Agenda – Executive Policy Committee – March 15, 2017

REPORTS

Item No. 4 SHED Phase 2 Public Investments – True North Square Plaza Construction Grant

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That SHED Phase 1 as approved by Council on April 25, 2012 be amended as follows:

    a. the Phase 1 completion date be extended from December 31, 2014 to December 31, 2016 to enable the completion of all contracted Phase 1 works as identified by CentreVenture Development Corporation ("CentreVenture") and confirmed by the City Solicitor / Director of Legal Services; and,

    b. any uncommitted balance of previously approved Phase 1 borrowing and budget (currently estimated to be $1.02 million) be carried forward and used for Phase 2 investments as set forth in Schedule "A" hereto.

2. That SHED Phase 2 as approved by Council on April 25, 2012 be amended to reallocate the permitted Phase 2 expenditures in accordance with Schedule "A" attached hereto, which expenditures shall be for the implementation of public realm streetscaping improvements and skywalk enhancements in connection with the True North Square project to be located at 242 Hargrave Street / 225 Carlton Street and the Sutton Group / Northlands project to be located at 220 Carlton Street (collectively, "True North Square").

3. That the City's loan guarantee(s) for SHED Phase 2 as approved by Council on April 25, 2012 be provided in phases, in such amounts and at such times as funding is required for the public realm streetscaping improvements and skywalk enhancements respectively, subject to the phasing and maximum amounts for each phase as set forth in Schedule "B" and that the City's loan guarantee(s) be subject to:

    a. confirmation of execution of a funding agreement satisfactory to the Chief Administrative Officer between CentreVenture and True North Sports & Entertainment Ltd. ("TNSE") and/or Northland Properties Corporation ("Northland") that sets out the terms and conditions of any SHED Phase 2 funding to be provided by CentreVenture to TNSE and/or Northland to carry out and construct the public realm streetscaping improvements and/or skywalk enhancements; and

b. with respect to any loan guarantee(s) for funding related to skywalk enhancements, execution of a skywalk agreement between the City and TNSE and/or Northland, the terms and conditions of which shall be submitted to Council for its prior approval.

4. That the City enter into, execute and deliver, and the City Solicitor / Director of Legal Services be directed to prepare, all necessary amendments to the SHED Funding Agreement among the City, the Province of Manitoba (the "Province") and CentreVenture to implement the foregoing.

5. That commencing in the calendar year following total completion of the Plaza (as hereinafter defined), the City provide an annual grant to TNSE in an amount of 80% of the annual incremental municipal taxes collected in the SHED-TIF Zone less the annual amount to be paid to CentreVenture with respect to SHED principal and borrowing costs, to a total aggregate maximum of the lesser of one-third of the overall construction costs or $3,150,000 for the construction of a public plaza on private property owned by TNSE and located at 242 Hargrave / 225 Carlton Street (the "Plaza"), subject to:

   a. achievement of design and permit approvals, including compliance with the City of Winnipeg's Accessibility Policy;

   b. total completion of the Plaza;

   c. confirmation of the actual Plaza construction costs, and completion of due diligence with respect thereto, to the satisfaction of the Chief Financial Officer;

   d. confirmation of at least an equal contribution from the Province of Manitoba, to the satisfaction of the Chief Financial Officer; and

   e. execution by all parties of the agreements set forth in Recommendation 6 hereof.

6. That the City enter into, execute and deliver the following agreements with TNSE with respect to the Plaza:

   a. a funding agreement that sets out the terms and conditions of the City's grant;

   b. a public access agreement in accordance with the terms and conditions set forth in Schedule "C" hereto, which include terms and conditions of public access to the Plaza and operating and maintenance obligations with respect to the Plaza;

   c. a public pathway agreement over a portion of the Plaza in accordance with the terms and conditions set forth in Schedule "D" hereto;

d. such other ancillary agreements deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City;

and that the Chief Administrative Officer be authorized to approve the terms and conditions of all such agreements 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.

7. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: SHED Phase 2 Public Investments and True North Square Plaza Construction Grant

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

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

EXECUTIVE SUMMARY

The proponents of the announced private development projects at 242 Hargrave Street/225 Carlton Street and 220 Carlton Street (collectively, "True North Square") have requested consideration of a funding contribution from the City and Province for public investments in conjunction with the development occurring at True North Square.

