Minute No. 465
Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – July 5, 2016

Item No. 12 Gas Station Arts Centre Review

COUNCIL DECISION:

Council concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development Committee and adopted the following:

1. That a grant of actual municipal incremental realty taxes to a maximum of $48,000 annually for a period of 10 years, beginning in the first year after the year in which occupancy permits are issued for the entire development, be provided to the Gas Station Arts Centre Inc. ("GSAC") in support of the theatre component of the Gas Station Theatre site redevelopment project (the "Project"), subject to the following conditions:

    A. that a new 300-seat Theatre venue be constructed and integrated with the Project;

    B. that a minimum of 50% of the total capital cost of the Theatre component of the project be raised from other (including private) sources;

    C. that GSAC provide written confirmation of all capital funding sources necessary to complete the Project;

    D. that the City enter into, execute and deliver a grant agreement with GSAC setting out the terms and conditions of the grant.

2. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the grant agreement with GSAC in accordance with Schedule A to this report, and such other terms and considerations deemed necessary by the Director of Legal Services and City Solicitor to protect the interest of the City.

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

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DECISION MAKING HISTORY:

Moved by Councillor Orlikow,

That the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development be adopted.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 6, 2016, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On July 5, 2016, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

The Standing Policy Committee on Property and Development, Heritage and Downtown Development received submissions in support of the matter from the following:

- Tom Anniko submitted a communication dated June 30, 2016.
- Terri Cherniack submitted a communication dated June 30, 2016.
- Erma Chapman, Chief Executive Officer, Macdonald Youth Services, submitted a communication dated July 5, 2016.
- Ken DeLisle, ACTRA, Equity and PAL member, submitted a communication dated June 30, 2016.
- Tom Keenan submitted a communication dated July 1, 2016.
- Wendy Elliott submitted a communication dated July 1, 2016.
- Susan Prentice submitted a communication dated July 3, 2016.
- Ross McMillan submitted a communication dated July 4, 2016.
- Fred R.C Penner submitted a communication dated July 4, 2016.
- Jonathan Barrett submitted a communication dated July 4, 2016.
- Patricia Hunter, ACTRA, CAEA Member, submitted a communication dated July 4, 2016.
- Maggie Nagle submitted a communication dated July 4, 2016.
- Susan Loewen submitted a communication dated July 4, 2016.
- CindyMarie Small submitted a communication dated July 4, 2016.

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DECISION MAKING HISTORY (continued):

STANDING COMMITTEE RECOMMENDATION (continued):

- Dr. Lloyd Axworthy, Co-Chair, Gas Station Art Centre's Capital Campaign, submitted a communication dated June 30, 2016.
- Alan Wong submitted a communication dated July 4, 2016.
- Ti Hallas submitted a communication dated July 4, 2016.
- Geof Langen, Chair, Board of Directors, and Nick Kowalchuk, Executive Director, GSAC, submitted a presentation at the meeting.
- Karl Falk, DSI Tandem, submitted a presentation at the meeting.
- Megan McArton, Member of PAL and Member of GSAC & PAL Housing Co-op, submitted a presentation at the meeting.

On June 7, 2016, the Standing Policy Committee on Property and Development, Heritage and Downtown Development laid over the matter to its meeting on July 5, 2016.

On April 12, 2016, the Standing Policy Committee on Property and Development, Heritage and Downtown Development laid over the matter for up to 60 days.

On March 8, 2016, the Standing Policy Committee on Property and Development, Heritage and Downtown Development laid over the matter to its meeting on April 12, 2016.

On February 16, 2016, the Standing Policy Committee on Property and Development, Heritage and Downtown Development laid over the matter to its meeting on March 8, 2016.

COMMITTEE RECOMMENDATION:

On January 21, 2016, the Winnipeg Housing Steering Committee directed the Winnipeg Public Service to review the Gas Station Arts Centre project, Attachment A, and report back to the February 16, 2016 meeting of Standing Policy Committee on Property and Development, Heritage and Downtown Development.

