Agenda – Executive Policy Committee – March 10, 2020

REPORTS

Item No. 1 Forks Railside Phase 1 Tax Increment Financing Zone (Fort Rouge-East Fort Garry Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council enact a tax increment financing by-law (draft By-law attached as Attachment A) which provides for a grant to the Forks Renewal Corporation for the development of new public spaces at Forks Railside Phase 1 and that the grant:

    A. be paid annually in an amount equal to 80% of incremental municipal property taxes generated as a result of development of Forks Railside Phase 1 for a period of 20 years (or until a total of $7.9 million has been paid, whichever occurs first) beginning after first the occupancy permit is issued;

    B. must be used for the development of public use spaces in accordance with the Railside at the Forks Concept Plan (Council Policy # PD-023);

    C. be subject to i) receipt of an annual report satisfactory to the Chief Financial Officer documenting the previous year's expenditures of the TIF grant and ii) the Forks Renewal Corporation entering into the agreement referred to in Recommendation #2.

2. That the City enter into, execute and deliver a grant agreement with the Forks Renewal Corporation 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.

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

ADMINISTRATIVE REPORT

Title: Forks Railside Phase 1 Tax Increment Financing Zone

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Pittet	J. Kiernan	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

On July 18, 2019, Council directed the Public Service to provide recommendations for any future required Tax Increment Financing (TIF) contributions for the Railside South and Railside North developments.

The Public Service received a formal request from the Forks Renewal Corporation ("FRC") for Tax Increment Financing to support the development of the public spaces at Railside lands. FRC has provided preliminary budget estimates for Phase 1 (Railside South) and has presented preliminary designs for Downtown Urban Design Review. The design approach is consistent with the policies and directions contained in the *Railside at the Forks Concept Plan.* The Province of Manitoba has now formally indicated their intent to provide TIF support based on the school tax portion.

The proposed TIF formula for Phase 1 is based on others previously approved by Council – 80% of incremental taxes for a period of 20 years or to a maximum of $7.9 Million, whichever comes first. (This is different from the Provincial TIF that provides 100% of annual incremental taxes until a total payout of $11.9 Million is reached.)

A separate TIF report on Railside North would follow at such time if there is sufficient design detail and cost estimates on the build out of subsequent phases.

RECOMMENDATIONS

1. That Council enact a tax increment financing by-law (draft By-law attached as Attachment A) which provides for a grant to the Forks Renewal Corporation for the development of new public spaces at Forks Railside Phase 1 and that the grant:
   A. be paid annually in an amount equal to 80% of incremental municipal property taxes generated as a result of development of Forks Railside Phase 1 for a period of 20 years (or until a total of $7.9 million has been paid, whichever occurs first) beginning after first the occupancy permit is issued;
   B. must be used for the development of public use spaces in accordance with the *Railside at the Forks Concept Plan* (Council Policy # PD-023);

C. be subject to i) receipt of an annual report satisfactory to the Chief Financial Officer documenting the previous year's expenditures of the TIF grant and ii) the Forks Renewal Corporation entering into the agreement referred to in Recommendation #2.

2. That the City enter into, execute and deliver a grant agreement with the Forks Renewal Corporation 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.

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

REASON FOR THE REPORT

Council approval is required for tax increment financing support for the Forks Railside Phase 1 development.

IMPLICATIONS OF THE RECOMMENDATIONS

A designated Tax Increment Financing zone will be created in support of strategic public space investments consistent with the advancement of the *Railside at the Forks Concept Plan*.

It is estimated that Forks Railside Phase 1 will result in: over $100 million in private capital investment; a substantial increase in assessed land value; new employment opportunities being generated through the construction and revitalization of the areas; the creation of exceptional public, people-focused spaces; and general economic and cultural enhancements within the City of Winnipeg.

HISTORY/DISCUSSION

History

On July 16, 2014 Council approved the fiscal framework for construction of the public amenities/infrastructure for the Forks Railside Development including the establishment, in principle, of a Tax Increment Financing (TIF) Zone on the Railside and Parcel 4 lands to support the construction of required public amenities and infrastructure.

On December 13, 2017, Council adopted Railside at the Forks Concept Plan as Council Policy No. PD-023.

On July 18, 2019, Council concurred in the Public Service recommendation to rescind the fiscal framework from the 2014 report and report back with recommendations for any future required Tax Increment Financing contributions in accordance with the July 16, 2014 Council approved direction, in support of "Railside North" and "Railside South" development.

In the summer of 2019, the City received confirmation of Provincial participation through tax increment financing to a maximum of $11.9 Million.