The Sports, Hospitality and Entertainment District ("SHED") vision and the SHED Program were created in support of the Downtown policy outlined in the Our**Winnipeg**, Complete Communities Direction Strategy, aimed at creating a 'world-class' destination district.

Of the $25 million approved for the SHED Program in 2012, approximately $17.6 million remains available for additional investments in public spaces. In this report, the Public Service recommends that a significant portion of the remaining SHED Program budget balance be allocated to streetscaping and skywalk enhancements. These public investments in the vicinity of True North Square will be phased according to the progress of the separate private development projects at both the 242 Hargrave Street/225 Carlton Street and, in time, the 220 Carlton Street site.

A separate Tax Increment Financing ("TIF") grant contribution is also being recommended in partnership with the Province and True North Sports & Entertainment Ltd. toward the private construction of a public plaza on private property. This amenity was not contemplated within the original SHED Program and budget but supports the overall SHED mandate. The City's contribution to the plaza will be capped at approximately 1/3 of the plaza cost and funded based on sufficient additional incremental municipal taxes generated within the SHED-TIF Zone. City funding will also be subject to specific terms and conditions, including a public access agreement.

The City's recommended contribution through the SHED Program and Plaza Grant potentially leverages more than double the investment in high-quality public spaces. The emergence of a vibrant, connected and pedestrian-friendly destination presents a significant benefit to citizens and visitors alike and advances the Our**Winnipeg** policy vision for the Downtown. During, and

beyond, the term of the SHED Program, this private investment will also provide a direct return to the general tax base of the City.

The report fulfills the public sector commitment through SHED that complements the over $400 million of private investment, construction and enhancement of a Downtown Sports, Hospitality and Entertainment District.

RECOMMENDATIONS

1. That SHED Phase 1 as approved by Council on April 25, 2012 be amended as follows:
    a. the Phase 1 completion date be extended from December 31, 2014 to December 31, 2016 to enable the completion of all contracted Phase 1 works as identified by CentreVenture Development Corporation ("CentreVenture") and confirmed by the City Solicitor / Director of Legal Services; and,
    b. any uncommitted balance of previously approved Phase 1 borrowing and budget (currently estimated to be $1.02 million) be carried forward and used for Phase 2 investments as set forth in Schedule "A" hereto.
2. That SHED Phase 2 as approved by Council on April 25, 2012 be amended to reallocate the permitted Phase 2 expenditures in accordance with Schedule "A" attached hereto, which expenditures shall be for the implementation of public realm streetscaping improvements and skywalk enhancements in connection with the True North Square project to be located at 242 Hargrave Street / 225 Carlton Street and the Sutton Group / Northlands project to be located at 220 Carlton Street (collectively, "True North Square").

3. That the City's loan guarantee(s) for SHED Phase 2 as approved by Council on April 25, 2012 be provided in phases, in such amounts and at such times as funding is required for the public realm streetscaping improvements and skywalk enhancements respectively, subject to the phasing and maximum amounts for each phase as set forth in Schedule "B" and that the City's loan guarantee(s) be subject to:

    a. confirmation of execution of a funding agreement satisfactory to the Chief Administrative Officer between CentreVenture and True North Sports & Entertainment Ltd. ("TNSE") and/or Northland Properties Corporation ("Northland") that sets out the terms and conditions of any SHED Phase 2 funding to be provided by CentreVenture to TNSE and/or Northland to carry out and construct the public realm streetscaping improvements and/or skywalk enhancements; and

    b. with respect to any loan guarantee(s) for funding related to skywalk enhancements, execution of a skywalk agreement between the City and TNSE and/or Northland, the terms and conditions of which shall be submitted to Council for its prior approval.

4. That the City enter into, execute and deliver, and the City Solicitor / Director of Legal Services be directed to prepare, all necessary amendments to the SHED Funding Agreement among the City, the Province of Manitoba (the "Province") and CentreVenture to implement the foregoing.

5. That commencing in the calendar year following total completion of the Plaza (as hereinafter defined), the City provide an annual grant to TNSE in an amount of 80% of the annual incremental municipal taxes collected in the SHED-TIF Zone less the annual amount to be paid to CentreVenture with respect to SHED principal and borrowing costs, to a total aggregate maximum of the lesser of one-third of the overall construction costs or $3,150,000 for the construction of a public plaza on private property owned by TNSE and located at 242 Hargrave / 225 Carlton Street (the "Plaza"), subject to:
    a. achievement of design and permit approvals, including compliance with the City of Winnipeg's Accessibility Policy;
    b. total completion of the Plaza;
    c. confirmation of the actual Plaza construction costs, and completion of due diligence with respect thereto, to the satisfaction of the Chief Financial Officer;
    d. confirmation of at least an equal contribution from the Province of Manitoba, to the satisfaction of the Chief Financial Officer; and
    e. execution by all parties of the agreements set forth in Recommendation 6 hereof.

