Agenda – Council – June 25, 2014

Report – Standing Policy Committee on Downtown Development, Heritage and Riverbank Management – June 5, 2014

REPORTS

Item No. 1 Establishment of the "Live Downtown - Rental Development Grant Program"

STANDING COMMITTEE RECOMMENDATION:

On June 11, 2014, 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 a new Rental Development Grant Program (Program) incorporating Surface Parking Lots (SPL), Strategic Locations in the Downtown, and Structured Parking be established as per Program parameters outlined in Appendix A.

2. That the Program involve a partnership with the Province of Manitoba which includes:

   A. a provincial funding contribution of incremental education-related taxes under the structure of the Province's Community Revitalization Tax Increment Financing Act, which provincial contribution shall be approximately equal to the City's contribution to the Program; and

   B. coordination with the Provincial Rental Tax Credit Program for purpose built rental development.

3. That the City's portion of the Program be administered through the establishment, by by-law, of a tax grant based on establishing base municipal taxes for eligible properties remaining constant for a set period of time as per Program parameters outlined in Appendix A, and that the City Solicitor / Director of Legal Services be instructed to prepare such by-law for direct submission to Council.

4. That the Program has a maximum subscription limit of 750 rental units, plus a 20% overage to ensure the last approved project is provided with a grant.

5. That the Program be established for a two year period that will facilitate one or more "Calls for Proposal" for application intake.

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6. That the City be authorized to enter into a funding and administration agreement with the Province which includes terms acceptable to the City regarding the Province's contribution to the Program in accordance with Recommendation 2, and that the Chief Administrative Officer be delegated authority to negotiate and approve the terms and conditions of such funding and administration agreement.

7. That CentreVenture Development Corporation market, promote and provide intake (developer liaison) services for the Program.

8. That the City be authorized to enter into grant agreements with each successful applicant under the Program, and that the Director of Planning, Property and Development be delegated the authority to negotiate and approve the terms of such grant agreements.

9. That the Public Service be directed to develop and recommend, in conjunction with this Program, a licensing framework for the enforcement of minimum design and safety standards for SPL in the Downtown.

10. 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:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2014, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management and submitted the matter to Council.

Further on June 11, 2014, the Executive Policy Committee received from David Sanders a communication dated June 11, 2014, with respect to the establishment of the "Live Downtown - Rental Development Grant Program".

STANDING COMMITTEE RECOMMENDATION:

On June 5, 2014, 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.

Further on June 5, 2014, the Standing Policy Committee on Downtown Development, Heritage and Riverbank Management received from David Sanders a communication dated June 5, 2014, with respect to the establishment of the "Live Downtown - Rental Development Grant Program".

ADMINISTRATIVE REPORT

Title: ***To Establish the "Live Downtown - Rental Development Grant Program"***

Critical Path: **SPC Downtown Development, Heritage, and Riverbank Management – EPC - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes W. Yee	B. Thorgrimson	M. Ruta	M. Jack A/CAO

RECOMMENDATIONS

1. That, subject to Recommendation 2, a new Rental Development Grant Program (Program) incorporating Surface Parking Lots (SPL), Strategic Locations in the Downtown, and Structured Parking be established as per Program parameters outlined in Appendix A.
2. That the Program involve a partnership with the Province of Manitoba which includes:

    (a) a provincial funding contribution of incremental education-related taxes under the structure of the Province's Community Revitalization Tax Increment Financing Act, which provincial contribution shall be approximately equal to the City's contribution to the Program; and
    (b) coordination with the Provincial Rental Tax Credit Program for purpose built rental development.

3. That the City's portion of the Program be administered through the establishment by by-law of a tax grant based on establishing base municipal taxes for eligible properties remaining constant for a set period of time as per Program parameters outlined in Appendix A, and that the City Solicitor / Director of Legal Services be instructed to prepare such by-law for direct submission to Council.
4. That the Program has a maximum subscription limit of 750 rental units, plus a 20% overage to ensure the last approved project is provided with a grant.
5. That the Program be established for a two year period that will facilitate one or more "Calls for Proposal" for application intake.
6. That the City be authorized to enter into a funding and administration agreement with the Province which includes terms acceptable to the City regarding the Province's contribution to the Program in accordance with Recommendation 2, and that the CAO be delegated authority to negotiate and approve the terms and conditions of such funding and administration agreement.
7. That CentreVenture market, promote and provide intake (developer liaison) services for the Program.
8. That the City be authorized to enter into grant agreements with each successful applicant under the Program, and that the Director of Planning, Property and Development be delegated the authority to negotiate and approve the terms of such grant agreements.
9. That the Public Service be directed to develop and recommend, in conjunction with this Program, a licensing framework for the enforcement of minimum design and safety standards for SPL in the Downtown.
10. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

