Minutes – Executive Policy Committee – May 10, 2017

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – May 2, 2017

Item No. 4 Authorization for expenditures on the 2018 capital budget as a first charge in order to satisfy a City payment obligation related to the Tuxedo Yards Development Project

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the following to Council:

1. That the expenditure of up to $465,000 in 2017 prior to the adoption of the 2018 Capital Budget be authorized, as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of the City of Winnipeg Charter, to pay the remaining portion of 2016 incremental municipal taxes plus interest to the developer, Minox Equities Ltd., in accordance with the September 2009 Strategic Economic Agreement related to the Tuxedo Yards Development.

2. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – May 2, 2017

DECISION MAKING HISTORY:

Moved by Councillor Morantz,

That the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On May 2, 2017, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Authorization for expenditures on the 2018 capital budget as a first charge in order to satisfy a City payment obligation related to the Tuxedo Yards Development Project

Critical Path: Standing Policy Committee on Infrastructure Renewal & Public Works – Executive Policy Committee - Council

AUTHORIZATION

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

EXECUTIVE SUMMARY

In accordance with the September 2009 Strategic Economic Agreement ("SEA") related to the "Tuxedo Yards Development", the developer (Minox Equities Ltd.) paid all off-site infrastructure and servicing costs for the southwest and northwest quadrants of Sterling Lyon Parkway and Kenaston Boulevard. The terms of the SEA require the City to repay the developer for costs incurred, plus interest, the funding source for which is incremental municipal taxes generated within the "Seasons of Tuxedo" development.

The development of the Seasons of Tuxedo is proceeding more quickly than originally envisioned, the result being actual incremental municipal taxes are being realized earlier than anticipated. This means that incremental municipal taxes will accrue to general revenues sooner rather than later and the City will incur lower interest expenditures than originally estimated. During 2016 specifically, total incremental municipal taxes plus interest thereon was $449,878.39 more than projected. In order to pay this amount to the developer on a timely basis, a first charge on the 2018 Tuxedo Yards Development capital budget is requested.

RECOMMENDATIONS

1. That Council authorize the expenditure of up to $465,000 in 2017 prior to the adoption of the 2018 Capital Budget as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of the City of Winnipeg Charter, to pay the remaining portion of 2016 incremental municipal taxes plus interest to the developer, Minox Equities Ltd., in accordance with the September 2009 Strategic Economic Agreement related to the Tuxedo Yards Development.

2. 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 a first charge for an expenditure of 2018 capital funds prior to the adoption of the 2018 capital budget.

IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations, if approved, will allow a first charge on the 2018 capital budget to enable the timely payment to the developer of the remaining portion of 2016 incremental municipal taxes plus interest, which the City owes the developer under the September 2009 Strategic Economic Agreement.

HISTORY/DISCUSSION

On March 25, 2009, Council approved the recommendations contained within the report entitled *"Tuxedo Yards Redevelopment: southwest and northwest quadrants of Sterling Lyon Parkway and Kenaston Boulevard".* Recommendation 2 A to C state:

2. *That the City of Winnipeg enter into an Strategic Economic Agreement with the Developer for the development of 1.5 million square feet of mixed-use commercial development at the southwest and northwest quadrants of Sterling Lyon Parkway and Kenaston Boulevard to include the following conditions:*

    A. *The Developer shall pay for all costs, (currently estimated at $26.5 million) and as described in the report of the Director of Planning, Property and Development dated March 2, 2009, including:*

        i. *all off-site infrastructure and servicing costs associated with the existing traffic conditions and to further facilitate the long term traffic improvements for the development;*
        ii. *costs if any acquisitions of land expropriations and railway protection required to effect the foregoing; and*
        iii. *costs of relocating Manitoba Hydro services located in City right-of-ways to permit the foregoing, including street-lights, and placing above-grade pole services underground.*

        The Developer shall be entitled to recover from the City an estimated $14 million of such costs (plus interest) as the City's share for items i. to iii. inclusive;

    B. *Based on an estimated $3.7 million of incremental municipal taxes (being the City's estimated share of municipal taxes over and above those assessed against the Planned Area in 2008 generated annually by the total development), that the City's share of such estimated incremental taxes (not to exceed approximately $14 million plus interest), shall be assigned back to the Developer of the site over a period not exceeding 12 years…and not to exceed beyond the year 2025;*

    C. *Based on the Developer front-ending the estimated $14 million in costs required for off-site infrastructure improvements for the City of Winnipeg, that interest on the*

> *amount of the $14 million unrecovered from time to time by the Developer, calculated…using the City's current five-year borrowing rate of 4% for the City's share (but to be adjusted upwards or downwards annually as at January 1st of each year) and in addition to the estimated $14 million, shall be paid to the Developer…only during the next ensuing 7 years, the funding source being the incremental municipal taxes;…*

Beginning with the 2014 Capital Budget and 2015 to 2019 Five-Year Forecast, the "Tuxedo Yards Development" capital budget has included a developer payback based on the estimated incremental municipal taxes generated from the Planned Area, "Seasons of Tuxedo".

Given the robust pace of development of the Planned Area, actual incremental municipal taxes are being realized earlier than anticipated. The result of this is that incremental municipal taxes from the Planned Area will accrue to general revenues sooner rather than later and the City will incur lower interest expenditures than originally estimated. During 2016 specifically, total incremental municipal taxes plus interest thereon was $449,878.39 more than projected. In order to pay this amount to the developer on a timely basis, a first charge on the 2018 Tuxedo Yards Development capital budget is requested.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 26, 2017

Project Name: **First Year of Program** 2017

Authorization for expenditures on the 2018 capital budget as a first charge related to the Tuxedo Yards Development Project

	2017	2018	2019	2020	2021
Capital					
Capital Expenditures Required	$ 465,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	465,000	-	-	-
Additional Capital Budget Required	$ 465,000	$ (465,000)	$ -	$ -	$ -
Funding Sources:					
Interim-financing - General Capital Fund	$ 465,000	$ (465,000)	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other (Enter Description Here)	-	-	-	-	-
Total Funding	$ 465,000	$ (465,000)	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	13,722	-	-	-	-
Net Cost/(Benefit)	$ (13,722)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(13,722)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital expenditures represent the $449,878 amount owing to the developer in respect of 2016 incremental municipal taxes + short-term financing and corporate admin fees of $13,722. The latter amount is offset by recoveries in the current budget of the Corporate Finance Department. The 2017 capital expenditure will be interim-financed from the General Capital Fund and repaid in 2018 from Economic Development Investment Reserve Fund. The $465,000 budgeted in 2018 represents the Tuxedo Yard Development capital budget against which the first charge is to be made.

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

CONSULTATION

This Report has been prepared in consultation with:

Assessment & Taxation Department
Legal Services Department
Corporate Finance Department

OURWINNIPEG POLICY ALIGNMENT

01-1b KEY DIRECTIONS FOR THE ENTIRE CITY

Key Directions for Connecting and Expanding our Sustainable Transportation and Infrastructure Network

>Invest strategically in new water, waste and transportation infrastructure.

SUBMITTED BY

Department: Planning, Property and Development & Public Works
Division: Office of the Director
Prepared by: Mike McGinn, CPA, CA
Date: April 27, 2017
File No:

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