6. That the City enter into, execute and deliver the following agreements with TNSE with respect to the Plaza:
    a. a funding agreement that sets out the terms and conditions of the City's grant;
    b. a public access agreement in accordance with the terms and conditions set forth in Schedule "C" hereto, which include terms and conditions of public access to the Plaza and operating and maintenance obligations with respect to the Plaza;
    c. a public pathway agreement over a portion of the Plaza in accordance with the terms and conditions set forth in Schedule "D" hereto;
    d. such other ancillary agreements deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City;

    and that the Chief Administrative Officer be authorized to approve the terms and conditions of all such agreements 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.

7. 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 to amend the existing April 25, 2012 Council decision with respect to current SHED funding approvals. In addition, Council approval is required for all new grants provided by the City to third parties and for any related agreements (i.e. funding agreements, public access agreements, and public pathway agreements) with such third parties with respect to the terms and conditions of such grants.

IMPLICATIONS OF THE RECOMMENDATIONS

SHED Phase 2 Public Investments

- Outstanding SHED Phase 1 expenditure commitments beyond December 31, 2014 will be paid under the ongoing administration of CentreVenture and eligible projects associated with Phase 1 will be deemed complete prior to December 31, 2016. Uncommitted Phase 1 funding in the amount of approximately $1,000,000 will be carried forward for SHED Phase 2 investments in accordance with Schedule A of this report.
- With the appropriate agreements and prerequisite conditions in place, SHED Phase 2 will proceed based on the reallocated budget identified in Schedule "A". Funding and construction of SHED Phase 2 public investments for public realm streetscaping investments and skywalk enhancements, which are approved by the SHED Governance Committee (consisting of two voting members from the City, two voting members from the Province, and one non-voting member from CentreVenture) based on SHED policy and vision, and value for public money, will be phased according to the proposed private development project schedule.
- SHED Phase 2 loan guarantee(s) will be provided by the City in accordance with Schedule "B" attached, at such time as the adjacent private development projects sufficiently progress and the prerequisite terms and conditions for proceeding to the next phase of funding and construction as set forth in Schedule "B" are achieved.
- The City's loan guarantee sub-phases are recommended with the intention of aligning public investment funding contributions with the accrual of sufficient municipal incremental taxes from the SHED-TIF Zone to fully offset the resulting debt obligation.
- Under the terms of the SHED Program, 80% of the municipal incremental taxes in the SHED-TIF Zone are used for public investments and 20% represents a direct return to the City's general revenues.

PLAZA GRANT

- Development of the Plaza will be project-managed and constructed by TNSE in conjunction with the larger private development project.
- The City will provide an annual TIF grant to TNSE as a contribution to the Plaza in an amount not to exceed 1/3 of Plaza construction costs and to a maximum of $3,150,000. The City's grant will be subject to, at minimum, a matching contribution by the Province.
- TNSE will finance the construction of the Plaza, and the City's grant will be paid to TNSE over a period of time and will be funded on an annual basis from incremental taxes generated within the SHED-TIF Zone (after the City's annual obligation to provide a payment to CentreVenture with respect to SHED principal and borrowing costs has been satisfied). For these purposes, the annual TIF grant will be provided from 80% of the additional municipal incremental taxes generated within the SHED-TIF Zone.
- TNSE will be required to meet certain conditions prior to payment of any City grant monies, including entering into a funding agreement, a public access agreement, and a public pathway agreement with the City.

