Agenda – Executive Policy Committee – September 21, 2016

REPORTS

Item No. 7 Strategic Economic Incentive Grant – 390 Assiniboine Avenue (Fort Rouge – East Fort Garry Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a grant to 390 Assiniboine Ave Inc. in respect of the development at 390 Assiniboine Avenue (D Condo) and that the grant:

    (a) be an annualized payment for a period of up to 10 years beginning the year after full occupancy and final assessment is attained, in an annual amount equal to actual incremental municipal property taxes for the property located at 390 Assiniboine Avenue to a total aggregate maximum of $1.9 million;

    (b) be subject to completion of the project within four years of obtaining construction financing;

    (c) be on condition that 390 Assiniboine Ave Inc. meets the eligibility conditions otherwise applicable under the Downtown Residential Development Grant Program (By-law No. 77/2010).

2. That the City enter into, execute and deliver a grant agreement with 390 Assiniboine Ave Inc. outlining the terms and conditions under which the grant will be disbursed.

3. That the Chief Administrative Officer be authorized to negotiate and approve the terms and conditions of the grant agreement, 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 proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Strategic Economic Incentive Grant for Project at 390 Assiniboine Avenue

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Holmes	J. Kiernan	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

This report recommends that a grant be provided to 390 Assiniboine Ave Inc. for their proposed development located at 390 Assiniboine Avenue. Providing this grant demonstrates the City's support for residential downtown development, which is a key factor to the continued revitalization of the downtown area.

The project at 390 Assiniboine Avenue was previously approved under the Downtown Residential Development Grant Program; however, the developer will not complete the project within the timelines required. The developer of this project has represented in writing (Attachment A) that they were unable to meet this eligibility criteria for their grant. Specifically, the project did not achieve final occupancy within the prescribed four year time frame from conditional approval.

RECOMMENDATIONS

1. That Council approve a grant to 390 Assiniboine Ave Inc. in respect of the development at 390 Assiniboine Avenue (D Condo) and that the grant:
   (a) be an annualized payment for a period of up to 10 years beginning the year after full occupancy and final assessment is attained, in an annual amount equal to actual incremental municipal property taxes for the property located at 390 Assiniboine Avenue to a total aggregate maximum of $1.9 million;
   (b) be subject to completion of the project within four years of obtaining construction financing;
   (c) be on condition that 390 Assiniboine Ave Inc. meets the eligibility conditions otherwise applicable under the Downtown Residential Development Grant Program (By-law No. 77/2010)

2. That the City enter into, execute and deliver a grant agreement with 390 Assiniboine Ave Inc. outlining the terms and conditions under which the grant will be disbursed.

3. That the Chief Administrative Officer be authorized to negotiate and approve the terms and conditions of the grant agreement, 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 proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required for the City to give a grant to and enter into an agreement with 390 Assiniboine Ave Inc.

IMPLICATIONS OF THE RECOMMENDATIONS

Grant funds identified above are a critical element of total project financing in order to allow this project to proceed as planned. This recommendation is being pursued for this specific project based entirely on the developer's representation that without the grant this project as proposed would no longer be financially viable. The previous grant for this project under the DRDG program was assigned to the proponent's lender, as represented in writing, and as the DRDG program file is now closed, the proponent may have to arrange for alternative financing through its lender.

Upon completion, this project as proposed would result in the introduction of 91 additional residential condominium units in downtown Winnipeg.

The City would be committing ten years of annual incremental municipal taxes to this project with a maximum gross contribution of $1.9 million.

No grant will be paid until this project is completed and occupied according to the broader eligibility requirements as specified in an ensuing grant agreement pending Council consideration. Furthermore, as a condition of this grant, the proponent will be required to demonstrate that construction financing has been achieved based on the original project application parameters. The proponent will have four years from the date construction financing was achieved to complete the project.

HISTORY/DISCUSSION

DISCUSSION:

The project at 390 Assiniboine Avenue as proposed involves the construction of 91 new condominium units at an estimated total project budget of $25 million (including land acquisition costs of $2.6 million).

- CentreVenture has highlighted the following circumstances with respect to project delay:
    - To get financing for a condominium project, most developers are required to obtain between 60 and 70 percent pre-sales. Developers who have developed in both the downtown and outside the downtown have indicated that the marketing time for the downtown condominiums is at minimum, three times longer than for projects outside of the downtown.