ADMINISTRATIVE REPORT

Title: **Request for a Strategic Economic Incentive Grant for the Theatre Venue Component of the Proposed Gas Station Arts Centre Project**

Critical Path: **Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee - Council**

AUTHORIZATION

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

RECOMMENDATIONS

1. That a grant of actual municipal incremental realty taxes to a maximum of $48,000 annually for a period of 10 years, beginning in the first year after the year in which occupancy permits are issued for the entire development, be provided to the Gas Station Arts Centre Inc. ("GSAC") in support of the theatre component of the Gas Station Theatre site redevelopment project (the "Project"), subject to the following conditions:
    a. that a new 300-seat Theatre venue be constructed and integrated with the Project;
    b. that a minimum of 50% of the total capital cost of the Theatre component of the project be raised from other (including private) sources;
    c. that GSAC provide written confirmation of all capital funding sources necessary to complete the Project;
    d. that the City enter into, execute and deliver a grant agreement with GSAC setting out the terms and conditions of the grant.
2. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the grant agreement with GSAC in accordance with Schedule A to this report, and such other terms and considerations deemed necessary by the City Solicitor / Director of Legal Services to protect the interest of the City.
3. That the proper officers of the City 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 GSAC and to enter into an agreement for this purpose.

EXECUTIVE SUMMARY

Gas Station Arts Centre Inc. (GSAC) is a charitable, non-profit organization that owns the Gas Station Theatre, a 232 seat theatre located at 445 River Avenue (northeast corner of River and Osborne) in the River-Osborne neighbourhood. The site also includes a small commercial component occupied by a Subway restaurant. In July 2015, GSAC submitted an initial proposal to financially support its redevelopment plans for the subject property, including a structure containing 82 residential units (including 31 affordable units), 5,000 square feet of commercial space, 55 underground parking stalls and a newly constructed theatre that will increase capacity to 300 seats. In April of 2016, the Public Service received a revised proposal/pro forma to build 55 residential units (retaining the proposed 31 affordable units), 7,775 square feet of commercial space, and the originally proposed theatre and underground parking. GSAC is requesting government funding to subsidize capital costs of the development through a strategic economic incentive grant, to make the Project economically viable.

The Project proposal initially focused on a request for support related to the housing component of the development. However, there is no existing City program to support housing projects outside of the downtown. Given the significance of the Gas Station Theatre as a community amenity, the Public Service has focused its grant recommendation on this component of the Project. The Project pro forma provided by GSAC identifies a projected funding shortfall of approximately $48,000 attributable to the Theatre component of the Project The municipal strategic economic incentive grant is therefore recommended at $48,000 annually for a period of 10 years in order to offset the projected loss attributed to debt-servicing of the newly constructed 300-seat Theatre.

Annual incremental municipal property taxes on the newly constructed Theatre are estimated at $14,000, and estimated incremental municipal property taxes for the entire Project (including the Theatre) are $84,000. Based on these estimates and the base taxes of $11,000 currently paid, approximately $36,000 in incremental municipal taxes would flow to the City from the completed Project during the recommended grant period. Starting in year 11, the pro forma analysis indicates that the Theatre component can operate on a self-sustaining basis.

IMPLICATIONS OF THE RECOMMENDATIONS

Based on the financial projections provided for the Project to date, GSAC will be required to seek additional funding from other private sources in order to fully offset the total investment required for the Project. The Public Service recommendation regarding GSAC's request for a strategic economic incentive grant is based on the following:

- The City does not currently have a strategic economic incentive grant program to support housing development outside of the downtown; therefore, it is recommended that assistance be focused on the Theatre component as a valued and long-standing community amenity. As such, it is desired that the Gas Station Arts Centre Inc. continue to program the refurbished venue accordingly and also recognize the greater community need to optimize the capacity and success of similar performance venues in general.
- The intent of support for the Theatre component of the Project is to offset the debt component of the Theatre for a period sufficient for the venue to be operationally self-sufficient based on the Project pro forma detail provided by GSAC to the City.

HISTORY/DISCUSSION

HISTORY

- At the January 16, 2016 meeting of the Winnipeg Housing Steering Committee, the following motion was passed: "That the Winnipeg Public Service be directed to review the Gas Station Arts Centre project and report back to the February 16, 2016 meeting of Standing Policy Committee on Property and Development, Heritage and Downtown Development."
- At its February 16, 2016 meeting, the Standing Policy Committee on Property and Development, Heritage and Downtown Development laid over the matter to its meeting on March 8, 2016.
- At its March 8, 2016 meeting, The Standing Policy Committee on Property and Development, Heritage and Downtown Development laid over the matter to its meeting on April 12, 2016.
- At its April 12, 2016 meeting, The Standing Policy Committee on Property and Development, Heritage and Downtown Development further laid over the matter for up to 60 days.

DISCUSSION

<u>Gas Station Arts Centre Inc. (GSAC)</u>

- GSAC is a charitable non-profit organization that owns the Gas Station Theatre, a 232 seat theatre located at 445 River Avenue (northeast corner of River and Osborne) in the River-Osborne neighbourhood. The site also includes a small existing commercial component.
- GSAC has undertaken a mixed-use redevelopment plan for the site to include a larger theatre, residential units, ground floor commercial space and outdoor plaza.
- To facilitate the redevelopment plan, a rezoning application was submitted to The City of Winnipeg and a Planned Development Overly 2 (PDO-2) was created.