HISTORY/DISCUSSION

HISTORY

- On April 25, 2012, Council approved a $25 million capital investment in the Portage Avenue Development Strategy / Sports Hospitality and Entertainment District ("SHED") to be funded equally by the City and the Province.
- The parameters of Council approval of the SHED initiative included in part, loan guarantees to be provided by the City with respect to SHED borrowing by CentreVenture in two phases:
    - Phase 1: loan guarantee of up to $8.3 million; and
    - Phase 2: loan guarantee of up to $16.7 million, only to be executed and delivered *based on the reasonable assurance of additional incremental taxes to the satisfaction of the Chief Administrative Officer*.
- In March 2013, a tri-partite SHED Funding Agreement was executed by the Province, the City and CentreVenture.
- SHED Phase 1 borrowing was advanced on the expectation that the CentrePoint project (Stantec Office & Alt Hotel) as conceived at that time would alone leverage taxes sufficient to fund SHED Phase 1 investments. Approximately $7.3 million of the approved $8.3 million SHED Phase 1 budget was committed for eligible Phase 1 projects prior to the Phase 1 required completion date of December 31, 2014.
- In early 2015, the City was advised of a plan by TNSE to develop "True North Square" (TNS). The TNS concept plan identified a significant mixed-use development and plaza on both the 220 and 225 Carlton Street properties. TNSE subsequently requested consideration by the City and Province of a contribution through the SHED initiative to fund the 'public' elements of their proposed TNS project.
- On January 18, 2016, a public announcement led by the Province identified a proposed government contribution of up to $26.6 million to the TNS project, including $17.6 million under SHED Phase 2. This announcement included a statement that "the province will also work with the city to prioritize a further investment of up to $9 million of TIF under an expanded SHED Program toward additional public amenities within the SHED district that are in close proximity to the True North Square project. This further investment would be subject to review and approval by City Council".
- On February 24, 2016, a second public announcement led by TNSE introduced an alternative project consisting of a revised development for 242 Hargrave Street / 225 Carlton Street and a revised development for 220 Carlton Street (The Sutton Place Hotel and Residence) to be undertaken by a new proponent, Northland (this iteration of the development referred to throughout this report as "True North Square"). This second announcement also served to confirm that a proposed hotel development is to be located at 220 Carlton Street as opposed to 225 Carlton Street as previously announced.
- On October 7, 2016, the City received application from TNSE for the staged 'Superstructure' building permit phase of the private development project at 242 Hargrave Street and 225 Carlton Street (formerly 225 Carlton Street). Based on this application, the project will consist of two towers:
    - 242 Hargrave Street (Office Tower 1):
        - 2 levels underground parking (238 parking spaces in total)
        - Level 1 "ground floor", Level 2 "skywalk", Level 3 unknown use on plans
        - Levels 4 through 17 inclusive "office"
        - 3 levels of mechanical

- 225 Carlton Street (Residential Tower 2):
    - Level 1 “ground floor”, Level 2 “skywalk” unknown use on plans
    - Levels 3 through 6 inclusive “office”
    - Levels 7 through 25 “residential”

DISCUSSION

Phase 1 Synopsis:

- SHED Phase 1 was carried out with CentreVenture as the dedicated project manager, Program administrator and borrowing agent under the terms of the existing tri-partite SHED Funding Agreement. Under the terms of the Council approval, Phase 1 of the SHED initiative was to have been completed as of December 31, 2014. The total SHED Phase 1 budget amount ($8.29 million) has been borrowed but at December 31, 2014 approximately $1 million remains unspent due to the deferral / delay of some of the identified eligible projects. CentreVenture has since provided a documented accounting of outstanding works and explanation with respect to the delay through the SHED Project Manager at the time and requested an extension of the SHED Phase 1 timeline. In response to this request, the Public Service conducted a review of SHED Phase 1 commitments outstanding. Additional Council approval is required for the extension of the completion date for the outstanding SHED Phase 1 projects and further utilization of any uncommitted funding. This report recommends that uncommitted funding from SHED Phase 1 be carried forward and incorporated into the SHED Phase 2 budget allocation as set forth in Schedule “A”.
- The streetscaping elements installed in conjunction with SHED Phase 1 can be characterized as a ‘pilot’ initiative adjacent to the existing MTS Centre and Metropolitan Entertainment Centre. The intention of SHED Phase 1 at the time was to showcase the ‘look and feel’ that was eventually to be extended over a larger SHED investment area in SHED Phase 2.
- Completion of the “CentrePoint” (Stantec Office & Alt Hotel) private development, project, on which SHED Phase 1 TIF funding was conceptually based, was delayed by approximately 1 year. As a result, the accrual of applicable incremental taxes for the SHED initiative that were to flow from this project was also delayed. This resulted in a cash flow shortfall between the actual and anticipated tax amounts, and by extension, the debt servicing payment obligation to CentreVenture for Phase 1 borrowing. Assessment and Taxation reported in June 2015 that the total applicable municipal incremental taxes accrued for the SHED program within the SHED TIF Zone were $204,075.73. This compares with the municipal share of SHED Phase 1 debt servicing cost of $371,313.55. The office and hotel components of the CentrePoint project have since been added to the 2015 tax roll for SHED-TIF eligibility in 2016. As a result, the 2015 timing-based shortfall will be offset by an additional $129,061 from this project starting in 2016.

