Agenda – Executive Policy Committee – June 10, 2015

REPORTS

Item No. 4 Winnipeg Convention Centre Corporation – Loan Guarantee Update

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 18, 2015, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service that the Chief Administrative Officer (CAO) or designate meet with senior officials of the Winnipeg Convention Centre Corporation (WCCC) to determine options with respect to anticipated payments on $33 million of debt guaranteed by the City of Winnipeg and report back to Executive Policy Committee within 90 days concerning a plan to address these payments.

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

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ADMINISTRATIVE REPORT

Title: **Winnipeg Convention Centre Corporation – Loan Guarantee update**

Critical Path: **Executive Policy Committee (EPC)**

AUTHORIZATION

Author	Department Head	CFO	CAO
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RECOMMENDATIONS

That the Chief Administrative Officer (CAO) or designate meet with senior officials of the Winnipeg Convention Centre Corporation (WCCC) to determine options with respect to anticipated payments on $33 million of debt guaranteed by the City of Winnipeg and report back to EPC within 90 days concerning a plan to address these payments.

REASON FOR THE REPORT

As a result of recent discussion with respect to the delayed development of the 220 Carlton site and the generation and collection of incremental taxes thereon to be used to repay the $33 million of debt guaranteed by the City of Winnipeg, the City review the status of its loan guarantee and repayment options with respect to the related debt.

IMPLICATIONS OF THE RECOMMENDATIONS

The CAO will report back to Council within 90 days concerning the results of the review.

HISTORY/DISCUSSION

On July 11, 2012 Council approved the City's funding participation in the Winnipeg Convention Centre Expansion Project by way of: (i) a $51 million grant to the WCCC; and (ii) a $33 million loan guarantee in favour of the WCCC. The $33 million loan was to be repaid by: (i) the WCCC servicing $17 million of the loan from the annual operating income of the expanded facility; and (ii) the City providing an annual grant to the WCCC of incremental municipal property and business taxes and the Province providing an annual grant to the WCCC of incremental provincial education taxes and levies generated by an adjacent property development, to service the net present value of the remaining $16 million of the loan. In addition, the City's loan guarantee was provided on the condition that the guaranteed

maximum price contract between the WCCC and the successful proponent contain a provision requiring the proponent to service the annual debt payments related to the portion of the loan to be repaid by the municipal and provincial incremental tax grant until such time as such incremental tax grant commenced.

The foregoing Council requirement was included in the City's funding agreement with the WCCC, by placing an obligation on the WCCC to holdback $16 million out of payments to be made by the WCCC to the successful proponent under the guaranteed maximum price contract until 30 days following substantial completion of the adjacent property development.

Further, the July 11, 2012 Council approval required the WCCC to be responsible for with any shortfalls in funding. Additional requests for funding, if required, specifically from the Destination Marketing Reserve, required Council approval.

On January 28, 2015, Council was advised that the WCCC had reached a conditional settlement agreement with Stuart Olson Construction Limited ("SODCL") whereby the WCCC would release SODCL from its obligation to construct the hotel development and eliminate the $16 million holdback requirement, in exchange for payment of liquidated damages by SODCL in the amount of $3.75 million to be paid on or prior to the payment of the last statutory holdback by WCCC under the construction project (approximately April / May 2016).

This settlement was conditional on Council amending its July 11, 2012 decision to remove the requirement for the proponent to service annual debt payments on the $16 million loan until such time as the incremental tax grant commences and on the City amending its funding agreement with the WCCC to eliminate the $16 million holdback requirement. The January 28, 2015 Council decision accordingly did so.

At the same time, Council also approved making a conditional grant of the $3.75 million in liquidated damages to CentreVenture Development Corporation ("CentreVenture") to reduce the amount of a $6.6 million loan taken out by CentreVenture to acquire the 220 Carlton site and guaranteed by the City. One of the conditions of the proposed grant was a requirement for CentreVenture to undertake a public bid process with respect to future development of the 220 Carlton site.

The report considered by Council on January 28, 2015 also states that in the event that the WCCC is unable to fully or partially service the debt payments during the time period between commencement of such debt payments and commencement of the incremental tax grant, further alternatives would need to be explored including the possibility of bridge financing under the Destination Marketing Fund Reserve. Any such decision would require a further report to Council.

Given concerns with respect to the timing of development on the 220 Carlton site and the generation of incremental taxes therefrom, the WCCC and the Public Service should work cooperatively to consider the following options and any other options identified during discussions with respect to a potential funding shortfall:

- Review opportunities within the original business plan prepared by the WCCC in support of the expansion to determine possible revisions, including finance charge and revenue assumptions, which could assist the WCCC in repaying its loans.
- Determine if any capital expenditures within the expansion project can be deferred until the 220 Carlton site is developed and incremental taxes are being generated and collected thereon.
- Discuss the deferral of future capital projects already funded by the WCCC beyond the current expansion.

- Discuss opportunities with the Bank to defer paying principal and/or interest until the 220 Carlton site is developed and incremental taxes are being generated and collected thereon.
- Determine if other properties can be included from the Shed district to supplement incremental taxes dedicated to WCCC.

The Public Service will report back to EPC providing an updated plan for repayment of the loans within 90 days of approval of the recommendations contained in this report.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 5, 2015

Project Name: Winnipeg Convention Centre Corporation - Loan Guarantee Update

COMMENTS:

There is no financial impact related to the recommendation of this report.

(Original signed by R. Hodges)
Ramona Hodges
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

Legal Services
Property Planning and Development

SUBMITTED BY

Department: Corporate Finance
Division: CFO Office
Prepared by: Mike Ruta
Date: March 4. 2015
File No.