**Minutes – Executive Policy Committee – September 12, 2018**

## REPORTS

**Item No. 21 TN Square Inc. and Northland Properties Funding Agreements**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the Council approval of March 22, 2017 "SHED Phase 2 Public Investments – True North Square Plaza Construction Grant" be amended as follows:

    A. Delete Recommendations 1.B., 2, 3 and 4 to remove SHED related references and replace with the following:

        "2. That:

            A. the City provide grant funding to TN Square Inc. ("TNS") and/or Northland Properties Corporation ("Northland") in the amount of $8,800,000 (consisting of the City's share of uncommitted monies from SHED Phase 1 in the amount of $500,000 and the City's share of SHED Phase 2 previously approved funding), 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")

            B. the City's grant funding 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 previously approved by Council and outlined in Schedule "B";

            C. in order to match the Province of Manitoba's financial commitment to public realm improvements , the Chief Financial Officer be authorized to approve additional grant funding to TNS for cost increases related to labour, materials and code requirements in a total amount not to exceed $516,700;

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

D. the City enter into, execute and deliver a grant agreement with TNS and/or Northland, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such 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;

E. payment of any and all portions of the funding for skywalk enhancements be subject to the execution of a skywalk agreement(s) between the City, TNS and/or Northland, and all other relevant property owners, the terms and conditions of which shall be submitted to Council for its prior approval.

3. That:

A. Council approve tax-supported borrowing in the principal amount of $9,316,700 plus applicable borrowing costs to fund the grant referenced in Recommendation 2 hereof;

B. Council give first reading to a by-law to authorize the borrowing of money in the amount of up to $9,316,700 (draft borrowing by-law attached as Appendix "A").

C. Such borrowing be repaid by the annual incremental municipal taxes collected with respect to the properties municipally known as 242 Hargrave Street and 225 Carlton Street.

4. That Council authorize TNS and/or Northland to carry out, implement and install the public realm streetscaping within the City's public rights-of-way as outlined on Schedule "E", in accordance with such terms and conditions and construction standards as approved by the Director of Transit and the Director of Public Works."

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

B. Amend Recommendation 5 by deleting the first paragraph thereof and replacing it with the following:

"5. That commencing in the calendar year following total completion and final assessment of the Plaza (as hereinafter defined), the City provide an annual grant to TNS in an amount equal to the annual incremental municipal taxes collected with respect to the properties municipally known as 242 Hargrave Street and 225 Carlton Street less the annual amount required to service the borrowing authorized pursuant to Recommendation 3, to a total aggregate maximum of the lesser of one-half of the overall construction costs or $4,500,000, plus borrowing costs, as approved by the Chief Financial Officer, associated with the City's contribution for the construction of a public plaza on private property owned by TNS and located at 242 Hargrave / 225 Carlton Street (the "Plaza"), subject to:"

C. Amend Recommendation 6 by deleting "TNSE" and replacing it with "TNS".

D. Rescind Schedule "A" and replace Schedules "B" and "E" with the attached Schedules "B" and "E".

2. That a tax increment financing grant be approved to Northland for the purpose of construction of a residential tower at 220 Carlton Street (the "Residential Project") and that the grant:

A. be an annualized payment for a period of 20 years beginning the year after occupancy and final assessment is attained, in an annual amount equal to incremental municipal property taxes generated as a result of the Residential Project located at 220 Carlton Street;

B. be subject to completion of the Residential Project within four years following the date of the first staged building permit issuance ;

C. be subject to the completion of the skywalk connection that connects the east side of Carlton Street to the West Side of Carlton Street, the West Side of Carlton Street with the North side of St. Mary's Avenue, and the North side of St. Mary's Avenue with the South side of St. Mary's Avenue; and;

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

D. be subject to the completion of a subdivision application creating two separate parcels for the Residential Project and the Commercial Project (as hereinafter defined), and

E. be on condition that Northland meets the eligibility conditions otherwise applicable under the Live Downtown – Rental Development Grant Program (By-law No. 109/2014) with the exception of Clause 8(1)(c).