Private Development Projects Relevant to SHED Phase 2:

- The announcement of the 242 Hargrave Street / 225 Carlton Street portion of True North Square represents significant additional private investment in the designated SHED-TIF Zone. As such, the City and Province now have an opportunity to activate SHED Phase 2 public investments and further advance the SHED vision based on the ensuing incremental municipal property and provincial education taxes. To that end, 80% of the municipal

incremental taxes generated will be used for SHED Phase 2 public investments and 20% of these taxes will go directly to the City's general revenues.

- It is important to note that the 220 Carlton Street development is part of True North Square project and is taken into consideration in terms of SHED Phase 2 public realm streetscaping improvements and skywalk enhancements. However, incremental municipal and business taxes from the proposed development on the 220 Carlton Street property are committed in the first instance to the servicing of $16 million of the RBC Convention Centre expansion project costs and thus are not available for SHED funding or any other purpose until this obligation is fulfilled. This property was removed from the SHED-TIF Zone by virtue of an amendment to By-law 98/2012 made by Council on October 26, 2016.
- Although a potential public funding contribution of up to $26.6 million in public investments was publicly announced by the Province on January 18, 2016, this amount exceeds the currently approved SHED Phase 2 spending threshold. Therefore, the report recommends the reallocation of previously approved SHED Phase 1 uncommitted money and SHED Phase 2 budget amounts to align with the public investments (i.e. public realm streetscaping improvements and skywalk enhancements) proposed in conjunction with True North Square. This report also seeks Council consideration, under recommended terms and conditions, for potential public investments in excess of the previously approved SHED Phase 2 budget amount, by way of a separate grant to be made by the City to TNSE for Plaza construction.
- In conjunction with the Public Service recommendations, a number of relevant considerations have been advanced, including:
    - preparation of estimates of incremental taxes from the proposed private development projects at 242 Hargrave / 225 Carlton Street and 220 Carlton Street based on the most recent and relevant private development project details;
    - pursuit of sufficient cost estimate detail and confirmed final costing for the proposed public investments related to True North Square from TNSE; and,
    - risk mitigation strategies on behalf of the City, including:
        - logical phasing of public investment funding contributions to coincide with private construction, and;
        - preparation of a cash flow analysis that is intended to minimize the need for borrowing against taxes until such taxes have actually materialized in an amount sufficient to offset the City's debt obligation.
- Accurate development details are critical to the preparation of representative tax projections for the developed properties. Such representations will only be obtained upon submission of final drawings for the purpose of permit application and approval. This detail is still pending at the time of writing and as such relevant provisions as set forth in the recommendations will be incorporated into the necessary ancillary agreements with respect to the City's terms and conditions for funding contributions to the proposed public investments.

<u>SHED Phase 2 Public Investments:</u>

The Public Service recommends that for eligible public investments under SHED Phase 2, loan guarantees would be provided by the City with respect to SHED borrowing by CentreVenture based on sub-phases as outlined as part of Schedule "B" and represented by the corresponding portion of the accompanying map in Schedule "E".

Sub-phase 1: Concurrent with issuance of Final Occupancy Permit for the private development project at 242 Hargrave Street (Office Tower 1)

Sub-phase 2: As of October 1 of the first full year of occupancy of 242 Hargrave Street (Office Tower 1)

Sub-phase 3: Concurrent with issuance of a Building Permit for the proposed private hotel development project at 220 Carlton Street

Sub-phase 4: Concurrent with issuance of Final Occupancy Permit for the proposed private hotel development project at 220 Carlton Street (a specific timeline for completion has not yet been identified)

These sub-phases are intended to balance the public investment expenditures with the eligible municipal incremental taxes accruing from the SHED-TIF Zone. Additional detail on the total estimated streetscaping and skywalk enhancement costs related to these sub-phases is provided below:

