Agenda – Executive Policy Committee – September 21, 2016

REPORTS

Item No. 8 Strategic Economic Incentive Grant – 530 Waterfront Drive (Point Douglas Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a grant to Green Seed Development Corp. in respect of the development at 530 Waterfront Drive (YouCube Condos) 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 530 Waterfront Drive to a total aggregate maximum of $135,000;

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

    (c) be on condition that Green Seed Development Corp. 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 Green Seed Development Corp. 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 530 Waterfront Drive

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 Green Seed Development Corp. for their proposed development located at 530 Waterfront Drive. 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 530 Waterfront Drive was approved under the Downtown Residential Development Grant Program (DRDG); 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 Green Seed Development Corp. in respect of the development at 530 Waterfront Drive (YouCube Condos) 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 530 Waterfront Drive to a total aggregate maximum of $135,000;
   (b) be subject to completion of the project within four years of obtaining construction financing;
   (c) be on condition that Green Seed Development Corp. 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 Green Seed Development Corp. 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 Green Seed Development Corp.

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. This recommendation is being pursued for this specific project based entirely on the developer's representation that without the grant this project would not be financially viable.

Upon completion, this project will result in the introduction of 11 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 $135,000.

No grant will be paid until this project is completed and occupied according to the broader eligibility requirements as specified in the ensuing grant agreement. 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

The project at 530 Waterfront Drive involves the new construction of 11 condominium units at an estimated total project budget of $2.0 million (including land acquisition costs of $200,000).

The following reasons for delay were provided verbatim by the developer:

- Challenges of developing downtown are much greater than construction timelines.
- The timelines needed for project design, for presales and acquisition of a permit simply cannot be known at the time of applying for the DRDG grant.
- If the timeline for the grant is not adjusted, our company would experience a potentially insurmountable financial setback.

FINANCIAL IMPACT

Financial Impact Statement

Date: August 23, 2016

Project Name:

Strategic Economic Incentive Grant for Project at 530 Waterfront Drive

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	$ 135,000	$ 135,000	$ 135,000	$ 135,000	$ 810,000
Less: Incremental Revenue/Recovery	135,000	135,000	135,000	135,000	810,000
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2017 represent the first of ten annual grants of $135,000. The timing of the first grant payment is based on the assumption that full occupancy is obtained in 2016 and that actual annual incremental taxes are equal or greater than 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 530 Waterfront (Youcube) Grant_Final Draft.Docx

Attachment A

March 12th, 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:

My name is Mark Penner and I am the President of Green Seed Development. Two of the projects that we have worked on Downtown are the Youcube Condos, located at 530 Waterfront Drive and 62M Condos, located at 540 Waterfront Drive.

Both of these projects were made possible by the help of CentreVenture and the DRDG Tax incentive grant, offered by the City of Winnipeg and the Province of Manitoba. The projects listed above are located in the furthest northeast corner of Downtown, one block from Higgins, along Waterfront Drive.

Development work downtown is not easy. Our project is more modest than the current 200-300 unit condominiums being built, which are experiencing similar problems with the 48 month grant timeline window, however the challenges of developing downtown are much greater than construction timelines. The timelines needed for project design, for presales and the acquisition of a permit (ours was 18 months) simply cannot be known at the time of applying for the DRDG Grant. While the grant makes these projects feasible, currently there is no way to know if, at the completion of a project, the project will still qualify.

If the timeline for the grant is not adjusted, our company would experience a potentially insurmountable financial setback. I have been committed to developing in downtown Winnipeg, since I purchased my first piece of vacant land at 27 years old. I believe that, if not adjusted, the absence of this grant funding will make downtown development unsustainable.

Please consider the solutions provided in the briefing notes attached, prepared by CentreVenture and please contact me, as I would love to discuss the impact your decisions will have.

I look forward to your response.

Mark Penner, President, Green Seed Development Corp.