3. That the City enter into, execute and deliver a grant agreement with Northland with respect to the residential grant, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such 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 a tax increment financing grant be approved to TNS for the purpose of construction of a residential tower at 225 Carlton Street (the "TN Residential Project") and that the grant:

A. be an annualized payment for a period of 20 years beginning the year after occupancy and final assessment is attained, in an annual amount equal to incremental municipal property taxes generated as a result of the TN Residential Project located at 225 Carlton Street;

B. be subject to the completion of the TN Residential Project within four years following the date of the first staged building permit issuance;

C. be subject to the completion of a subdivision application creating two separate parcels for the TN Residential Project and the commercial project located at 225 Carlton Street; and

D. be subject to the condition that TNS meets the eligibility requirements otherwise applicable under the Live Downtown – Rental Development Grant Program (By-law No. 109/2014) with the exception of Clause 8(1)(c).

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

5. That the City enter into, execute and deliver a grant agreement with TNS with respect to the residential grant, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such 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.

6. That Recommendation 2 of the Council approval of October 26, 2016 "Amendment to SHED TIF Zone By-law No. 98/2012 to remove three properties from the Sports, Hospitality and Entertainment District (SHED)" be amended to add the words "the commercial space and hotel development (the "Commercial Project") located at" after the words "…and that Council confirms that…".

7. That a by-law be enacted to amend the SHED TIF Zone By-law No. 98/2012 (draft amending by-law attached as Appendix "B") to remove from the SHED TIF Zone the land commonly referred to as 225 Carlton Street and 242 Hargrave Street and legally described as

   LOT 1 PLAN 60454
   IN RL 1 PARISH OF ST JOHN

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

DECISION MAKING HISTORY:

Moved by Councillor Pagtakhan,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Pagtakhan,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

# ADMINISTRATIVE REPORT

**Title:** TN Square Inc. and Northland Properties Funding Agreements

**Critical Path:** Executive Policy Committee – Council

## AUTHORIZATION

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

## EXECUTIVE SUMMARY

The Province of Manitoba approached the City of Winnipeg with an opportunity for a partnership in a tri-partite agreement with TN Square Inc. to support the development of the True North Square Public Plaza and residential tower, surrounding streets, sidewalks and skywalks; as well as to support a hotel which includes a residential tower at the Sutton Place Hotel Residential Development by Northland Properties.

This report recommends realignment of Council's approval of March 2017 recommendations with Provincial notifications on May 31 and August 16, 2018 approving tax increment financing (TIF) grants and funding contributions. This report supports the opportunity to incentivize economic growth through the strategic reinvestment of incremental taxes resulting from new development and to operationalize Council's previous approval.

This initiative and public/private partnership supports the needs of the newly expanded RBC Convention Centre to attract larger, world class events and conferences that bring significant economic benefit to the city and province. The projects in Winnipeg's downtown continue to support a critical residential base through the introduction of residential rental units.

This opportunity recognizes the iconic and major land transformation initiative that is reflective of a $550+ million private investment within downtown's Sports, Hospitality and Entertainment District (SHED). It also recognizes Winnipeg's momentum for future growth through ongoing significant private investment and a specific commitment to the development and revitalization of downtown Winnipeg. Combined, these projects are reflective of the following:

Private development by TN Square Inc. includes construction of:

- 17 storey tower at 242 Hargrave Street
- 25 storey tower at 225 Carlton Street
- Over 365,000 square feet of Class A Office Space
- Over 40,000 square feet of Retail space
- 194 rental units
- 238 parking stalls

Private development by Northland Properties will include:

- Podium and construction of two towers
- Hotel tower with 288 Hotel Suites
- Residential tower with 130 Residential Units
- Podium to include over 15,000 square feet of Retail space
- 341 parking stalls

## RECOMMENDATIONS

**1. That the Council approval of March 22, 2017 "SHED Phase 2 Public Investments – True North Square Plaza Construction Grant" be amended as follows:**

**A. Delete Recommendations 1.B., 2, 3 and 4 to remove SHED related references and replace with the following:**

"2. That:

A. the City provide grant funding to TN Square Inc. ("TNS") and/or Northland Properties Corporation ("Northland") in the amount of $8,800,000 (consisting of the City's share of uncommitted monies from SHED Phase 1 in the amount of $500,000 and the City's share of SHED Phase 2 previously approved funding), 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")

B. the City's grant funding 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 previously approved by Council and outlined in Schedule "B";

C. in order to match the Province of Manitoba's financial commitment to public realm improvements , the Chief Financial Officer be authorized to approve additional grant funding to TNS for cost increases related to labour, materials and code requirements in a total amount not to exceed $516,700;

D. the City enter into, execute and deliver a grant agreement with TNS and/or Northland, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such 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;

E. payment of any and all portions of the funding for skywalk enhancements be subject to the execution of a skywalk agreement(s) between the City, TNS and/or Northland, and all other relevant property owners, the terms and conditions of which shall be submitted to Council for its prior approval.