Streetscaping:	(TNSE Estimate as at September 30, 2016:	$5,030,000)
Sub-phase 1:	*Hargrave Street (West Side):*	*$395,788*
	Carlton Street (East Side)	*$692,629*
	Hargrave Street & Graham Avenue Intersection	*$1,287,448*
Sub-phase 2:	*Graham Avenue (South Side)*	*$647,136*
Sub-phase 4:	*Carlton Street (West Side)*	*$2,007,000*

Skywalk Enhancements:	(TNSE Estimate as at September 30, 2016:	$12,213,000)
Sub-phase 1:	*City Place to West Side Hargrave Street:*	*$3,959,042*
Sub-phase 3:	*West Side Hargrave Street to East Side Carlton Street*	*$3,234,958*
Sub-phase 4:	*East Side Carlton Street to West Side Carlton Street*	*$1,672,625*
	West Side Carlton Street to North Side St Mary Avenue[1]	*$1,835,176*
	North Side St. Mary Avenue to RBC Convention Centre	*$1,086,924*

- The 50% City share of the estimates above under the SHED Program would be approximately $8.4 million plus associated borrowing costs, to be financed over 15 years using 80% of the eligible municipal incremental taxes generated in the SHED-TIF Zone. In addition, it is important to note that all borrowing by CentreVenture for 100% of public investments under the SHED Program is guaranteed by the City.
- All construction will be subject to permit, design, accessibility and related approvals by the City;
- Public investment funding will be based on the existing SHED eligible project approval processes;
- Funding considerations will include:
    - City construction and design standards and specifications
    - ongoing operating and maintenance requirements and the identification of a sustainable funding source for same
- a portion of the walkway as proposed would be constructed privately on private property in conjunction with the development of 242 Hargrave Street/225 Carlton Street;
- Schedule “A” of this report identifies a maximum recommended budget allocation of $11,788,725 for skywalk enhancements.

Proposed Public Investments Beyond Existing SHED Approvals

TNS/Sports Legacy Plaza: (Proponent Estimate as at September 30, 2016: $8,944,000)

- True North Square as proposed includes a Plaza component that is intended to be a public amenity. The SHED Program does not contemplate a privately constructed public plaza on private property. Further, the additional estimated cost of the Plaza, when combined with the public realm streetscaping and skywalk enhancements proposed above, exceeds the SHED Program budget available. The Public Service is therefore recommending that funding for the Plaza be provided in the form of a direct annual TIF grant according to the parameters in Recommendation 5 of this report and based on the following additional considerations:
    - The Plaza is to be constructed privately on private property;
    - The proposed design and actual cost is subject to compliance with all code and design-related approvals based on submitted building permit drawings by TNSE;
    - Construction is to be completed in conjunction with the completion of the private development project on 242 Hargrave Street (Office Tower 1), which according to TNSE's construction schedule, is scheduled for occupancy in June 2018;
    - The City will provide its funding contribution in the form of an annual grant to a total maximum of 1/3 of the Plaza construction costs or $3,150,000 as identified in Schedule "B" and commencing upon the accrual of taxes from the first full year of occupancy of 242 Hargrave Street (Office Tower 1).
    - The annual TIF grant from the City for the Plaza would be funded from 80% of additional incremental taxes generated in the SHED-TIF Zone after SHED Phase 2 borrowing obligations to CentreVenture have been fulfilled.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 9, 2017

Project Name:

First Year of Program 2018

SHED Phase 2 Public Investments and True North Square Plaza Construction Grant

	2018	2019	2020	2021	2022 to 2038
Capital					
Capital Expenditures Required	$ 6,335,000	$ 647,000	$ 3,235,000	$ -	$ 6,602,000
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 6,335,000	$ 647,000	$ 3,235,000	$ -	$ 6,602,000
Funding Sources:					
CentrVenture External Debt - City of Winnipeg Loan Guarantee SHED Ph. 2	$ 6,335,000	$ 647,000	$ 3,235,000	$ -	$ 6,602,000
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 6,335,000	$ 647,000	$ 3,235,000	$ -	$ 6,602,000
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 570,000	$ 912,000	$ 1,203,000	$ 24,270,000
Less: Incremental Revenue/Recovery	-	1,081,300	1,459,300	1,604,800	29,759,100
Net Cost/(Benefit)	$ -	$ (511,300)	$ (547,300)	$ (401,800)	$ (5,489,100)
Less: Existing Budget Amounts	-	(352,000)	(318,200)	(172,700)	(1,594,400)
Net Budget Adjustment Required	$ -	$ (159,300)	$ (229,100)	$ (229,100)	$ (3,894,700)

