Agenda – Standing Policy Committee on Downtown Development, Heritage and Riverbank Management – May 7, 2015

REPORTS

Item No. 2 Grant for Residential Project at 460 Portage Avenue

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a grant to the University of Winnipeg in respect of the residential development at 460 Portage Avenue

    A. in the amount estimated to be $1,227,102, the amount being reflective of 15 years of incremental municipal property taxes (estimated);

    B. that the grant payment be an annualized payment over 15 years beginning the year after full occupancy is attained, and the grant is based on actual incremental municipal taxes to a maximum of $1,227,102;

    C. on condition that The University of Winnipeg meets the eligibility conditions otherwise applicable under the Downtown Residential Development Grant Program (By-law 77/2010); and

    D. that at least 10% of the rental residential units are rented at median market rent or lower for a minimum of 5 years.

2. That upon completion of the project, the University of Winnipeg (applicant) pay an administration fee of 2.5% of the gross grant which will be deducted from the first annual grant payment.

3. That the City enter into a grant agreement with the University of Winnipeg outlining the terms and conditions under which the grant will be disbursed in accordance with the terms and conditions set forth herein and such others deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

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

ADMINISTRATIVE REPORT

Title: ***Grant for Residential Project at 460 Portage Avenue***

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

AUTHORIZATION

Author	Department Head	CFO	CAO
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RECOMMENDATIONS

1. That Council approve a grant to the University of Winnipeg in respect of the residential development at 460 Portage Avenue

   (a) in the amount estimated to be $1,227,102, the amount being reflective of 15 years of incremental municipal property taxes (estimated);

   (b) that the grant payment be an annualized payment over 15 years beginning the year after full occupancy is attained, and the grant is based on actual incremental municipal taxes to a maximum of $1,227,102;

   (c) on condition that The University of Winnipeg meets the eligibility conditions otherwise applicable under the Downtown Residential Development Grant Program (By-law 77/2010); and

   (d) that at least 10% of the rental residential units are rented at median market rent or lower for a minimum of 5 years.

2. That upon completion of the project, the University of Winnipeg (applicant) pay an administration fee of 2.5% of the gross grant which will be deducted from the first annual grant payment.

3. That the City enter into a grant agreement with the University of Winnipeg outlining the terms and conditions under which the grant will be disbursed in accordance with the terms and conditions set forth herein and such others deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

4. 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 a tax increment grant be provided to the University of Winnipeg for their proposed mixed-use development located at 460 Portage Avenue.

The project at 460 Portage was approved under a previous grant program; however, it did not meet the requirement to attain a building permit within the timelines required. The cause of the delay was due to the University of Winnipeg awaiting funding confirmation from the Province of Manitoba's Housing and Community Development (HCD) Department. All funding for the project (except the City grant) is now confirmed.

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 project will transform a SPL to a mixed-use facility housing 102 residential units in which 46 will be affordable.

REASON FOR THE REPORT

The issuance of grants can only be approved by Council.

IMPLICATIONS OF THE RECOMMENDATIONS

Grant funds identified above are a critical element of total project financing and would allow this project to proceed as planned. The applicant states that a lack of City funding may put at risk the project, which will convert a long-standing surface parking lot in a key area of Winnipeg's downtown university district.

The conversion project is an innovative approach to revitalize a long-standing surface parking lot and would provide 102 new rental units in a newly constructed 14-story building adjacent to the Downtown.

The City would be committing 15 years of annual incremental municipal taxes to this project with a maximum gross contribution of $1,227,102 less an administrative fee of 2.5% of the gross grant.

The date that Council approves this grant will be considered the date of conditional approval, which then obligates the proponent to complete the project within 4 years of that date. The Province of Manitoba has provided written support and commitment of incremental education related taxes for this project.

HISTORY

The project at 460 Portage Avenue involves the new construction of rental student housing on a surface parking lot. The project plans for 102 new rental units including 1, 2 and 3 bedroom units. The estimated project cost at the time of application was $24.3 million, including acquisition costs of over $450,000.

This project has been in planning since 2010; however, delays were in part due to financing complexities from funding sources, as well as the process involved in securing funding from other departments of the Provincial Government. The proponent has advised they continue to work with the Provincial Government and now have all funding for the project in place.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 14, 2015

Project Name:

First Year of Program **2020**

Grant for Residential Project at 460 Portage Avenue

	2020	2021	2022	2023	2024 to 2034
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	$ 81,807	$ 81,807	$ 81,807	$ 81,807	$ 899,875
Less: Incremental Revenue/Recovery	30,678	-	-	-	-
Net Cost/(Benefit)	$ 51,129	$ 81,807	$ 81,807	$ 81,807	$ 899,875
Less: Existing Budget Amounts	51,129	81,807	81,807	81,807	899,875
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: For the purposes of this analysis, the estimated total incremental taxes of $1,227,102 is assumed to be realized in equal amounts of $81,807/year over the 15-year period. Also, full occupancy is assumed to be attained during 2019; therefore, the first year the grant will be paid is 2020 with the final year being 2034. The amount to be paid in 2020 is reduced by an administration fee of $30,678, 2.5% of the gross amount of the projected grant. Should estimated incremental taxes differ from the amount projected, the City's downside risk is mitigated as the grant amount is limited to the amount of actual incremental taxes while the upside risk is mitigated by the $1,196,424 maximum grant payable (i.e. gross grant of $1,227,102 less the $30,678 administration fee).

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

CONSULTATION

University of Winnipeg
Province of Manitoba:
    Local Government Department
    Housing & Community Development Department
Economic Development Division (PP&D)
Legal Services
Assessment & Taxation

SUBMITTED BY

Department: Planning, Property and Development
Division: Housing Development
Prepared by: Winston Yee
Date: *April 16, 2015*