3. That:

   A. Council approve tax-supported borrowing in the principal amount of $9,316,700 plus applicable borrowing costs to fund the grant referenced in Recommendation 2 hereof;

   B. Council give first reading to a by-law to authorize the borrowing of money in the amount of up to $9,316,700 (draft borrowing by-law attached as Appendix "A").

   C. Such borrowing be repaid by the annual incremental municipal taxes collected with respect to the properties municipally known as 242 Hargrave Street and 225 Carlton Street.

4. That Council authorize TNS and/or Northland to carry out, implement and install the public realm streetscaping within the City's public rights-of-way as outlined on Schedule "E", in accordance with such terms and conditions and construction standards as approved by the Director of Transit and the Director of Public Works."

**B. Amend Recommendation 5 by deleting the first paragraph thereof and replacing it with the following:**

"5. That commencing in the calendar year following total completion and final assessment of the Plaza (as hereinafter defined), the City provide an annual grant to TNS in an amount equal to the annual incremental municipal taxes collected with respect to the properties municipally known as 242 Hargrave Street and 225 Carlton Street less the annual amount required to service the borrowing authorized pursuant to Recommendation 3, to a total aggregate maximum of the lesser of one-half of the overall construction costs or $4,500,000, plus borrowing costs, as approved by the Chief Financial Officer, associated with the City's contribution for the construction of a public plaza on private property owned by TNS and located at 242 Hargrave / 225 Carlton Street (the "Plaza"), subject to:"

**C. Amend Recommendation 6 by deleting "TNSE" and replacing it with "TNS".**

**D. Rescind Schedule "A" and replace Schedules "B" and "E" with the attached Schedules "B" and "E".**

**2. That Council approve a tax increment financing grant to Northland for the purpose of construction of a residential tower at 220 Carlton Street (the "Residential Project") and that the grant:**

**A. be an annualized payment for a period of 20 years beginning the year after occupancy and final assessment is attained, in an annual amount equal to incremental municipal property taxes generated as a result of the Residential Project located at 220 Carlton Street;**

**B. be subject to completion of the Residential Project within four years following the date of the first staged building permit issuance ;**

**C. be subject to the completion of the skywalk connection that connects the east side of Carlton Street to the West Side of Carlton Street, the West Side of Carlton Street with the North side of St. Mary's Avenue, and the North side of St. Mary's Avenue with the South side of St. Mary's Avenue; and;**

**D. be subject to the completion of a subdivision application creating two separate parcels for the Residential Project and the Commercial Project (as hereinafter defined), and**

**E. be on condition that Northland meets the eligibility conditions otherwise applicable under the Live Downtown – Rental Development Grant Program (By-law No. 109/2014) with the exception of Clause 8(1)(c).**

**3. That the City enter into, execute and deliver a grant agreement with Northland with respect to the residential grant, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such 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 Council approve a tax increment financing grant to TNS for the purpose of construction of a residential tower at 225 Carlton Street (the "TN Residential Project") and that the grant:**

**A. be an annualized payment for a period of 20 years beginning the year after occupancy and final assessment is attained, in an annual amount equal to incremental municipal property taxes generated as a result of the TN Residential Project located at 225 Carlton Street;**

**B. be subject to the completion of the TN Residential Project within four years following the date of the first staged building permit issuance;**

**C. be subject to the completion of a subdivision application creating two separate parcels for the TN Residential Project and the commercial project located at 225 Carlton Street; and**

**D. be subject to the condition that TNS meets the eligibility requirements otherwise applicable under the Live Downtown – Rental Development Grant Program (By-law No. 109/2014) with the exception of Clause 8(1)(c).**

**5. That the City enter into, execute and deliver a grant agreement with TNS with respect to the residential grant, and that the Chief Financial Officer be authorized to negotiate and approve the terms and conditions of such 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.**

**6. That Recommendation 2 of the Council approval of October 26, 2016 "Amendment to SHED TIF Zone By-law No. 98/2012 to remove three properties from the Sports, Hospitality and Entertainment District (SHED)" be amended to add the words "the commercial space and hotel development (the "Commercial Project") located at" after the words "…and that Council confirms that…".**

