REPORTS

180. From the Manager of Executive Policy Committee Support
Report 2002/03

CentreVenture

File EP-1.2.3 (Vol. 3)

Submitting report recommending that the City of Winnipeg:

I. Invest additional capital funds into Urban Development Bank towards achieving original amount proposed of $10 million.

II. Renew Asset Agreement for additional three years and revise Category D to reflect similar intent to Category B lands.

III. Renew Operational-funding agreement for 3 years to support the mandate as stated in the Start-Up Business Plan of September 1999.

Moved by Councillor Clement,

I. That the renewal of the Operational-funding agreement and investment of additional capital funds into the Urban Development Bank be referred to the Standing Committee on Fiscal Issues for report back to Executive Policy Committee for its meeting scheduled for April 17, 2002.

II. That the expansion of the boundaries of the CentreVenture Mandated Area, renewal of the Asset Agreement for an additional three years and revision of Category D to reflect similar intent to Category B lands be referred to the Standing Policy Committee on Property and Development for report back to Executive Policy Committee for its meeting scheduled for April 17, 2002.

Carried

Minutes - Executive Policy Committee - April 3, 2002

Attachment - CentreVenture

CentreVenture Development Corporation

CENTREVENTURE
DEVELOPMENT CORPORATION

Report to City of Winnipeg

Winnipeg

March 2002



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Background

CentreVenture Development Corporation was officially created June 1999 and received $250,000 from the City of Winnipeg as start-up funding. The start-up funding was used to hire a CEO, develop a business plan, set up the physical office and hire office staff. The money was sufficient to cover operating expenses to December 1999, with a carry over balance of $26,605.

The result of these activities is that on September 29, 1999, the City of Winnipeg unanimously approved the CentreVenture Start-Up Business Plan. The Business Plan envisioned annual expenses of $980,000 in 2000, $1,015,000 in 2001 and $1,070,000 in 2002 to deliver the mandate and objectives as stated. The Business Plan also envisioned $10,000,000 of public sector investment and approximately $2,000,000 of private investment into the Urban Development Bank over that same period. CentreVenture received a commitment from the City of Winnipeg for three years of operational funding at $250,000 per year for 2000 to 2002, capital funding of $3,000,000 to the Urban Development Bank and an Asset Agreement with options on city-owned surplus properties in the downtown.

The CentreVenture Start-Up Business Plan approved by the Board and City Council, made undertakings to secure additional operating and capital funding from the provincial government. When it became evident securing provincial funding would take longer than originally anticipated, the operational budget was revised and the Board agreed it would need to rely on proceeds from asset sales and interest from the capital fund to subsidize operations. It was originally envisioned that proceeds from investments and asset sales would be used to build the Urban Bank and support a larger number of projects. Subsequently, CentreVenture received $250,000 from the Province of Manitoba with the understanding it would be allocated to the Urban Development Bank to promote capital development.

For the first phase of redevelopment, it was determined by the Board of Directors that support from the private sector should come in the form of time and direct investment in projects. Thereafter efforts would be made to secure private investment through bonds and alternate investment funds.

Operationally, the revised budget resulted in the focus of CentreVenture in and around three activities – Advocacy, Facilitation and Business Development through the Urban Development Bank. Proposed functions with respect to Design Review and Marketing and Information as set out in the Start-Up Business Plan were placed on the backburner. The organization focused on the need to spark economic activity in the downtown in an urgent and visible manner. To this end, several dozen projects are underway with more than one third receiving support through the CentreVenture Urban Development Bank and another third through advocacy and facilitation efforts. Significant credit should also be directed to the collective efforts of leaders within the public and private sectors who are committed to downtown revitalization.

To date, the momentum achieved towards the goal of revitalizing downtown is visible and has created excitement and a renewed attention to the city's centre. The collective leadership of the public and private sector cannot be overstated at this critical point in time and in particular the leadership of City Council through the adoption of the Framework Development Plan and the creation of a downtown development agency.

With 2002 being the third and final year City Council has committed funding and other resources to this organization, it is important to consider how it envisions revitalization efforts continuing.