- The rezoning application (DAZ 213/2014) and the Planned Development Overlay (PDO-2 445 River Avenue) were adopted by City Council on July 16, 2014.
- The rezoning includes provision for:
    - 82 residential units (31 planned to be rented at 'affordable' levels)
    - 5,000 square feet of commercial space fronting Osborne Street
    - An expanded theatre
    - Approximately 68 car parking spaces and 30 bike parking stalls
- The PDO-2 includes Development Standards, Use Specific Standards, Dimensional Standards, Density Standards and Parking, Bicycle Parking and Loading Management Plan Standards.
- GSAC originally submitted a proposal to redevelop the site with a structure containing 82 residential units (including 31 affordable units), 5,000 square feet of commercial space, 55 underground parking stalls and a newly constructed theatre that will increase capacity to 300 seats.
- GSAC revised its proposal in April 2016 to reduce the number of residential units from 82 to 55 and increasing the commercial space from 5,000 square feet to 7,775 square feet, resulting in a more favourable Project pro forma. The number of affordable residential units remains unchanged. An amendment to the Zoning Agreement related to DAZ 213/2014 may be required based on the proposed changes to the development plan.

Project proposal:

- The proposed site redevelopment will create a six-story, mixed-use building that will include: a new 20,000 square foot, 300-seat theatre; 7,775 square feet of commercial space; 55 cooperative housing units; and 55 underground parking spaces.
- Residential units will consist of one, two and three-bedroom units with thirty-one units.
- The land will continue to be owned by GSAC with the residential component leased to a separate non-profit cooperative that will manage and operate the residential component of the Project.
- GSAC has established several partnerships for housing in the proposed development including:
    - The Winnipeg chapter of the Performing Arts Lodge (PAL Winnipeg), a non-profit charitable organization dedicated to providing affordable housing for members of the arts community (20 units).
    - Macdonald Youth Services (2 units).
    - DreamBig, a service supporting people who are deaf-blind, and are seeking safe and affordable housing that will allow members to maintain independence and dignity (approximately 10 units).

Zoning Entitlements:

- The site was approved by Council for rezoning from C2 to RMU (file DAZ 213/2014) to increase the residential development density allowed on the site. It was also granted a density increase through a Planned Development Overlay to allow for up to 85 units instead of the 54 units that represent the maximum density that would be afforded under RMU zoning as per the property lot size.
- Parking approved as part of DAZ 213/2014 included:

  - Approximately 60 underground parking stalls
  - 3 car share vehicles with stalls provided on site
  - Approximately 8 parking stalls off the rear lane
  - Approximately 30 bicycle parking stalls
- A Parking Management Plan (PMP) is required to be submitted to the City before the issuance of development permits.

Estimated Project Budget, Funding and Revenues

- The pro forma budget provided by GSAC identifies a total capital construction budget of $26.2 million. This budget includes the cost of underground parking, which is proposed subject to a parking management plan based on the revised Project proposal of 55 residential units.
- Proposed capital funding for the Theatre includes $4 million in private fundraising and $4.6 million in debt financing. Mortgage repayment is projected to create an operating deficit of approximately $48,000 for the Theatre component of the Project.
- The commercial component of the Project will be funded entirely through debt financing. The pro forma demonstrates that a positive cash flow can be generated for the commercial component based on a loan amortization term of 10 years. Therefore, once debt financing on the commercial component is retired in year 11, the resulting positive cash flow can be used to subsidize the Theatre on a self-sufficient basis.

Review of Theatre Development

- The City does not currently have a strategic economic incentive grant program to provide financing to housing developments occurring outside of the downtown. Approval of the recommended grant is not intended to serve as a precedent for similar requests for funding to support residential or mixed-use developments outside of the downtown. Rather, this report recommends support for the Theatre component of the development as a unique community amenity which, based on pro forma projections, would otherwise operate initially in a deficit position without City funding support.
- Based on the recommended funding support from the City for the Theatre, GSAC will need to continue to pursue both mortgage financing and private fund-raising for both the Theatre component and the Project proper. The subsequent strategic economic incentive grant would be provided annually upon completion to be used to offset the debt component of the newly-constructed Theatre. It will be the responsibility of the proponent or a program partner to secure construction/mortgage financing required for the Project.
- The proposal includes a capital investment of approximately $8.6 million for the refurbished Theatre component of the Project.
- The reconstructed Theatre would see an increase in seating from 232 to 300 seats and would be intended for use by the existing performing arts client base as a valued and unique community amenity.
- An estimate of incremental municipal property taxes for the Theatre component in its refurbished form as provided by Assessment and Taxation is approximately $14,000 annually. The entire Project will generate an estimated $84,000 in annual incremental municipal property taxes.