7. **That Council enact a by-law to amend the SHED TIF Zone By-law No. 98/2012 (draft amending by-law attached as Appendix "B") to remove from the SHED TIF Zone the land commonly referred to as 225 Carlton Street and 242 Hargrave Street and legally described as**

   **LOT 1 PLAN 60454**
   **IN RL 1 PARISH OF ST JOHN**

8. **That the proper officers of the City do all things necessary to implement the intent of the foregoing.**

## REASON FOR THE REPORT

Due to the time lapse between Council's March 2017 approval and the 2018 Provincial confirmations, several adjustments are required to operationalize Council's approvals. This includes: conditions associated with assignment of incremental municipal property taxes; support of economic development incentives; amendment of funding sources; grant authorization; and authority to enter into agreements with TN Square Inc. (TNS), and Northland Properties.

Council approval is required for residential tax increment financing support for Northland Properties.

## IMPLICATIONS OF THE RECOMMENDATIONS

### SHED ZONE PUBLIC INVESTMENTS

- On May 31, 2018, the City received notification from the Province of Manitoba (Province) of their continued commitment to the SHED vision and funding contribution for sidewalk, street and skywalk public investments in conjunction with development at True North Square utilizing alternate funding mechanisms.
- To build on the partnership for this major land transformation initiative, on September 10, 2018 the Province of Manitoba requested City Council to consider entering into a tri-partite agreement on all three components of this visionary project.
- This report includes recommendations required to operationalize Council's March 2017 approval for matching a provincial investment of 50% of construction costs for public investments, plus borrowing costs.
- As a result, the City will borrow based on previous Council approved phases and CentreVenture Development Corporation (CentreVenture) will not realize anticipated revenues of $300,000 in SHED administration fees.
- The City anticipates an increase in future construction costs for skywalks resulting from increase inflationary construction costs of labour and material and resulting from new building codes.

### TNS PLAZA GRANT

- To build on the partnership for this major land transformation initiative, on September 10, 2018 the Province of Manitoba requested City Council to consider entering into a tri-partite agreement on all three components of this visionary project.
- This included consideration for matching a provincial investment of 50% of construction costs of the Public Plaza up to $4.5 M, plus actual borrowing costs.

- Council previously approved an annual TIF grant to TNS 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.
- This report recommends approval of an increased matching contribution utilizing tax increment financing and subject to access agreement and other conditions approved by Council in March 2017.

**RESIDENTIAL GRANT**

- In August 2018, the City received confirmation of Provincial participation through tax increment financing in both debt retirement for the RBC Convention Centre and to support development of a residential tower at 220 Carlton Street.
- On September 10, 2018 the Province of Manitoba requested City Council to consider entering into a tri-partite agreement on all three components of this visionary project including support for residential tax increment financing for residential tower construction at 225 Carlton Street and 220 Carlton Street.
- The City does not currently have a residential grant incentive program open to new applications.
- The proposed TIF recommendations align with similar grants conditionally approved under previous grant programs.
- This recommendation is being pursued to support construction of a hotel required to support the RBC Convention Centre expansion project, and creation of a critical threshold of residential units in the downtown. No grant will be paid until these projects are completed according to broader eligibility requirements to be specified in the ensuing grant agreement.

## HISTORY/DISCUSSION

**HISTORY**

- In 2012, the City and Province entered into a tripartite agreement with CentreVenture to administer the SHED Program that reinvested incremental taxes collected within downtown's SHED TIF Zone back into the public realm.
- On October 26, 2016, the property known as 220 Carlton Street was removed from the SHED-TIF Zone by virtue of an amendment to By-law 98/2012 in order to confirm commitment in the first instance of incremental municipal and business taxes from the proposed hotel and podium portion of development on 220 Carlton Street to service $16,000,000 of the RBC Convention Centre expansion project costs. As such, these portions of incremental municipal and business taxes are not available for any other purpose until this obligation is fulfilled. It is important to note that the 220 Carlton Street development forms part of the True North Square project and is taken into consideration in terms of public realm streetscaping improvements and skywalk enhancements.
- The tripartite SHED agreement between the Province of Manitoba, City of Winnipeg and CentreVenture Development Corporation expired on December 31, 2016.
- On March 22, 2017, Council approved extension of the SHED agreement and allocation of the remaining SHED Program budget balance to streetscaping and skywalk enhancements representing public investments in the vicinity of True North Square and funded exclusively from incremental taxes generated within the SHED-TIF Zone.
- On March 22, 2017, Council also approved a separate conditional TIF grant contribution in partnership with the Province and True North Square Inc. toward the construction of a public plaza on private property. Council concurred in the recommendation that the City's maximum contribution to the Plaza be capped at approximately 1/3 of the Plaza construction cost and be funded exclusively from incremental taxes generated within the SHED-TIF Zone.