Discussion

Forks Railside Phase 1 is approximately 6 acres owned by The Forks Renewal Corporation. It is bounded by Mahatma Gandhi Way to the north, Israel Asper Way to the east and the CN Mainline to the west. The development will include the first residential development at the Forks. Development of Phase 1 is planned over three (3) stages. The build out of each stage is conservatively estimated to range from 3 to 5 years, with the potential that development of the staged areas may occur concurrently. Build out of Stages 1 and 2 of Phase 1is estimated to include 324 residential units and about 66,000 square feet of commercial ground floor space.

The City does not currently have a TIF incentive program open to new applications, but the proposed TIF grant aligns with similar grants conditionally approved under previous TIF agreements and programs.

Based on early design phase information, it is estimated that the annual municipal property taxes generated from this site may increase from approximately $90,000 to $593,750 at full build out of Stages 1 and 2. (Final assessment values and related taxes can only be calculated upon completion of the project.) Based on these estimates, the difference, or *incremental taxes,* would be approximately $493,750 annually after full build-out is complete. It is proposed that, of this amount, 80%, or $395,000 annually, would be granted back to the Forks Renewal Corporation. The grant would be conditional on the use of the funds for the development of new public use spaces including plazas/courtyards, walkways, streetscape enhancements, landscaping, seating, lighting, art, wayfinding, etc.

Financial Implications

The amount and timing of municipal taxes arising from this proposed development are subject to numerous variables and will vary, perhaps materially, from what is presented here. Any risk to the City is mitigated by the fact that grants will be payable only to the extent municipal taxes are realized. In addition, the total grant payable under this TIF is capped at $7.9 million.

For the purposes of this report, it is assumed that full build out of Stages 1 and 2 of Phase 1 occurs in 2020 resulting in incremental taxes of $493,750/annum beginning in 2021 and remaining constant for the 20-year period up to and including 2040. Based on these assumptions, total incremental taxes will be $9.875 million and total grants will be $7.9 million.

The timing of build out is not reasonably predictable at the date of this report but is likely to extend beyond 2020. This factor alone would result in total incremental taxes over the 20-year period being less than $9.875 million and total grants paid being less than $7.9 million. Regardless, total grants paid will not exceed the $7.9 million cap.

FINANCIAL IMPACT

Financial Impact Statement

Date: February 13, 2020

Project Name:

First Year of Program 2021

Forks Railside Phase 1 Tax Increment Financing Zone

	2021	2022	2023	2024	2025 to 2040
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	$ 395,000	$ 395,000	$ 395,000	$ 395,000	$ 6,320,000
Less: Incremental Revenue/Recovery	493,750	493,750	493,750	493,750	7,900,000
Net Cost/(Benefit)	$ (98,750)	$ (98,750)	$ (98,750)	$ (98,750)	$ (1,580,000)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (98,750)	$ (98,750)	$ (98,750)	$ (98,750)	$ (1,580,000)

Additional Comments: Incremental revenues represent assumed incremental municipal property taxes of $493,750/annum over the 20-year period of the TIF totaling $9.875 million. Direct costs represent 80% of the incremental municipal taxes, which will be granted back to the Forks Renewal Corporation; a total of $7.9 million. The net budget adjustment required amounts represents municipal taxes that will accrue to the General Revenue Fund; a total of $1.975 million.

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

CONSULTATION

This Report has been prepared in consultation with:
Legal Services (as to legal issues)
Assessment and Taxation

OURWINNIPEG POLICY ALIGNMENT

The Railside Lands are in the Downtown, which is designated as Transformative Area in *OurWinnipeg*. The Key Direction under *Complete Communities* part 03-1a Organizing Downtown states –

> *Pursue a focused district, destination and cluster approach to development downtown that will seek to:*
> - *provide more predictability and opportunity for investment;*
> - *increase the variety of complementary experiences and opportunities;*
> - *help achieve a critical mass of people-oriented activity that is vital to ongoing economic success*.