Principal Recommendations to the City of Winnipeg

1. **Invest additional capital funds into Urban Development Bank towards achieving original amount proposed of $10million.**

2. **Renew Asset Agreement for additional three years and revise Category D to reflect similar intent to Category B lands[1]**

3. **Renew Operational-funding agreement for 3 years to support the mandate as stated in the Start-Up Business Plan of September 1999.**

Vision and Strategy

In approving the Start-up Business Plan, Council directed that CentreVenture adopt Centreplan Development Framework Plan as a guideline for downtown redevelopment. In accordance with the Development Framework, CentreVenture Development Corporation indicated it would concentrate on the four priority development areas:

- Business Development and Investment
- Infrastructure, Housing and Transportation
- Arts Culture and Entertainment
- Public Spaces, Safety and Urban Design

[1] Category D lands means the properties described as such on Schedule D and are properties owned by the City which have been designated as properties or parts thereof that may be declared surplus following the implementation of capital programs and include such properties as may be so designated in writing in the future by the City. Examples include the transfer track and City-owned East Yards property.
Category B lands means the properties owned by the City which are in the process of being declared surplus and include such properties as may be so designated in writing in the future by the City.

To achieve the overall goal the organization would provide three essential functions:

- Urban Development Bank
- Design Review Committee
- Marketing and Information

CentreVenture developed short-term goals and objectives as well as tentative long-term goals and objectives. The short-term goals were governed by the availability of resources from the City of Winnipeg in the form of initial capital funding to support the urban bank activities. In the start-up phase, the organization focused on Business Development, Infrastructure and Housing as key priorities. It was further decided that investing financially in Design Review and Marketing functions would need to be postponed pending adequate resources. Attention would be focused on the Urban Bank together with advocacy and facilitation efforts to encourage and support private investment.

Plan Winnipeg 2020 Vision
"Putting Downtown First"

Urban Development Bank

With the $3,000,000 capital funding provided by the City of Winnipeg, $500,000 from the Province of Manitoba and net proceeds from City assets; over $25,000,000 in private investment will be leveraged directly through the Urban Development Bank in the start-up phase.

Urban Bank funds fully committed to downtown projects through to 2005

To this point all funds available from the Urban Bank have been committed and will take until 2005 to replenish for reinvestment in future projects. It is a model that is both effective in leveraging private investment and secure when tied to tax credits or the asset agreement. The start-up business plan originally recommended the bank be funded to $10,000,000 from the public sector thereby ensuring sufficient funds to create a level of private investment that would have a significant and sustaining impact on downtown redevelopment. With the successes and learning's to date, CentreVenture

recommends a further investment into the Urban Bank to continue the progress and in particular to facilitate the sale of remaining city assets as well as the continued adaptive reuse of heritage buildings.

While CentreVenture is working at becoming a self-sufficient organization over the longer term, it is not, and should not be, the primary objective. Being an organization that is continuously adding value to the bottom line for both the private and public sectors in the downtown is the primary objective. To maintain that reputation and be more than simply an advocate for downtown development the organization requires access to resources.

Asset Agreement

On September 29, 1999 Council directed administration to define an asset agreement in partnership with CentreVenture, specifying the terms and conditions under which CentreVenture would be granted options to acquire an interest in all City-owned properties and heritage buildings within the downtown.

On November 17, 1999 Council adopted a report from administration entitled "CentreVenture Asset Agreement" with the following recommendations:

I. That CentreVenture be granted an option for each surplus property for $1.00, and minimal terms and conditions be placed upon the conveyance.

II. That, for the duration of the Asset Agreement, upon receipt of title and possession of future tax sale properties within the downtown, each property be processed through the City's normal procedure to declare properties surplus and that each property be optioned to CentreVenture for the last three years of realty taxes, prior to its having become a City-owned property, net of interest and penalties.

III. That for any Category D downtown property which is deemed surplus to capital projects, EPC recommend to Council if and how the asset shall be made available to CentreVenture in the form of an option.

IV. That the Asset Agreement have a term of three years, and that any renewal of the Asset Agreement be subject to Council approval.

Attachment - CentreVenture

To date, CentreVenture has transacted on nine city-owned properties, for a total sale value of $1,130,000. An additional $4,500,000 will be invested in the properties. The City no longer is required to monitor, insure or repair these properties, and all will now contribute to the property tax base. The additional investment by the new owners will take what are currently mostly derelict buildings and redevelop them into attractive facilities inviting new tenants to them. Neighboring properties benefit by protecting or even enhancing their investment when derelict buildings are restored.





Currently CentreVenture is in negotiation on a further thirteen city-owned properties. It is imperative that the City of Winnipeg renews the Asset Agreement with CentreVenture to provide continuity and an environment of certainty with these negotiations. Most of these properties are extremely challenging due to their condition and require an enormous amount of time effort and in many instances financial resources to facilitate the sale and redevelopment.