- It is important to note that the value of public investments in the vicinity of True North Square approved by Council in 2017 were based on 2016 Class D construction cost estimates and phasing 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 sites.
- In March 2018, Northland Properties requested support from the Province and the City in providing a residential TIF grant for 20 years on the 130 unit apartment component of their development. Northland Properties has committed to building the commercial podium and hotel to support the SHED vision, but had not committed to constructing what they deem as an optional residential tower.
- On May 31, 2018, the City received notice from the Province of Manitoba (Province) of approval of tax increment financing (TIF) grants and funding contribution towards the True North Square development project utilizing alternate funding mechanisms. While these changes are not substantive in nature, they require Council approval to amend recommendations that will align with Provincial commitments and operationalize Council's previous 2017 approval.
- In addition on August 16, 2018, the Province notified the City of its commitment to continue its partnership with the City of Winnipeg on the True North Square initiative including efforts to support the needs of the newly expanded RBC Convention Centre to attract large, world class events and conferences that bring significant economic benefit to the city and province. The Province also committed to working with the City of Winnipeg, corporate and community members to plan for its implementation and success.
- Construction of True North Square has successfully progressed to the point of request for and issuance of interim occupancy for 242 Hargrave Street, the parkade and a portion of the public plaza; with anticipated requests for 225 Carlton Street in the spring of 2019.

**DISCUSSION:**

SHED Zone Public Investment:

- On May 31, 2018, the Province confirmed its commitment to further advance the SHED vision and advised that it would be pursuing an alternate funding mechanism to reduce risk.
- To build on the partnership for this major land transformation initiative, on September 10, 2018 the Province of Manitoba requested City Council to consider entering into a tri-partite agreement on all three components of this visionary project.
- For the purpose of public realm investment including sidewalk, street and skywalk construction, the Province requested Council consideration for matching contribution of 50% of construction costs, plus borrowing costs and potential increase resulting from inflationary construction costs for labour and material.
- The purpose of this report is to recommend amendments that confirm the public investments by the Province and City, and reflect previous Council approvals and respond to Provincial notification of an alternate funding mechanism and request for matching contributions.
- In conjunction with the Public Service recommendations, a number of relevant considerations have been advanced, including:
    - preparation of current 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 construction and project details;
    - provision of 2019 cost estimate detail and confirmed final costing for the proposed public investments related to True North Square from TNS; and,
    - preparation of a cash flow analysis; and
    - confirmation of phasing of public investment funding contributions to coincide with completion of private construction as previously approved by Council. Schedule "B"

attached hereto replaces rescinded Schedule “A” and Schedule “B” of Council approval of March 22, 2017.

- communication between the City and CentreVenture Development Corporation confirming that the City will borrow based on previous Council approved phases. As a result, CentreVenture Development Corporation (CentreVenture) will not realize anticipated revenues of $300,000 in SHED administration fees.

- In June 2018, True North Square Inc. provided the City with actual construction costs for the portion of the skywalk enhancements completed to date and updated 2019 construction cost estimates for the streetscaping enhancements. The information provided reflects an increase in the capital costs required to complete the skywalk enhancements and confirms that the streetscaping can be completed as approved by Council on March 22, 2017.
- It should be noted that proposed future skywalk enhancements may result in unforeseen additional capital cost increases based on timing of construction and Manitoba Building Code compliance requirements resulting from connection to existing buildings.
- The Public Service recommends that for the purpose of public realm investment including sidewalk, street and skywalk construction, Council approve matching contribution that reflected Council March 2017 approval of 50% of construction costs plus borrowing costs and up to a maximum 10% increase (not to exceed $516,700) with respect Sub-Phases 3 and 4 as reflected in the attached Schedule B, subject to approval of the Chief Financial Officer. Any increases beyond this 10% will require report back to and consideration by Council.
- On October 28, 2015, Council adopted a Debt Strategy for Tax Supported, Utilities and total City borrowing. This report requires an incremental $9,316,700 in long-term Debt Financing. $145 million of tax supported borrowing capacity will remain if Council approves this Borrowing Authority. The impact of this Debt Financing falls within the debt limits established in the Council policy as outlined in the table below.

