Agenda – Executive Policy Committee – December 11, 2013

REPORTS

Item No. 8 Extension of Loan Guarantee Increase – CentreVenture Development Corporation

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the term of the additional loan guarantee of $6.6 million on behalf of CentreVenture Development Corporation ("CentreVenture"), which allowed an increase to the Corporation's line of credit to up to $19.6 million, and which was approved by Council on December 12, 2012, be extended under the parameters identified in Appendix 1 of this report.

2. That the Chief Financial Officer be delegated the authority to approve the terms and conditions of the loan guarantee and all other documents deemed necessary by the City Solicitor / Director of Legal Services 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 Extend Term of Temporarily Increased Loan Guarantee - CentreVenture Development Corporation**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	B. Thorgrimson	M. Ruta, CFO	D. Joshi, A-CAO

RECOMMENDATIONS

1. That the term of the additional loan guarantee of $6.6 million on behalf of CentreVenture Development Corporation ("CentreVenture"), which allowed an increase to the Corporation's line of credit to up to $19.6 million, and which was approved by Council on December 12, 2012, be extended under the parameters identified in Appendix 1 of this report.

2. That the Chief Financial Officer be delegated the authority to approve the terms and conditions of the loan guarantee and all other documents deemed necessary by the City Solicitor / Director of Legal Services 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 extension of the term of the increased line of credit due to additional time being required to dispose of the property at 220 Carlton Avenue.
- Council approval is required for an extension of the term of 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 have until September 30, 2016 to reduce the outstanding balance of their line of credit to no more than $13 million.
- Upon expiry of the extended period noted above or until payment in full by CentreVenture of the additional $6.6 million line of credit increase, 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.*

On December 12, 2012, Council concurred in the recommendation of Executive Policy Committee and adopted the following:

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 No. 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 No. 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.*

DISCUSSION

The extension of the period of the temporary increase in CentreVenture's line of credit from $13 million to $19.6 million is necessary to enable CentreVenture to complete the disposition and, potentially, subdivision of the property at 220 Carlton Street in order to pursue a full return on their investment. CentreVenture has confirmed that the anticipated full return from sale is achievable, based on their analysis of recent comparable property sales. However, the likelihood of a full return will be further enhanced as development proceeds on adjacent properties within the recommended extension time period. In addition, should the opportunity to subdivide materialize, it would be unlikely, for practical reasons that development of both sites would occur simultaneously. Thus the granting of an extension of time would enhance the likelihood of orderly development and achievement of full market value for the properties.

The extension date of September 30, 2016 was selected to coincide with the project completion date as identified in the contribution agreement dated May 24, 2013 between The City of Winnipeg and The Convention Centre Corporation. As noted above, it is anticipated that the likelihood of achieving full market value for properties adjacent to the newly expanded / renovated RBC Convention Centre will be greater as the project nears completion.

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 addition, specific to the temporary increase in CentreVenture's line of credit, should the property at 220 Carlton Avenue be sold for less than its $6.6 million acquisition cost, the City could be held responsible for the shortfall; as a result, in the event of a shortfall Recommendation 2.b. requires CentreVenture to report back to Council within 60 days of the disposition of the property with a financial plan pursuant to which CentreVenture will pay off such shortfall. 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 September 30, 2016 or until payment in full by CentreVenture of the additional $6.6 million line of credit increase, 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.

The request by 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 related to a capital asset.

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 reflect the debt required for this project.

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 68.6%

Total City debt servicing as a percent of revenue maximum of 11%
Forecasted peak rate including proposed debt from this report 7.1%

Total City debt per capita not to exceed maximum of $2,050
Forecasted peak rate including proposed debt from this report $1,754

FINANCIAL IMPACT

Financial Impact Statement

Date: December 4, 2013

Project Name:

Request to Extend Term of Temporary Increased Loan Guarantee - CentreVenture Development Corporation

COMMENTS:

There is no financial impact to the City in extending the term of the increased loan guarantee. Further, the granting of a loan guarantee results in a financial impact to the City only if 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 6, 2013
File No.

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APPENDIX 1

Parameters for the Extension of the Term of the Temporarily Increased Loan Guarantee

1. The term of the temporarily increased loan guarantee amount of $19.6 million shall not extend beyond the earlier of:

    a. The date of payment in full by CentreVenture Development Corporation ("CentreVenture") of the additional $6.6 million line of credit increase, or;

    b. September 30, 2016, to coincide with the Winnipeg Convention Centre Expansion and Renovation Project completion date as identified in the contribution agreement dated May 24, 2013 between The City of Winnipeg and The Convention Centre Corporation.

    at which time the line of credit and related loan guarantee provided by the City of Winnipeg to CentreVenture shall revert back to $13 million.

2. The extension of the term of the temporarily increased line of credit and additional loan guarantee noted in # 1 shall be:

    a. Subject to an undertaking of CentreVenture to apply the $6.6 million, or if less than $6.6 million, such other amount realized, in net proceeds from the disposition of the property located at 220 Carlton Avenue, immediately upon receipt, to the reduction of the outstanding $6.6 million line of credit balance guaranteed by the City pursuant to the additional loan guarantee as referenced in this report.

    b. Subject to an undertaking by CentreVenture that if the net proceeds from the disposition of the property located at 220 Carlton Avenue are less than $6.6 million, CentreVenture shall report back to Council within 60 days of such disposition with a financial plan to pay off the remaining portion of the $6.6 million line of credit balance in full.

    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.