CentreVenture believes it has demonstrated the Asset Agreement is an effective tool in facilitating redevelopment and in addressing the vision of CentrePlan Development Framework Plan. The ability to work with investors through the Asset Agreement and provide financing through the Urban Bank, if required, is



consistent with what was envisioned in the Start-Up Business Plan.

With time and sufficient resources, it continues to be a tool that can also contribute to the mandate of being a "*sustainable downtown development authority … to provide leadership in the planning, development, coordination and implementation of projects and activities in the downtown.*"[2]

The City may want to consider the boundaries of the organization as a means to assembling other strategic city-owned, surplus properties – for redevelopment and for building the Urban Bank through access to more assets versus entirely direct capital contributions. (see Appendix 'A' Mandated Area Map)

CentreVenture Heritage Tax Credit Program

This program, which was approved for up to three years, is fully subscribed. With adaptive re-use of heritage buildings as a priority, the program should continue for at least one more cycle. Within the announcement, a sunset clause should also be introduced. Only a small program is needed which could in effect be used to wrap the program up and complete the remaining projects. It is proposed that this program be funded for an additional $1,500,000 with an added emphasis on residential or mixed use.

CentreVenture committed to leveraging this program greater than the 1:1 required within the bylaw. To date, overall it has leveraged approximately eight private sector dollars for every one public sector dollar invested (8:1). The projects have helped bring an adaptive re-use to significant heritage buildings in the downtown as well as encouraged other projects within the vicinity. A good mix of entertainment, office, commercial and residential has been achieved.



CentreVenture Capital Grants and Economic Initiative

[2] EPC report to City Council dated May 12, 1999

As with the CentreVenture Downtown Heritage Conservation Tax Credit Program, the Capital Grants and Economic Initiatives Programs administered through the City are also fully subscribed. This fund is replenished whereby the City allocates the majority portion of 5% of surplus asset sales citywide to the fund. $500,000 was allocated in 2000 and $300,000 was made available for the year 2001. Less than $200,000 is anticipated in 2002. It continues however, to be an effective tool when used in combination with other funding tools and should be targeted at strategic projects.

Design Review



In the Start-Up Business Plan, CentreVenture recognized the ease and time with which projects could be implemented in the downtown would be a critical factor to the success of revitalization. To that extent, it was recommended in CentreVenture's Business Plan that a Design Review Committee enfold the current design committees such as the Historic Advisory Committee and the Downtown Design Review Committee. The Design Review Committee would establish a single, clear design review and approval process for downtown Winnipeg. A single committee with authority to approve design and expedite approval processes will create a positive climate for investment and ultimately redevelopment of downtown Winnipeg.[3]

Initial funding was not provided for CentreVenture to undertake this initiative, nor was there political or administrative support to delegate the authority or task to a newly created arms length corporation outside of the City system. Instead, the City of Winnipeg acknowledged this was important

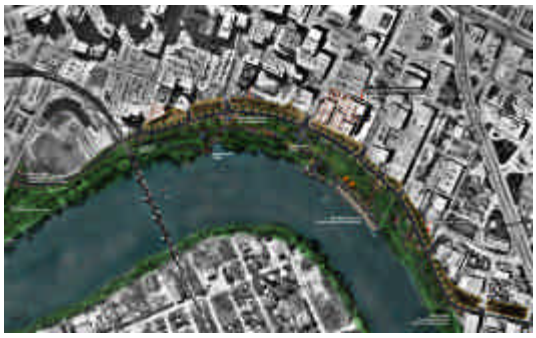
[3] CentreVenture Start-Up Business Plan, September 20, 1999 page 27

and indicated they would lead this effort through the Department of Planning, Property and Development and their respective Committee of Council. Civic leadership and resources are required urgently to ensure this challenge is effectively addressed on a system-wide, long-term basis.

Downtown Zoning will support or hinder development. CentreVenture was pleased with the results achieved nearly 2 years ago when it requested City Council amend the bylaw allowing residential as a permitted use throughout the downtown. This has helped draw interest and the beginnings of new investment to residential development in the downtown. It will be important for the City to consider expanding this permitted use to areas on the "shoulder" of what is defined as downtown, particularly along Princess Avenue to the north and west of the CentreVenture boundaries and encourage adaptive reuse and new development where demand is growing and the market is expressing interest. Many of those surrounding buildings are zoned industrial with no current or future demand expected for that purpose. Certain of those are ideally suited for conversion to multiple residential.