EXECUTIVE SUMMARY

This report recommends adoption of a new Rental Development Grant program (named Live Downtown – Rental Development Grant Program) with specific incentives for developing in strategic areas and SPL in the Downtown, and integrating structured parking; as well as the development of a licensing framework to set minimum design and safety standards for non-accessory SPL in the Downtown.

The City of Winnipeg under OurWinnipeg Policy has identified the Downtown as a priority and has further identified opportunities for higher, better use of various properties in the Downtown that are being utilized as Surface Parking Lots (SPL). The proposed recommendations focus on two primary components; the first is facilitating development of rental housing with larger incentives for strategic locations, SPL, and structured parking being incorporated into the development. The second element is the development of a licensing framework; its goal being to ensure minimum standards for design and safety are incorporated into existing and future non-accessory SPL in the Downtown area. The overall purpose of the Program is to promote the policy goal of an increasingly vibrant Downtown by enabling appropriate residential densities and neighbourhood amenities, primarily adjacent to emerging destination districts.

Both elements will require bylaws to be enacted by Council.

REASON FOR THE REPORT

Council approval is required to establish a grant program utilizing incremental municipal property taxes. Also, the Public Service is seeking Council's delegation of authority to the CAO to negotiate and approve the final terms of a funding partnership for this purpose with the Province of Manitoba. The Public Service requires approval to move forward with negotiations, which will lead to establishment of a Program that will facilitate development of rental units in strategic locations, and encourage better and higher use of surface parking lots in the Downtown. The by-laws required to establish this grant program will be brought back to Council for consideration and enactment.

IMPLICATIONS OF THE RECOMMENDATIONS

- Increased density through Downtown residential rental development will be encouraged through base grants equivalent to 12 years of incremental municipal property taxes and provincial education-related taxes.
- Residential rental development in strategic locations, incorporating structured parking and located on existing surface parking lots will be encouraged through "bonus" grants of up to 8 additional years of incremental municipal property taxes and provincial education-related taxes.
- An estimated $12.7 million of incremental municipal property taxes will be granted over the proposed maximum 20-year timeframe of the Program.
- The Public Service will develop and recommend, in conjunction with this Program, a licensing framework for the enforcement of minimum design and safety standards for SPL in the Downtown.

HISTORY

On September 21, 2006 the Executive Policy Committee referred the recommendation of the Winnipeg Housing Steering Committee to the Public Service to prepare a report outlining scope, strategy, and process for housing in the downtown. On July 20, 2011, Council adopted the Downtown Residential Development Strategy and Action Plan.

On June 23, 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 both incremental municipal taxes and the community revitalization levy (incremental education related taxes).

On July 21, 2010 Council approved *OurWinnipeg* as the long term development plan for the City of Winnipeg. This plan incorporates direction statements to guide housing development, renewal, and activities to support the long term vision.

On December 14, 2011 Council concurred in the recommendation of the Standing Policy Committee on Downtown Development Heritage and Riverbank Management to endorse the Downtown Parking Strategy in principal. This strategy supports the transition from surface parking lots to parking structures over time and supports improving the overall quality of existing surface lots, indicating that this objective may be achieved through design standards and/or a demonstration project.

On April 11, 2012, the Province of Manitoba and City of Winnipeg announced provision of a strategy that provided tax increment financing for Centre Venture's Downtown Portage Avenue Development Strategy to enhance and stimulate downtown investments and develop more interesting and attractive downtown spaces. This strategy was developed in consultation with many stakeholders, including the City of Winnipeg to ensure cohesion with existing strategies and OurWinnipeg Complete Communities Strategy.

