**Agenda - Council – June 25, 2014**

**Report - Executive Policy Committee – June 11, 2014**

**Item No. 3 Sustainable Funding Options and Asset Agreement Renewal – CentreVenture Development Corporation**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2014, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the CentreVenture Development Corporation 2014 – 2016 Business Plan (Attachment 1) be received as information.

2. That a grant of $750,000 be approved from the Land Operating Reserve Fund in 2014 in response to CentreVenture's request for an annual increase of $750,000 to its Urban Development Bank balance to be utilized by CentreVenture to implement its 2014-2016 Business Plan, subject to CentreVenture entering into a grant agreement with the City.

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the grant agreement between the City and CentreVenture in accordance with this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

4. That the Winnipeg Public Service further explore alternative long-term sustainable funding sources for CentreVenture in collaboration with CentreVenture and other stakeholder agencies as applicable with the following objectives:

    A. That the Winnipeg Public Service report back to Council within 6 months with a recommended long-term funding solution;

    B. That the recommended funding solution provide a viable long-term funding source for CentreVenture for the final two years of its 2014 to 2016 Business Plan timeframe and beyond;

    C. That the reimbursement of the Land Operating Reserve Fund be approved in principle for the $750,0000 grant identified in recommendation 2 and that the recommended long-term funding solution addresses such reimbursement.

**Report - Executive Policy Committee – June 11, 2014**

5. That the current Asset Agreement with CentreVenture be extended for three years effective March 1, 2014 in conjunction with their 2014 – 2016 Business Plan time frame and that the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of all documentation required to evidence such extension.

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

**Report - Executive Policy Committee – June 11, 2014**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2014, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

# ADMINISTRATIVE REPORT

**Title:** **Sustainable Funding Options and Asset Agreement Renewal – CentreVenture Development Corporation ("CentreVenture")**

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| G. Holmes | B. Thorgrimson | M. Ruta | D. Joshi<br>A/CAO |

## RECOMMENDATIONS

1. That the CentreVenture Development Corporation 2014 – 2016 Business Plan (Attachment 1) be received as information.
2. That Council approves a grant of $750,000 from the Land Operating Reserve Fund in 2014 in response to CentreVenture's request for an annual increase of $750,000 to its Urban Development Bank balance to be utilized by CentreVenture to implement its 2014-2016 Business Plan, subject to CentreVenture entering into a grant agreement with the City.
3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the grant agreement between the City and CentreVenture in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.
4. That the Public Service be directed by Council to further explore alternative long-term sustainable funding sources for CentreVenture in collaboration with CentreVenture and other stakeholder agencies as applicable with the following objectives:
    a. That the Public Service report back to Council within 6 months with a recommended long-term funding solution;
    b. That the recommended funding solution provide a viable long-term funding source for CentreVenture for the final two years of its 2014 to 2016 Business Plan timeframe and beyond;
    c. That Council approves in principle reimbursement of the Land Operating Reserve Fund for the $750,0000 grant identified in recommendation 2 and that the recommended long-term funding solution addresses such reimbursement.
5. That the current Asset Agreement with CentreVenture be extended for three years effective March 1, 2014 in conjunction with their 2014 – 2016 Business Plan time frame and that the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of all documentation required to evidence such extension.
6. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

## REASON FOR THE REPORT

Council approval is required for:

- A grant from the Land Operating Reserve Fund, and a grant agreement with CentreVenture
- Renewal of the existing Asset Agreement with CentreVenture

## IMPLICATIONS OF THE RECOMMENDATIONS

- A one-time grant of $750,000 will be granted to CentreVenture from the City of Winnipeg's Land Operating Reserve Fund from the uncommitted 2014 reserve balance at the time of approval.
- The Public Service and CentreVenture will engage other external agencies as applicable regarding other viable alternative sources of longer-term funding for CentreVenture beyond the 2014 – 2016 Business Plan timeframe.
- The existing Asset Agreement between CentreVenture and the City of Winnipeg will be extended through March of 2016.

## HISTORY / DISCUSSION

**History:**

- In 2002, Council approved the establishment of an Urban Development Bank based on recommended contributions of $3 million transferred from the General Capital Fund and a $7 million allocation over 2 years from the General Purpose Reserve.
- A report dated June 15, 2005 from CentreVenture Development Corporation states that the contribution of $10 million from the City of Winnipeg to CentreVenture "…provides developers with loans, mortgages and gap financing for the purchase and/or development of downtown properties."
- An Asset Agreement between the City of Winnipeg and CentreVenture provided a land contribution to CentreVenture resulting in land sales revenue of approximately $3 million in addition to the $10 million contribution identified above.
- Urban Development Bank activity from 2007 to 2012 resulted in a closing balance below the original investment of $10 million for the first time ($8,927,274). The audited closing balance as at December 31, 2013 is $7,682,011.
- In November 2011, Council adopted a report of the Executive Policy Committee: "Sustainable Funding – CentreVenture Development Corporation". This report included, in part, the following recommendations:
    - *"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"*
    - *"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"*
- In September 2012, Council approved an extension of the current Asset Agreement for CentreVenture Development Corporation for three years commencing February 28, 2011

- In December 2012, Council adopted a time-limited line of credit increase from $13 million to $19.6 million with a loan guarantee from the City of Winnipeg in conjunction with CentreVenture's acquisition of strategic properties in the Downtown (St. Regis Hotel and The Carlton Inn)
- In March of 2013, CentreVenture approached the City of Winnipeg, through Planning, Property and Development, with a request to pursue a sustainable funding option in conjunction with their next three-year Business Planning cycle (2014 to 2016)
- In January 2014, CentreVenture submitted its 2014 – 2016 Business Plan to the City of Winnipeg. The Business Plan identifies an estimated annual erosion of $750,000 in its current Urban Development Bank balance moving forward.