Facilitation

Infrastructure – Pedestrian Bridge and Waterfront Drive



Strategic infrastructure projects in the downtown can and will act as a catalyst for further investment by the private sector. To the credit of the City, Council supported the construction of a pedestrian bridge which will connect the French Quarter in St. Boniface with the Downtown. Ultimately, it was also approved for funding from the Canada-Manitoba Infrastructure Program. Forming strong ties and a long-term working relationship with stakeholders in the St. Boniface community has truly become the added bonus of the project. This relationship has expanded to include a communication strategy as it relates to the development in and around the Waterfront. The river, historically a barrier, has become a

strategic connector wherein two communities can build towards a shared vision of renewal.

The Waterfront Drive project quickly expanded to include a broader economic and redevelopment strategy for the East Exchange and overall connections with key sites in the downtown. CentreVenture conducted extensive consultation with the vast majority of stakeholders to ensure key elements were considered and to gain broad community consensus for this strategic infrastructure project. Again to the credit of the City, Council approved this as a "special initiatives" project to ensure it could be considered within the Canada-Manitoba Infrastructure Program. Providing funding for CentreVenture to engage a consultant and present City Council with the vision for Waterfront Drive was strategic in gaining the endorsement from the community.

Housing

In its first year of operation, CentreVenture developed a Downtown Housing Strategy in consultation with the City of Winnipeg, Province of Manitoba and private sector stakeholders. Knowing it would eventually become a critical factor in the revitalization of downtown, it was important to begin to understand what was possible, where the market would be and how the economic challenges would eventually be addressed. The review of a market analysis study conducted by the public sector confirmed there was a small but growing demand for residential opportunities especially within the Exchange District.

One of the first projects to be undertaken in the Exchange District in many years is situated at 123 Princess. CentreVenture provided the necessary gap financing to ensure the completion of this very important project. To date, the proponent has confirmed all of the condominium units have been sold and it will be fully occupied by summer of 2002.



Attachment - CentreVenture

CentreVenture received support from the City of Winnipeg to conduct a Housing Demonstration Project directed at adaptive reuse of buildings within the Exchange and North Portage area. $500,000 will be invested in partnership with the private sector, commencing in 2002 and the units will be ready for the market prior to year ending 2003.

A recent study conducted by Probe Research confirms that more than 83% of Winnipeg's adult population supports the development of residential in heritage buildings, especially in the Exchange District.

Creating an environment that people want to live in and supplying product at what the market will pay is critical to ensuring a sustaining revitalized downtown. It will take a collective effort by the public and private sectors to ensure this occurs. A combination of financial assistance, building code equivalencies and expedient approval processes are required to encourage more residential development in the various downtown neighborhoods.

Business Investment

As the downtown development agency, CentreVenture has welcomed the opportunity to assist and support the development of many exciting projects. In a collaborative effort with other City and Provincial organizations, it was an important day when CanWest Global announced they would be consolidating many of their national functions in Winnipeg's downtown, creating several hundred new jobs and raising the city's profile across the country.

Other projects requiring assistance through various application and approval stages were pleased to have access to an agency specifically set up by the City to provide such support. A few examples of assisted projects are the newly constructed Hampton Inn and Suites, the Wellington West building on Waterfront Drive, and the expansion of



the Manitoba Theatre Center. Many projects have started and do not require financial assistance but actively seek support in the form of advocacy and facilitation to ensure timely and effective implementation.

Marketing and Information

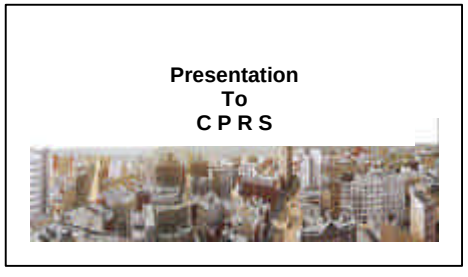
CentreVenture identified three priorities for this function in its start-up plan.

- Promoting downtown with a view to attracting new businesses, services and residents.
- Maintaining downtown as a viable, growing and dynamic part of the city of Winnipeg.
- Making all stakeholders aware of CentreVenture as an entrepreneurial Development Corporation that could assist investors considering downtown as location for their project.

A number of initiatives were contemplated, however with the initial funding available, it was determined not to be deliverable. Instead during the start-up phase, the organization would rely on the activity of the Urban Bank, the efforts of other organizations and project specific initiatives to bring attention to the opportunities in the downtown.

The support of the media in Winnipeg has helped bring attention to the many exciting investments occurring within the downtown. The support of Economic Development Winnipeg (EDW) in funding a staff person, assisting with communication efforts, and providing marketing support for Waterfront Drive has also enhanced the attention given to downtown. EDW provided assistance in the development of CentreVenture's Web site as well. An investment of $50,000 by the Province of Manitoba to market properties on North Main together with the City's funds have brought excellent attention to this particular part of downtown.