Additional Comments: Capital expenditures represent phased (2018, 2019, 2020 & 2023) investments in public realm amenities (streetscaping and skywalk enhancements) funded equally by the City and Province under the proposed SHED Phase 2 initiative. Direct cost in 2019 represent total debt service costs on the 2018 capital investments. Direct costs beginning in 2020 represent cumulative debt services costs on the capital investments and on the City's maximum $3.15 million grant to TNSE toward the cost of the True North Square & Sports Legacy Plazas. Incremental revenue represents estimated municipal property tax revenue derived from True North Square and a portion of incremental provincial property taxes (sufficient to service 50% of the debt services costs related to the public realm amenities under SHED Phase 2). Debt service costs from 2019 to 2038 total $26.955 million while incremental revenues total $33.905 million. Existing budget amounts consist of 80% of annual incremental municipal property tax revenue net of annual muncipal debt service costs and total $2.437 million. Incremental municipal property tax revenue accruing to the General Revenue Fund over the 20-year period totals $6.950 million.

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

CONSULTATION

Province of Manitoba, Department of Indigenous and Municipal Relations
True North Sports & Entertainment Ltd.
Northland Properties Corporation
CentreVenture Development Corporation
Planning Executive Advisory Committee
Corporate Finance
Assessment and Taxation
Public Works
Legal Services (as to Legal matters)

OURWINNIPEG POLICY ALIGNMENT

- Our**Winnipeg** and its Complete Communities Direction Strategy prioritize the downtown as the city's 'pre-eminent' Complete Community and 'window to the world'. As such, the downtown is treated as a distinct geography and priority destination for citizens and tourists alike. The downtown is already Winnipeg's most people-oriented district in terms of its built-form and diversity of uses. There are attractions, activities, amenities and building masses that are unique to the city and during the day the critical mass resulting from populated office space is unparalleled. However, the downtown also encompasses a relatively large geography and suffers from a loss of critical mass after hours. As such, the policy direction moving forward includes the creation of complementary and connected destination districts **within** the downtown in order to promote extended hour vibrancy, safety and 'sense of place'.
- To this end, Council has approved the pursuit of a Sports, Hospitality and Entertainment District (or SHED) including the introduction of distinguishable, high-quality public elements that attract frequent and vibrant people-oriented activities. An integral piece of this policy support is the accelerated investment of public funds in public improvements that support the SHED Vision. Under the SHED Program these improvements are funded outside of the City's capital budget through the targeted investment of the taxes generated from additional private investments within a prescribed geographic area. This funding mechanism is known as Tax Increment Financing (or 'TIF'). The City of Winnipeg and Province of Manitoba have partnered in applying their respective TIF authority in order to fully leverage public investment in the SHED. The City's tax contribution to public investments is derived from applicable taxes from all properties identified in the SHED-TIF Zone By-law area. The Province contributes taxes on a parcel by parcel basis within the SHED-TIF Zone through the designation of such parcels under their Community Revitalization Tax Increment Financing Act (CRTIFA).

Relevant excerpts from Our**Winnipeg**

01-3 Direction 7:

Create favourable conditions for development that is consistent with the principles and goals of complete communities.

01-3 Direction 8:

Encourage activities beneficial to the Winnipeg economy.

Relevant excerpts from Our**Winnipeg** Complete Communities Direction Strategy:

Our**Downtown** – Always a Priority

03 – 1a: Organizing Downtown

Further define and enhance the identity and character of Downtown's unique districts, destinations and clusters.

Formally identify Downtown's unique districts, destinations and clusters, and characterize them as distinct and complementary for the purpose of Downtown growth and development planning.

In consultation with local stakeholders, establish development criteria and enabling guidelines that support focused public and investment goals for each district, destination and cluster.

03 – 1d: Places to Relax and Enjoy Downtown

Support the expanded presence of arts and culture, sports, entertainment and leisure throughout Downtown together with complementary services and attractions, seeking to:

- Draw more people and create more extended hour activity strategically throughout Downtown.
- Establish Downtown as a place of vibrancy and celebration.

Promote and support the animation of Downtown through celebratory events, concerts and festivals.

Reinforce Downtown as a hub for major entertainment and leisure attractions, while accommodating smaller scale opportunities that respect and complete Downtown residential districts.

