Agenda – Executive Policy Committee – April 19, 2017

REPORTS

Item No. 6 Strategic Economic Incentive Grant – 245 Graham Avenue (SkyCity) (Fort Rouge – East Fort Garry Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve a grant to 6566074 Manitoba Ltd. in respect of the development at 245 Graham Avenue (SkyCity) 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 to a maximum of $650,000.00 of incremental municipal property taxes for the property located at 245 Graham Avenue to a total aggregate maximum of $6.5 million;
    (b) be subject to completion of the project within four years of obtaining construction financing;
    (c) be conditional on 6566074 Manitoba Ltd. submitting a construction schedule demonstrating that completion of the entire project will occur within four years of obtaining construction financing;
    (d) be conditional on 6566074 Manitoba Ltd. meeting the eligibility conditions otherwise applicable under the Downtown Residential Development Grant program (By-law No. 77/2010).

2. That Recommendation #1 be approved on condition that 6566074 Manitoba Ltd. voluntarily withdraws, in writing, its application under the Downtown Residential Development Grant Program;

3. That the City enter into, execute and deliver a grant agreement with 6566074 Manitoba Ltd. and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

4. That the Chief Administrative Officer be authorized to negotiate and approve the terms and conditions of the grant agreement and the Ancillary 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.

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

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 18, 2017, the Executive Policy Committee laid over the matter for a further 120 days.

On September 21, 2016, the Executive Policy Committee laid over the matter for 120 days.

ADMINISTRATIVE REPORT

Title: Strategic Economic Incentive Grant for Project at 245 Graham Avenue (SkyCity)

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

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

EXECUTIVE SUMMARY

This report recommends that a grant be provided to 6566074 Manitoba Ltd. for their proposed mixed-use development located at 245 Graham Avenue (SkyCity). 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 245 Graham Avenue was previously approved under the Downtown Residential Development Grant (DRDG) 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 will be unable to meet this eligibility criteria for their grant. Specifically, they represent that the project will not be completed for occupancy within the prescribed four year time frame from conditional approval. The grant proposed in this report would replace previous approval under the DRDG Program.

RECOMMENDATIONS

1. That Council approve a grant to 6566074 Manitoba Ltd. in respect of the development at 245 Graham Avenue (SkyCity) 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 to a maximum of $650,000.00 of incremental municipal property taxes for the property located at 245 Graham Avenue to a total aggregate maximum of $6.5 million;
   (b) be subject to completion of the project within four years of obtaining construction financing;
   (c) be conditional on 6566074 Manitoba Ltd. submitting a construction schedule demonstrating that completion of the entire project will occur within four years of obtaining construction financing;
   (d) be conditional on 6566074 Manitoba Ltd. meeting the eligibility conditions otherwise applicable under the Downtown Residential Development Grant program (By-law No. 77/2010).

2. That Recommendation #1 be approved on condition that 6566074 Manitoba Ltd. voluntarily withdraws, in writing, its application under the Downtown Residential Development Grant Program;

3. That the City enter into, execute and deliver a grant agreement with 6566074 Manitoba Ltd. and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

4. That the Chief Administrative Officer be authorized to negotiate and approve the terms and conditions of the grant agreement and the Ancillary 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.

5. 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 6566074 Manitoba Ltd.

At its meeting on September 21, 2016, Executive Policy Committee laid the matter over for 120 days.

At its meeting of January 18, 2017, Executive Policy Committee laid over the matter over for report back in 120 days.

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 the project as proposed would no longer be financially viable.

Upon completion, this project will result in the introduction of 388 additional residential condominium units in downtown Winnipeg.

The City would be committing ten years of annual incremental municipal taxes to an annual maximum of $650,000.00 to this project with a maximum gross contribution of $6.5 million.

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 project application parameters. The proponent will have four years from the date construction financing is achieved to complete the project.