CentreVenture has made formal presentations to more than 75 organizations in the past year in an effort to promote



awareness and interest in reinvesting in the downtown. To date these efforts, while effective, have been ad hoc. It is both important and urgent that a more coordinated and sophisticated marketing effort be undertaken for downtown.

It is paramount that marketing efforts take place outside of Manitoba with regard to downtown Winnipeg and this can and should be done in a planned and coordinated fashion. Tools and resources need to be developed to place in the hands of potential investors so as to bring their investment dollars to downtown Winnipeg versus other urban centers in Canada. CentreVenture recognizes this must be a key priority for 2002, if resources are made available. Coordinating this with the Downtown BIZ and Forks North Portage Partnership is also key to maximizing efforts. Consideration can also be given to coordinating efforts with other City funded agencies such as Economic Development Winnipeg, Tourism Winnipeg or the City's new "super agency" to ensure the maximum leveraging possible is attained.

CentreVenture, in its Start-Up Business Plan estimated approximately $150,000 was required in each of the three years to address this very important matter in an effective and comprehensive manner. The need for marketing resources has grown given the need to encourage investment from outside of Winnipeg.

What is encouraging in spite of the absence of funding for marketing is results from a recent Probe research study indicating an awareness of CentreVenture as the City's downtown development is as high as 31% with the majority of those surveyed being in the middle to upper income bracket – primarily business and potential investors. The very market the organization targeted in its' start up phase.

Partnering with the Province of Manitoba

The Province of Manitoba contributed financially to the Urban Development Bank in 2000 and again in 2001. $250,000 was provided each year to support

and leverage capital investment in the downtown. A request for continued funding has been submitted to the Province of Manitoba.

In 2001 the Province contributed $50,000 to CentreVenture with the condition the funds be used for marketing of North Main. The Province of Manitoba has expressed a commitment to downtown revitalization and has provided financial assistance to other projects in the downtown through the Canada-Manitoba Infrastructure program. Waterfront Drive and the renewal of Main Street are two examples.



Red River College Princess Campus is one of the most significant projects the Province has led for the future revitalization of downtown - in partnership with the City of Winnipeg. The Province, with the City and Federal Governments has also made a significant commitment for public assistance in the development of the True North Entertainment Complex.

Urban Tax Credit



In 2001 the Province passed the necessary amendments to the City of Winnipeg Act, opening the door for an Urban Tax Credit downtown. The original proposal envisioned the Province fund this initiative. The City of Winnipeg Heritage Tax Credit program has proven to be successful in encouraging private investment and creating new uses for many heritage buildings downtown. A similar program was proposed for older, non-heritage buildings and new construction. Portage Avenue and Main Street play a significant role in defining how people perceive downtown. Many buildings along these two streets require urgent attention and do not qualify as heritage sites. The Urban Tax Credit program could act as a catalyst for reinvesting in an area where the commitments are

significant and the economics are challenging at this point in downtown's economic position in the market place.

Urban Development Bond

Access to Urban Bonds could provide the vehicle needed for significant private investment. Leadership and support from the Province in this regard would be of tremendous assistance to downtown Winnipeg in a way similar to the investment assistance provided by the Grow Bonds throughout rural Manitoba.

Conclusion

Tremendous progress has been realized over a relatively short period of time. Continuing and maintaining the momentum is essential. The focused leadership of the public and private sectors has been a major factor in what has been achieved to date and only by maintaining this focus will progress continue at this pace.

The Board of Directors of CentreVenture Development Corporation has provided leadership, expertise and a sense of urgency to each initiative it has undertaken. The commitment of these volunteers has been significant. The vote of confidence given to them by City Council in this important role is taken very seriously knowing they are stewards of scarce resources that must be leveraged in a thoughtful and strategic manner.

Attachment - CentreVenture

The current Board of Directors appointed by City Council are as follows:

CentreVenture Development Corporation

Board Chair
Ida Albo

Vice Chair
Lloyd McGinnis

Secretary Treasurer
John Hodgert

Past Chair
David Asper

Directors at large
Jim Burns, Polly Craik, Ginny Devine, Eugene Kostyra
Charles "Chuck" Loewen

President & CEO
Annitta Stenning

Attachment - CentreVenture

Appendix 'A'
CentreVenture Mandated Area



CentreVenture
Development Corporation