- As previously stated, the commercial component, which is intended to subsidize the Theatre operation, demonstrates a marginal positive cash flow if debt financing is limited to ten years. During that period, the Theatre demonstrates an operational deficit of approximately $48,000. Once the commercial mortgage is retired, the commercial and Theatre components in tandem demonstrate a positive cash flow.
- The recommendation of a strategic economic incentive grant from the City, capped at $48,000 per year for ten years, will enable GSAC to bridge the deficit period of the Project, after which the Theatre component would operate on a self-sufficient basis.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 24, 2016

Project Name:

Request for a Tax Increment Financing (TIF) Grant for the Gas Station Arts Centre Project

First Year of Program **2018**

	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	$ 48,000	$ 48,000	$ 48,000	$ 48,000	$ 288,000
Less: Incremental Revenue/Recovery	95,000	95,000	95,000	95,000	570,000
Net Cost/(Benefit)	$ (47,000)	$ (47,000)	$ (47,000)	$ (47,000)	$ (282,000)
Less: Existing Budget Amounts	(11,000)	(11,000)	(11,000)	(11,000)	(66,000)
Net Budget Adjustment Required	$ (36,000)	$ (36,000)	$ (36,000)	$ (36,000)	$ (216,000)

Additional Comments: Direct costs represent an annual grant of $48,000 for a 10-year period while revenues represent estimated total municipal realty taxes to be generated from the entire proposed development. Existing budget represents the base amount of municipal realty taxes. The net budget adjustment of $36,000 represents annual incremental taxes accruing to the City over and above the proposed grant of $48,000. This analysis is based on the assumptions that the first full year of incremental taxes will be 2018, the grant will be paid out the same year as the incremental taxes accrue to the City and that the amount of incremental taxes remains constant from 2018 to 2027. As the grant is to be equal to actual incremental taxes, risk to the City is mitigated should incremental taxes be less than projected.

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

CONSULTATION

City of Winnipeg Assessment and Taxation Department

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

- Supports a wide range of arts and cultural facilities (03-3 Creativity, Direction 3) and meets the enabling strategy:
    - Collaborate to provide, support or encourage the development, maintenance and establishment of sustainable funding strategies of arts and cultural facilities of different scales appropriate to their context. (*OurWinnipeg, p. 83*)
- Supports and enables meaningful community expression (03-3 Creativity, Direction 4) and meets enabling strategies:
    - Support a wide range of cultural facilities and services that reflect community diversity.
    - In partnership with communities, create environments that reflect their distinct artistic and cultural values. (*OurWinnipeg, p. 84*)

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Urban Planning, Economic Development
Prepared by:	Dave Dessens, Winnipeg Housing Policy Coordinator
Date:	June 24, 2016
File No.	O:\Reports Directive\Planning and Land Use\Urban Planning Reports\Housing Development\RIS Report - Gas Station Arts Centre Grant Request.docx

SCHEDULE A – Terms & Conditions of City Funding

- That the Project includes a newly constructed Theatre with a minimum of 20,000 square feet and 300-seat capacity.

- That the Gas Station Arts Centre Inc. can demonstrate in writing that construction financing for the Project has been secured sufficient to build a 20,000 square foot, 300-seat Theatre at an estimated cost of $8.6 million.

- That the Gas Station Arts Centre Inc. raise a minimum of $4.0 million of the total estimated Theatre construction cost of $8.6 million from private fundraising sources as proposed.

- That the newly-constructed Theatre comply with all applicable municipal, provincial and federal regulations including the City of Winnipeg's Universal Design policy.

- That the newly-constructed Theatre remain under the ownership and operation of the Gas Station Theatre Inc.

- That the City and GSAC agree that the primary use of the Theatre is for broad community benefit consistent with the history of the Gas Station Theatre as a venue for the local performing arts sector.

- That all funding provided by the City of Winnipeg will flow to the Theatre component of the Project as a valued community amenity.

- That the strategic economic incentive grant is intended to offset a projected annual deficit of approximately $48,000 for the Theatre component of the Project based on the capital financing and operating pro forma provided by the proponent on April 20, 2016.