HISTORY/DISCUSSION

The SkyCity project at 245 Graham Avenue involves the construction of 388 new condominium units on an existing surface parking lot at an estimated total project budget of $180 million (including land acquisition costs of $10 million).

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

- One issue is primarily the sheer size and complexity of the project. We suspect that when the DRDG Program requirements were formulated there was no consideration for a building the size and scope of SkyCity Centre. At 44 stories with 388 units, the project will take a minimum of 3 years to construct. In addition to the construction duration, the project needs ample time for design, and to achieve the requisite number of sales to trigger construction financing.
- Our 48-month conditional period commenced on January 7, 2015, and with design development of the project and construction of the sales centre, SkyCity Centre didn't commence sales until September 2015. The SkyCity sales centre located at 275/279 Garry Street is open and to date we are pleased to report that we have had tremendous sales response from Winnipeggers and project to be in a position to trigger construction financing later this year.
- We have commenced preparation of working drawings so that we can go to construction as soon as possible. Our architect has advised that working drawing preparation, and City review process, will likely take us into the early part of 2017 which is when we propose to put a shovel in the ground.
- We are certain that we cannot be substantially complete on or before January 7, 2019. We have a significant investment at risk so to be crystal clear; SkyCity Centre is not a feasible project without the DRDG Program grant.

In February 2017, the City was notified that Edenshaw Developments Ltd. joined as co-developer of the new SkyCity along with one of the original partners in the project-Fortress Real Developments.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 3, 2017

Project Name:

First Year of Program 2022

Strategic Economic Incentive Grant for Project at 245 Graham Avenue

	2022	2023	2024	2025	2026 to 2031
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	$ 650,000	$ 650,000	$ 650,000	$ 650,000	$ 3,900,000
Less: Incremental Revenue/Recovery	650,000	650,000	650,000	650,000	3,900,000
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2022 represent the first of ten annual grants of $650,000. The timing of the first grant payment is based on the assumption that full occupancy is obtained in 2021 and that actual annual incremental taxes are equal to the annual grant.

"Original signed by"

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

Province of Manitoba, Department of Indigenous and Municipal Relations
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: Sara Cianflone, Acting Manager of Economic Development
Date: April 3, 2017
File No. O:\Reports Directive\Office Of The Director\Manager Of Economic Development\2017 RIS Reports\2017 04 03 RIS Report 245 Graham (Skycity) Grant.Docx

Attachment A

FORTRESS
REAL DEVELOPMENTS

Mayor Brian Bowman

11th March, 2016

NO.
29545
MAYOR'S OFFICE

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

RECEIVED
MAR 16 2016

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

Dear Mayor Bowman and Members of Council:

As you are aware, SkyCity Centre a 44 storey, 388 units, mixed-use development to be located at 245 Graham Avenue in downtown Winnipeg is being developed by Fortress Real Developments Inc. The SkyCity sales centre located at 275/279 Garry Street is open and to date we are pleased to report that we have had tremendous sales response from Winnipeggers.

While we are a long way down the road to developing SkyCity Centre, 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 which was January 7, 2015 which means that SkyCity must be completed by January 2019 to be eligible. Should SkyCity sales continue at the current pace we will be in a position to commence construction in early 2017, and with a 36-month construction schedule we cannot comply with the 48-month requirement. To be clear SkyCity Centre is not a feasible project without the DRDG Program grant.

CentreVenture has prepared a comprehensive briefing note on this issue which is attached hereto. We kindly request that City Council consider adopting the solution provided on page 4 of the attached briefing note as soon as possible.

We understand that there are several other downtown residential developments that are same predicament as SkyCity 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 is greatly appreciated. We will make ourselves available for a meeting to discuss this matter further if necessary, please advise.

6566074 MANITOBA LTD. o/a SkyCity Centre Winnipeg

Yours Truly,

Vince Petrozza
C.O.O. and V.P.
Cc: John Kiernan, Director Planning, Property and Development

25 Brodie Drive, Unit 1, Richmond Hill, Ontario, L4B 3K7, Canada