**Discussion:**

- According to CentreVenture's 2014 – 2016 Business Plan, there is a projected annual funding shortfall of $750,000 in CentreVenture's Urban Development Bank balance going forward. This projected shortfall has resulted from two primary factors:
    - The depletion of an inventory of City-owned properties that had provided a revenue stream to CentreVenture from resale, and
    - Participation in community revitalization projects that are determined by CentreVenture's Board of Directors to be strategically advantageous to Downtown revitalization. Historically, investment in community revitalization projects have in many cases yielded social and financial benefit to the City of Winnipeg and its citizens, but without a direct financial return on investment to CentreVenture. A supplementary analysis by CentreVenture identifies approximately $775,000 in municipal property taxes associated with these projects.

  CentreVenture intends to invest between $500,000 and $1,000,000 annually in community revitalization projects in conjunction with their 2014 – 2016 Business Plan. However, without a direct financial return to CentreVenture from these projects, such investments would require an average annual 'top-up' of $750,000 to the Urban Development Bank from an alternative funding source.
- An analysis of Urban Development Bank transactions from 2008 to 2013 (Attachment 2) identifies CentreVenture's contributions to community projects in support of Downtown advocacy. These investments occurred in the form of outright grants, expenses incurred to complete development transactions, and full or partial contributions of properties to development transactions.
- The combination of events identified above has also, as of 2012, reduced the Urban Development Bank balance below the original amount of $10 million allocated by Council. CentreVenture has also requested that the City consider a one-time investment to restore the UDB to its original balance of $10 million in conjunction with its 2014 – 2016 Business Plan, citing that *"…the City made clear its expectations that the UDB would be maintained and used on a revolving basis to finance further investments by the Corporation to advance its mandate.*"
- CentreVenture relies on an annual operating grant from the City of Winnipeg and the interest revenue generated from loans/mortgages from the Urban Development Bank to fund their annual operating budget. Further erosion of the Urban Development Bank balance going forward will reduce the interest revenues available and thus precipitate requests from CentreVenture for increases in the City's operating grant in future years to sustain its current level of operation.
- Council had previously approved a new operating grant for 2011 – 2013. The operating grant was at that time increased from $100,000 (tax-supported) to $300,000 (from the Permit Reserve Fund. However, the previous operating grant and funding source lapsed at the end

of the 2013 budget year. Council has since approved a tax-supported operating grant of $300,000 to CentreVenture for 2014 with a projected grant of $100,000 for 2015 and 2016.

- Sustainable funding is critical to CentreVenture's ongoing long-range planning in its mandated role as the City of Winnipeg's arm's-length Downtown Development Agency. CentreVenture has been instrumental in stimulating a number of important Downtown developments on behalf of the City of Winnipeg. As a result, considerable momentum has been gained in advancing the Downtown's status as Winnipeg's preeminent Complete Community as characterized in Our**Winnipeg**. An analysis provided by CentreVenture identifies that to date, the Urban Development Bank has leveraged $735 million in 73 private investment projects, a total 2013 assessed value of $553 million and annual incremental municipal taxes of over $3.5 million.
- A number of potential longer-term or alternative sustainable funding options have been identified by the Public Service in collaboration with CentreVenture. However many of these potential options require consultation with and concurrence from entities external to the City of Winnipeg prior to a recommendation being advanced to Council. Certain alternative funding options can be approved exclusively within Council's discretion, but would result in trade-offs between CentreVenture and the funding requirements of the City of Winnipeg and its other agencies. Other alternative funding options will directly or indirectly impact the City of Winnipeg's tax-supported bottom line for the current and subsequent operating budget years. Ultimately, a multi-faceted solution may be required to sustainably fund CentreVenture beyond their 2014 – 2016 Business Plan timeframe.

## FINANCIAL IMPACT

# Financial Impact Statement

**Date:** May 16, 2014

**Project Name:**

Sustainable Funding Options and Asset Agreement Renewal – CentreVenture Development Corporation ("CentreVenture")

**First Year of Program** **2014**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **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 | $ 750,000 | $ - | $ - | $ - | $ - |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 750,000 | $ - | $ - | $ - | $ - |
| Less: Existing Budget Amounts | - | - | - | - | - |
| Net Budget Adjustment Required | $ 750,000 | $ - | $ - | $ - | $ - |

**Additional Comments:** Direct costs in 2014 represent the recommended "one-time" grant from the Land Operating Reserve (LOR). A net budget adjustments of $750,000 for 2014 is required. Renewal of the Asset Agreement represents an opportunity cost to the City of Winnipeg equal to the net proceeds of disposition of properties transferred to CentreVenture.

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

## CONSULTATION

**In preparing this report there was consultation with:**

Legal Services as to legal matters
Corporate Finance
Winnipeg Parking Authority
CentreVenture Development Corporation

## SUBMITTED BY

| | |
|---|---|
| Department: | Planning, Property and Development |
| Division: | Economic Development |
| Prepared by: | Gary Holmes, Manager of Economic Development |
| Date: | May 16, 2014 |
| File No.: | o:\reports directive\office of the director\manager of economic development\2014 reports\2014 05 16 ris report - centreventure sustainable funding-asset agreement final.docx |

**Attachments:**

- Attachment 1: CentreVenture Development Corporation 2014 – 2016 Business Plan


CV 2014-2016
business plan_Fin

- Attachment 2: Synopsis of Urban Bank Activity (Prepared by CentreVenture)


Synopsis of
Urban Bank Activit