On September 25, 2013 Council approved The City of Winnipeg Housing Policy as the City's Housing Policy. The Policy acts as the guiding principles for the development of new housing incentive programs and grants supporting affordable housing and targeted development projects.

Discussion:

The City of Winnipeg has within its OurWinnipeg policy and plans identified Downtown development as a priority. The companion Complete Communities Direction Strategy (Municipal Development Plan) contains an exclusive Downtown development component ("OurDowntown – Always a Priority") and advocates for Downtown as Winnipeg's Pre-eminent Complete Community. Currently there are many areas of the downtown that are not utilized to their best and highest use. These areas are commonly used as surface parking lots (SPL). The proposed Program leverages increased density through Downtown residential rental development, incorporating a base grant to cover the economic gap related to construction, as well as "bonus" grants focusing on location, better and higher use of SPL, and structured parking.

To achieve the objectives for density and complete communities in the Downtown, this program will focus on transforming underutilized land in the downtown to one that will contribute toward critical mass and support needed neighbourhood and destination district amenities including alternative parking options, to the thousands of daily visitors in the downtown.

The Program will encourage rental development in strategic areas of the Downtown where infrastructure (sewer, water, streets) already exist, and servicing cost to the City is therefore potentially less impactful.

All eligible projects will receive a base incentive equal to 12 years of incremental property and education based taxes and grants will be provided on an annualized basis.

Eligible projects are potentially eligible for bonus incentives, as follows:

- 4 additional years for developing at strategic locations that leverage existing momentum or supports adjacent developments in targeted areas of the Downtown.
- 2 additional years for developing on existing SPL
- 2 additional years for integrating structured parking into the development

Thus the development incentive represents up to 20 years of property and education related taxes granted-back annually based on the incremental taxes generated.

The base grant is conditional on 10% of residential rental units being at or below median market rent for a five year period, as published annually by the Province of Manitoba. In addition, a developer/owner can coordinate their eligibility under this Program with an additional Provincial Rental Tax Credit Program (which requires 10% affordability) for purpose-built rental development. If this is done the requirement for this Program would be 5% of developed residential rental units being at or below median market rent for a five year period.

The structure of this Program is based on the granting-back of incremental taxes that would be collected in advance. Therefore, unlike the previous Downtown Residential Development Grant (DRDG) Program, there will be no financing or borrowing against future taxes and therefore a significant reduction in financial risk to the City.

In addition, the City will come forward with a licensing framework that is intended to achieve and enforce higher design and safety standards for SPL (non-accessory) in the Downtown.

FINANCIAL IMPACT

Financial Impact Statement

Date: May 30, 2014

Project Name:

"Live Downtown - Rental Development Grant Program"

First Year of Program **2017**

	2017	2018	2019	2020	2021
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	$ 317,250	$ 634,500	$ 634,500	$ 634,500	$ 10,469,250
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 317,250	$ 634,500	$ 634,500	$ 634,500	$ 10,469,250
Less: Existing Budget Amounts	317,250	634,500	634,500	634,500	10,469,250
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs in 2017 represent grants equivalent to incremental municipal property taxes from the first call for proposals while those in 2018 represent estimated incremental municipal property taxes from both the first and second calls for proposals. These costs are offset by estimated incremental municipal property taxes accruing to the City as a result of rental property development. See Appendix B for additional detail as well as assumptions.

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

CONSULTATION

In preparing this report there was consultation with:

Province of Manitoba
- Dept. of Municipalities
- Housing & Community Development

Centre Venture
Legal Services
Urban Planning
Assessment & Taxation
Economic Development

SUBMITTED BY

Department: Planning, Property, and Development
Division(s): Housing & Strategic Initiatives AND Economic Development
Prepared by: Winston Yee, Gary Holmes
Date: *May 30, 2014*
File No.

O: Reports Directive / Housing Development / RIS Live Downtown – Rental Development Program V11

APPENDIX A

Live Downtown: Rental Development Grant Program
Summary of Program and Agreement Parameters

1. The Program's objective is to facilitate the better and higher use of surface parking lots (SPL) in the Downtown by incenting the development of newly constructed (preferred) or repurposed / additions to existing buildings for purpose-built rental units in strategic locations of the Downtown as outlined in the map attached. There are four distinct elements of the Program that will support this objective.