    - In the downtown, developers are generally developing on smaller land parcels and/or dealing with the complexities of converting heritage buildings. Both scenarios make the design and planning process more complex and exponentially longer than green field development outside of the downtown.
    - The physical complexities and regulatory approval process of downtown development also impacts project schedules and costs:
        - Projects must go through a downtown design review process (often more than once);
        - If development is within a certain distance from the riverbank, additional permits and approvals are required;
        - Arranging and paying for sidewalk/street encroachments and closures;
        - Arranging and paying for parking meters to be hooded;
        - Design of building economically on generally smaller and more restrictive sites (close neighbours/setbacks etc.);
        - Maintaining site security – downtown has many issues with break-ins/vandalism on construction sites;
        - Expectations for much higher quality of design and construction.
        - Higher verticality on smaller sites to attain economies of scale which increase costs of construction per square foot.
        - Difficulty with having adequate construction staging areas, including parking for construction and trade workers. Effects coordination of material delivery and construction schedules.
- The proponent has further represented the following circumstances with respect to project delay:
    - Dealing with neighbouring property owner concerns and complaints which sometimes lead to legal claims being filed impairing the project
    - Project delays can lead to sales being cancelled, which need to be replaced to meet bank pre-sales criteria before funding can be released. This can become a frustrating cycle.

FINANCIAL IMPACT

Financial Impact Statement

Date: August 23, 2016

Project Name:

First Year of Program 2018

Strategic Economic Incentive Grant for Project at 390 Assiniboine Avenue

	2018	2019	2020	2021	2022 to 2027
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	$ 190,000	$ 190,000	$ 190,000	$ 190,000	$ 1,140,000
Less: Incremental Revenue/Recovery	190,000	190,000	190,000	190,000	1,140,000
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2018 represent the first of ten annual grants of $190,000. The timing of the first grant payment is based on the assumption that full occupancy is obtained in 2017 and that actual annual incremental taxes are equal to the annual grant.

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

CONSULTATION

CentreVenture Development Corporation
Province of Manitoba
Corporate Finance
Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

Our Winnipeg Section 01-4 – A City That Works - Housing

- Direction 6: Encourage residential development downtown
    - Enhance the quality of downtown residential life
    - Adapt and develop tools to support desired development
    - Promote downtown living with developers and potential residents

SUBMITTED BY

Department: Planning, Property and Development Department
Division: Economic Development
Prepared by: Lori DesAutels, Housing Development Program Officer
Date: August 31, 2016
File No. O:\Reports Directive\Office Of The Director\Manager Of Economic Development\2016 RIS Reports\16-08-26 RIS Report 390 Assiniboine (D Condo) Grant_Final Draft.Docx

Attachment A

SANDHU
DEVELOPMENTS

March 9, 2016

His Worship Mayor Brian Bowman And
Distinguished Members of City Council
Mayor's Office
510 Main Street, Winnipeg, Manitoba R3B 1B9

Re: **Downtown Residential Development Grant Program -**
Request for Council Assistance to Alter the Program

Dear Mayor Bowman and Members of Council:

We, Sandhu Developments Inc., are the developer of D Condo, a 24-storey condominium development consisting of 92 units to be located at 390 Assiniboine Avenue in downtown Winnipeg.

Construction of D Condo is underway and we need your help to keep the project viable. A condition of the Downtown Residential Development Grant is that the building must be successfully completed 48 months from the date of conditional approval, July 3, 2012, which means that D Condo must be completed by July 2, 2016 to be eligible. With our current construction schedule, we anticipate occupancy by Summer/Fall 2017 and will not be able to meet the 48-month requirement. We would need an 18-month extension to the grant occupancy deadline to complete our project. Given the development costs and construction timeline of a high-rise in downtown Winnipeg, D Condo is not a feasible project without the DRDG Program grant.

CentreVenture has prepared a comprehensive briefing note on this issue, which was provided to us. We kindly request that City Council consider adopting the solution provided on page 4 of the briefing note as soon as possible. We understand that there are other downtown residential developments that are same predicament as D Condo with respect to the grant. Therefore, we ask that the attached solution be adopted on behalf of all affected developments.

Your expedient response to this request for a meeting in the near future is greatly appreciated, as our grant occupancy deadline date is fast approaching.

390 ASSINIBOINE AVENUE INC. o/a D CONDO

Regards,

Karampaul Sandhu
Sandhu Developments Inc.
President
Cc: John Kiernan, Director Planning, Property and Development