutions for a borrowing rate for terms of 10 and 15 years. These borrowing rates will be used in the determination of the discount rates.

The discount rate will be used to calculate the lump sum payment to eligible applicants, recover administrative fees of 2.5% of the total grant covering the cost to both the City and Centre Venture for administration of the DRDGP, and mitigate risk to the City.

Delegation of the approval of the annual discount rates to the CFO will shorten the process and enable the discount rate to be based on Centre Venture's guaranteed long-term borrowing rates from financial institutions.

Two applicants under the DRDGP are eligible for grant payments in 2012.

HISTORY

In June 2010, City Council enacted the Downtown Residential Development Grant Program By-law No. 77/2010, the objective of which is to promote the development of multiple family housing in the downtown of the City of Winnipeg. Approved applicants are eligible for grants up to fifteen times the sum of the incremental municipal taxes and the community revitalization levy (Provincial Education related taxes) for rental units. Approved condominium projects are eligible for grants up to ten times the sum of the incremental municipal taxes and the community revitalization levy (Provincial Education related taxes).

This By-law provides the entitled applicant the option of receiving grants as a one-time lump sum payment in the form of a calculated net present value (NPV) of the annual incremental municipal and education taxes for a period of ten or fifteen years, or receiving annual payments equal to the incremental municipal and education taxes for a period of ten or fifteen years.

The Province and City agreed to the City's Public Service administering the program with Centre Venture acting as dispersing agent for the City. Costs for administering the program are recovered through an administrative fee of 2.5% of the eligible grant. The By-law authorizes recovery of the administrative fee through the discount rate for the lump sum payment option, while the administrative fee on the annual option is recovered through a one-time deduction from the first annual payment.

One of the risks associated with paying a lump sum is a decrease in the future assessment values for the property, resulting in a decrease in revenue (incremental taxes paid to the City of Winnipeg). Conversely, the City would benefit if assessment values were to increase over the term of the grant. Considering historical trends in assessment values this item is considered lower risk.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 13, 2012

Project Name:

Amendment to Downtown Residential Development Grant Program By-law 77/2010

COMMENTS:

The recommendations contained in this report include that the Downtown Residential Development Grant Program (DRDGP) By-law 77/2010 be amended so that the Chief Financial Officer is authorized to approve the annual "discount rate" that is used to calculate the lump sum payment of eligible grants and that the definition of "discount rate" be clarified to represent one or more rates, dependent upon a 10 or 15 year term.

These recommendations, if approved, will streamline the process for payment of lump sum grants to approved applicants who choose this option. There are no direct financial implications associated with these recommendations.

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

CONSULTATION

In preparing this report there was consultation with:

City of Winnipeg Legal Services

Centre Venture

City of Winnipeg Corporate Finance

City of Winnipeg Assessment and Taxation

Province of Manitoba

SUBMITTED BY

Department: Planning, Property & Development
Division: Housing Development
Prepared by: W. Yee
Date: June 20, 2012
File No.

APPENDIX "A"

THE CITY OF WINNIPEG

BY-LAW NO. _____.

A By-law of THE CITY OF WINNIPEG to amend the Downtown Residential Development Grant Program By-law No. 77/2010.

THE CITY OF WINNIPEG**, in Council assembled, enacts as follows:**

Downtown Residential Development Grant Program By-law amended

1. The Downtown Residential Development Grant Program By-law No. 77/2010 is amended by this By-law.

Section 2 amended

2. The definition "discount rate" is replaced by the following:

"**discount rate**" means an annual rate set by the Chief Financial Officer for each class of project, such classes being apartment buildings and condominiums, for each calendar year used in calculating "net present value" for the purposes of determining the grant in subsections 4(2) and 4(3)".

DONE AND PASSED **in Council assembled, this ___ day of _____, 2012.**

_____
Mayor

_____
City Clerk

Approved as to content:

_____
Director of Planning, Property and Development

Approved as to form:

_____
for Director of Legal Services and City Solicitor