   The City of Winnipeg's funding / incentive for the Program will come from the granting-back of actual incremental taxes from the development(s) for a set period of time. Provincial funding is through the granting of incremental taxes via the community revitalization levy. Grants are based on four (4) elements:

   I. Base Grant of 12 years of incremental taxes conditional on:
      i. 10% of developed residential rental units being affordable. In addition, a developer/owner can coordinate their eligibility under this Program with an additional Provincial Rental Tax Credit Program (which requires 10% affordability) for purpose-built rental development. If this is done the requirement for this Program would be 5% of developed residential rental units being at or below median market rent for a five year period.
      ii. Located Downtown as noted in the attached map.
      iii. Cannot be in SHED.
      iv. Minimum of 5 new residential rental units.
      v. Minimum of 80% residential for the complex (excluding structured parking area).
      vi. Applicant must be the owner of the project property by the time it is designated under the Province's CRL Legislation or provided with authorized authority from the owner.
      vii. Cannot have active approval under the Downtown Residential Development Grant (DRDG) Program as of March 1, 2014
      viii. No building permit / no construction on the property prior to application.

   II. Bonus Grant of 4 year incremental tax grant on the development based on strategic location as noted on the attached map.
      i. Fronting or adjacent to strategic location boundary.

   III. Bonus Grant of 2 year incremental tax grant on the development if development on existing SPL.
      i. Located on a privately owned, legally operating surface parking lot in compliance with all municipal by-laws that provides parking for four or more motor vehicles.

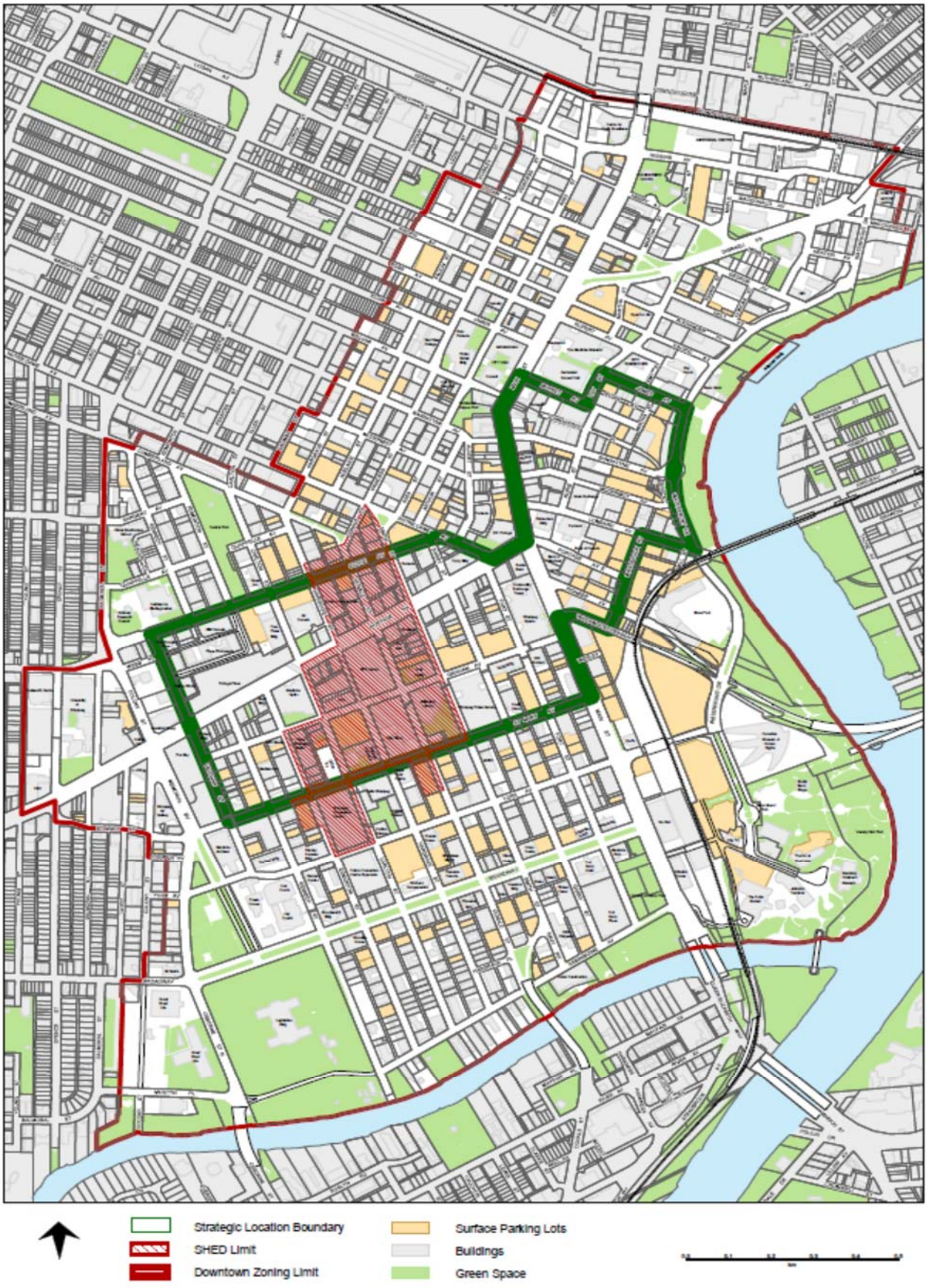
   IV. Bonus Grant of 2 year incremental tax grant on the development if the development includes structured parking – a minimum number of parking spots based on 50% of the developed units.
      i. Integrated into the complex.
      ii. Minimum of one parking space for every two residential units.
      iii. All structured parking must be compliant with existing legislation and by-laws.