| | |
|---|---|
| Tax Supported net debt as a percentage of revenue not to exceed | 80% |
| Forecasted peak rate including proposed debt from this report | 62.9% |
| Utilities net debt as a percentage of revenue not to exceed | 220% |
| Forecasted peak rate including proposed debt from this report | 135.4% |
| Total City net debt as a percentage of revenue not to exceed | 90% |
| Forecasted peak rate including proposed debt from this report | 83.4% |
| | |
| Tax Supported debt servicing as a percent of revenue not to exceed | 10% |
| Forecasted peak rate including proposed debt from this report | 5.5% |
| Utilities debt servicing as a percent of revenue not to exceed | 20% |
| Forecasted peak rate including proposed debt from this report | 17.2% |
| Total City debt servicing as a percent of revenue not to exceed | 11% |
| Forecasted peak rate including proposed debt from this report | 9.2% |
| | |
| Tax Supported Debt per Capita not to exceed | 1,500 |
| Forecasted peak rate including proposed debt from this report | 1,056 |
| Utilities Debt per Capita not to exceed | 1,500 |
| Forecasted peak rate including proposed debt from this report | 1,182 |
| Total City Debt per Capita not to exceed | 2,800 |
| Forecasted peak rate including proposed debt from this report | 2,292 |

- The Public Service further recommends that the City be authorized to borrow and provide public realm improvements in accordance with Schedule B as approved by Council in March 2017, amended to reflect only the municipal contribution of public realm investments.

TNS Plaza:

- In 2017, Council approved a separate TIF grant contribution in partnership with the Province and TNS toward the private construction of a public plaza on private property.
- Council concurred in the recommendation that the City's maximum contribution to the Plaza be capped at approximately 1/3 of the plaza cost and funded exclusively from incremental taxes generated within the SHED-TIF Zone.
- In their communication of May 31, 2018, the Province confirmed their TIF grant contribution to the Plaza and requested City consideration to match a provincial investment of $4.5 M.
- On September 10, 2018 the Province of Manitoba requested City Council to consider entering into a tri-partite agreement on all three components of this project, including the plaza.
- This report recommends approval of an increased matching contribution to a maximum of $4.5 million, plus borrowing costs to be paid utilizing tax increment financing as taxes are collected and subject to access agreement and other conditions approved by Council in March 2017.

Residential Grant:

- In March 2018, TN Square Inc. and Northland Properties requested support from the Province and the City in providing a residential TIF grant for 20 years for the construction of 194 rental units and 130 rental units, respectively to their developments.
- While Northland Properties has committed to building the commercial podium and hotel to support the SHED vision, it had not committed to constructing the optional residential tower at this time.
- The requested residential grants would allow Winnipeg's downtown to realize a critical residential rental unit threshold and realize optional residential portion of the Northland Properties project that would otherwise not be realized. These residential towers would assist in addressing other projects that have not currently proceeded.
- On August 16, 2018, the Province communicated its proposed commitment to continue its partnership with the City of Winnipeg on the True North Square initiative including support to Northland Properties Sutton Place Hotel and Residences Project. The form of support included a TIF grant equivalent to 20 years of incremental residential taxes to support the development of a 130 unit residential complex at 220 Carlton Street.
- This notification satisfies expansion requirements of the RBC Convention Centre (RBC CC) Expansion for the construction of a hotel and satisfies condition of Council approval of October 25, 2016 to support the retirement of $16 M debt and interest associated with the RBC CC loan.
- On September 10, 2018 the Province of Manitoba requested City Council to consider entering into a tri-partite agreement for all three components of the project including, residential tax increment financing for both the TN Square Inc. and the Northland Properties developments.
- The City does not currently have any open residential grant incentive programs but in keeping with recent residential grant program parameters, the Public Service is recommending an annualized payment for a period of 20 years, beginning the year after occupancy and final assessment is attained, in an annual amount equal to incremental municipal property taxes generated as a result of the Residential Project located at 225 Carlton Street and 220 Carlton Street. This recommendation aligns with the Provincial initiative and request.
- This project supports construction of a hotel required to support the RBC Convention Centre expansion project, and creation of a critical threshold of residential units in the downtown. No grant will be paid until the projects are completed.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** September 11, 2018