- Identify existing entertainment, arts, culture and retail clusters that can be enhanced or further developed as major destinations. That is, build upon the success of ventures such as the MTS Centre, The Forks, the Millennium Library and the Canadian Museum for Human Rights by facilitating development of new restaurants, night clubs, and other complementary entertainment activities in their immediate vicinity.
- Facilitate favourable conditions for public and private investment through the assembly of vacant properties or surface parking lots in defined districts where required. Support a strategic, economically viable, and focused approach to these investment opportunities with the goal of creating clustered destinations with multiple and complementary attractions.
- Support the enhancement of existing retail establishments in defined areas by investing in pedestrian-friendly improvements to the public realm that will enhance safe, comfortable and convenient access.

03 – 1c: Places to Work and Learn Downtown

Facilitate the transformation of under-utilized properties and accommodate projected commercial and employment growth in defined Downtown areas, taking into account highest and best use principles and foreseeable market-based economic conditions.

Ensure that Downtown is the location of choice for new office space development through initiatives such as market gap analysis, relevant incentive tools, and focused complementary public realm and transportation improvements.

03 – 1e: High-Quality Places Downtown

Promote exemplary urban design Downtown with the intent of producing high quality public places (districts, destinations and clusters) that:

- have their own unique identity and a clear, understandable image.
- are convenient and functional, easy to get to and move through and safe.
- are attractive and showcase design excellence.

Invest in high-quality Downtown public spaces that attract people and promote private sector investment.

- Prioritize investments in the public realm that support way-finding and orientation and enhance the unique character and sense of place associated with each defined Downtown district.
- Ensure that investment in public spaces supports year-round, people-oriented activity and integrates connections to other complementary amenities, destinations and points of interest.
- Prioritize investment in public spaces that directly support existing and new high density mixed-use development and/or destinations that attract city-wide audiences.
- Foster new and ongoing partnerships with third-parties to promote extended hour safety, vibrancy and enjoyment by enhancing maintenance, programming and complementary commercial activity in public spaces.

03 – 1f: Getting from Place to Place Downtown

Support viable alternatives to Downtown surface parking as recommended through the city's Sustainable Transportation Direction Strategy and through the development of a Downtown Parking Strategy in order to:

- reduce the amount of surface parking Downtown.
- accommodate projected Downtown residential, commercial and employment growth.
- work with downtown agencies/stakeholders to create new opportunities for higher-density mixed use development projects.
- increase economic activity in and around strategically located, mixed-use public parking structures.
- provide a continuity of pedestrian-oriented services and amenities at street level.
- integrate with other modes of Downtown transportation to enhance connectivity

03 – 1b: Places to Live Downtown

Promote and enable a mix of residential development options as part of a mixed-use strategy Downtown, seeking to:

- Accommodate the residential needs of a large cross-section of the population.
- Establish a number of thriving 'complete' communities Downtown.
- Attract additional commerce to the area, leading to active–and safer–Downtown streets.

Facilitate the redevelopment of vacant or underutilized properties in defined areas in support of increased residential and mixed-use development

Facilitate the intensification of residential development and the provision of amenities and support services as deemed necessary toward the fulfillment of complete communities.

ATTACHMENTS:

1. Schedule “A”: Revised SHED Phase 2 Budget Allocation
2. Schedule “B”: Total Proposed Public Investments Applicable to SHED Phase 2 Loan Guarantee Sub-phases and Plaza Grant
3. Schedule “C”: Draft Terms and Conditions of Public Access Agreement
4. Schedule “D”: Draft Terms and Conditions of Public Pathway Agreement
5. Schedule “E”: Map of Proposed Public Investment Component Locations and Costs

SUBMITTED BY

Department: Planning, Property and Development
Division: Office of the Director
Date: March 9, 2017

ATTACHMENTS:

Schedule “A”: Revised SHED Phase 2 Budget Allocation



2017 01 09 Schedule A for RIS Report - Am

Schedule “B”: Total Proposed Public Investments Applicable to SHED Phase 2 Loan Guarantee Sub-phases and Plaza Grant



2017-03-09 SHED Report Schedule B - F

Schedule “C”: Draft Terms and Conditions of Public Access Agreement



DRAFT RIS Report Schedule C - Public A

Schedule “D”: Draft Terms and Conditions of Public Pathway Agreement



DRAFT RIS Report Schedule D.docx

Schedule “E”: Map of Proposed Public Investment Component Locations and Costs



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