Additional Conditions for evaluating applications:

i. Financial readiness
ii. Development readiness (proforma's provided and level of market analysis)
iii. Development history and experience
iv. Density of proposed development
v. Mixed use incorporated into proposed development
vi. Number and variety of visitable and accessible units incorporated into the proposed development.

2. The Program would be established by the City. The Province's partnership commitments and obligations would be established in a separate funding agreement with the City. Administratively, funding sources would have already been approved by the Province under the authority of The Community Revitalization Tax Increment Financing Act, and the Rental Tax Credit incentive program.

3. Program investments would be limited to the geographic area of the Downtown, with enhanced grant incentives for strategic locations within the Downtown. Map outlining Program area below:


Strategic Location Boundary
SHED Limit
Downtown Zoning Limit
Surface Parking Lots
Buildings
Green Space

APPENDIX B

	Number of Units			Grants Equivalent to Incremental Municipal Property Taxes					
	2014	2015	2016	2017	2018	2019	2020	2021 - 2037	Total
First Call For Proposals	450			$ 317,250	$ 317,250	$ 317,250	$ 317,250	$ 5,076,000	$ 6,345,000
Second Call For Proposals		300			$ 211,500	$ 211,500	$ 211,500	$ 3,595,500	$ 4,230,000
20% Overage (20% of 750 units)		150			$ 105,750	$ 105,750	$ 105,750	$ 1,797,750	$ 2,115,000
	450	450	0	**$ 317,250**	**$ 634,500**	**$ 634,500**	**$ 634,500**	**$ 10,469,250**	$ 12,690,000

Assumptions:

1) First Call For Proposals in the fall of 2014 results in an intake of 450 units.
2) Second Call For Proposals in the spring of 2015 results in an intake of 450 units including 20% overage of 150 units.
3) Construction period is two years from intake.
4) First grants equivalent to estimated incremental municipal property taxes paid in year following completion of construction.
5) Estimated incremental municipal property taxes collected in same year as grant paid.
6) All 900 units are eligible for the base grant of 12 years of estimated incremental municipal taxes plus 8 years of estimated "bonus" taxes.
7) Estimated incremental municipal property taxes remain constant throughout the 20-year period.
8) Estimated incremental municipal property taxes calculated as follows:

Total Estimated Incremental Taxes per Unit		$ 30,000
Estimated Municipal Portion		47%
		$ 14,100
Assumed # of years grant payable		20
Grant per Unit per Year		$ 705
Totals Grants Payable in 2017:		
No. of Units (First Call for Proposals only	450	$ 317,250
Totals Grants Payable in 2018 & Beyond:		
No. of Units (Both Calls for Proposals)	900	$ 634,500