**Project Name:**

**First Year of Program** 2018

TN Square Inc. and Northland Properties Funding Agreements

| | 2018 | 2019 | 2020 | 2021 | 2022 to 2041 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ 5,215,000 | $ 324,000 | $ - | $ 3,777,700 | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - |
| Additional Capital Budget Required | $ 5,215,000 | $ 324,000 | $ - | $ 3,777,700 | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ - | | $ - | $ - | $ - |
| Debt - External | 5,215,000 | 324,000 | - | 3,777,700 | - |
| Grants (Enter Description Here) | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - |
| Other - Enter Description Here | - | - | - | - | - |
| Total Funding | $ 5,215,000 | $ 324,000 | $ - | $ 3,777,700 | $ - |
| Total Additional Capital Budget Required | $ 9,316,700 | | | | |
| Total Additional Debt Required | $ 9,316,700 | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ - | $ 800,000 | $ 1,028,000 | $ 1,032,000 | $ 25,507,000 |
| Less: Incremental Revenue/Recovery | - | 1,004,000 | 1,394,000 | 1,421,000 | 33,383,000 |
| Net Cost/(Benefit) | $ - | $ (204,000) | $ (366,000) | $ (389,000) | $ (7,876,000) |
| Less: Existing Budget Amounts | - | - | - | - | - |
| Net Budget Adjustment Required | $ - | $ (204,000) | $ (366,000) | $ (389,000) | $ (7,876,000) |

**Additional Comments:** Capital expenditures represent grants based on completed phases (2018, 2019 and 2021) of investments in public realm amenities ("Amenities") totaling $8.8 million plus a contingency for price increases of $516,700 to be funded by external debt subject to approval of the CFO (see Schedule B). Direct costs beginning in 2019 include debt service costs on the 2018 Amenities and on the City's maximum $4.5 million grant to TNS toward the cost of the True North Square & Sports Legacy Plazas. Direct costs in 2020 & 2021 include cumulative (i.e. 2018/19) debt services costs on Amenites and the first of 20 grant payments to TNS estimated at $0.198M (increased annually by inflation of 2%, equivalent to 100% of incremental taxes on the residential component of the tower located at 225 Carlton Street ("TNS grant"). Direct costs from 2022 to 2041 include cumulative debt services costs on the Amenities, 19 TNS grant payments, and the first of 20 grant payments estimated at $0.158M (increased annually by inflation of 2%) to Northland equivalent to 100% of incremental taxes on the residential tower to be constructed at 220 Carlton Street. Incremental revenue represents estimated municipal property tax revenue derived from True North Square (including the residential component of 225 Carlton) and the residential tower at 220 Carlton. Debt service costs/grants from 2019 to 2041 total $28.367 million while incremental revenues total $37.202 million. Estimated incremental municipal property tax revenue accruing to the General Revenue Fund over the 2019 to 2041 period totals $8.835 million. See Schedule C for additional information.

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

## CONSULTATION

Province of Manitoba, Department of Municipal Relations
CentreVenture Development Corporation
TN Square Inc.
Northland Properties
Corporate Finance
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. Council approved report of March 17, 2017
2. Appendix "A" – Draft Borrowing By-law
3. Appendix "B" – Draft SHED TIF Zone By-law and amended SHED Map for By-law
4. Appendix "C" – Additional Detail to the Financial Impact Statement
5. Amended Schedule "B": Total Municipal Portion of Proposed Public Investment
6. Amended Schedule "E": Map of Proposed Public Investment Component Locations

**SUBMITTED BY**

Department: Planning, Property and Development
Division: S. Cianflone, Office of the Director
Date: September 11, 2018
File name: O:\Reports Directive\Office of the Director\Manager of Economic Development\2018 RIS Reports\2018 09 11 - TN- Northland - Province TN Offer (Ver 3).docx

Council approved report of March 17, 2017

Appendix “A” – Draft Borrowing By-law

Appendix “B” – Draft SHED TIF Zone By-law and amended SHED Map for By-law (two attachments)

Appendix “C” – Additional Detail to the Financial Impact Statement

Amended Schedule “B”:  Total Municipal Portion of Proposed Public Investment

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