Complete Communities part 03-1e includes the following Direction –

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

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

The *Railside at the Forks Concept Plan* advances the following component of the Winnipeg Climate Action Plan –

Strategic Opportunity #2:
Empower Community Leaders and Collaborate with Stakeholders

Strategic Opportunity #3:
Advancing Sustainable Transportation – Increasing Mobility Options and Shift to Zero Emission Vehicles
- *Increase the Density of Urban Development Along Key Transit Corridors*

Strategic Opportunity #4:
Facilitate Compact, Complete Development and Increase Density

Strategic Opportunity #7:
Community Climate Resiliency
- *Increase and Preserve Tree Canopy*

SUBMITTED BY

Department: Planning, Property and Development
Division: Urban Planning and Design
Prepared by: Kurtis Kowalke
Date: February 13, 2020

Attachments:
A. Forks Railside TIF By-law
B. Map of Forks Railside Phase 1 TIF Zone
C. The Forks budget for spending on Public Spaces

Attachment A – Forks Railside TIF By-law **DRAFT**

THE CITY OF WINNIPEG

BY-LAW NO. /2020

A By-law of THE CITY OF WINNIPEG to create a Tax Increment Financing Zone in respect of an area known as Forks Railside Phase 1

WHEREAS the Forks Renewal Corporation is a non-share capital corporation owned by the Government of Canada, the Province of Manitoba and the City of Winnipeg;

AND WHEREAS among the lands owned by the Forks Renewal Corporation are specific lands collectively known as Forks Railside Phase 1, which are the subject of an application for consolidation by way of short form subdivision DASSF 529/2018 and which are shown as the shaded area on the map attached to and forming part of this By-law;

AND WHEREAS, when registered at the Property Registry, DASSF 529/2018 will result in the creation of a distinct parcel of land which can be assessed for the purposes of imposing municipal taxes;

AND WHEREAS the Forks Renewal Corporation has plans to develop Forks Railside Phase 1 in three stages;

AND WHEREAS On July 16, 2014 Council approved the fiscal framework for construction of the public amenities/infrastructure for the Forks Railside Development including the establishment, in principle, of a Tax Increment Financing (TIF) Zone on the Railside and Parcel 4 lands to support the construction of required public amenities and infrastructure;

AND WHEREAS on December 13, 2017, the Council of the City of Winnipeg adopted *Railside at the Forks Concept Plan*, a local area plan, as Council Policy PD-023;

AND WHEREAS on July 18, 2019, Council approved the following:

> *That the Public Service be directed to report back to Council with recommendations for any future required Tax Increment Financing contributions further to the July 16, 2014 Council approved direction, in support of "Railside North" and "Railside South" development.*

NOW THEREFORE, THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

Short title

1 This By-law may be cited as the "Forks Railside TIF By-law".

Definitions

2 In this By-law

"base year municipal real property taxes" means the municipal real property taxes determined to be payable

(a) in respect of the parcel formed by the registration of short form subdivision application DASSF 529/2018 at the Property Registry;

(b) in the year in which short form subdivision application DASSF 529/2018 is registered at the Property Registry;

"*Charter*" means *The City of Winnipeg Charter*, S.M, 2002, c. 39;

"Chief Financial Officer" means the Chief Financial Officer of the City of Winnipeg appointed pursuant to section 96 of the *Charter*;

"Council" means the Council of the City of Winnipeg as defined in the *Charter;*

"Forks Railside Phase 1" means the lands which are the subject of an application for short form subdivision DASSF 529/2018 and which, for purposes of illustration only, are described by the shaded area on the map which is attached to and forms part of this By-law;

"incremental municipal real property taxes" in any year means the municipal real property taxes in respect of the assessment roll for Forks Railside Phase 1 payable for that year less the base year municipal real property taxes;

"municipal real property taxes" means taxes imposed by the City of Winnipeg for its own purposes on real property pursuant to clauses 334(1)(a) and 341(1) of the *Charter* and, for greater certainty, does not include:

(a) business taxes;

(b) fees for licences in lieu of business tax;

(c) fees for mobile home licences;

(d) personal property taxes;

(e) local improvement taxes;

(f) frontage taxes;

(g) arrears of taxes;

(h) any amounts added to taxes for the recovery of a debt pursuant to a statutory authority;

(i) business improvement taxes;

(h) electricity and gas taxes; nor

(k) penalties for unpaid taxes;

"public space investments" means investments in public spaces and public space amenities and includes, among other things, plazas/courtyards, walkways, streetscape enhancements, landscaping, outdoor seating, lighting, art, and wayfinding signage;

"TIF" means a tax increment financing program established pursuant to section 222 of *The City of Winnipeg Charter*.

Forks Railside Phase 1 TIF established

3 A tax increment financing program is established by this By-law in respect of Forks Railside Phase 1.

80% of incremental municipal real property taxes to support public space investments

4(1) Subject to compliance by the Forks Renewal Corporation with the terms of the grant as set out in this By-law and in the grant agreement referred to in this By-law, the Chief Financial Officer of the City of Winnipeg shall ensure that 80% of the incremental municipal real property taxes payable in respect of Forks Railside Phase 1 shall be paid by way of grant to the Forks Renewal Corporation for a total of 20 years or until a total of $7.9 million has been paid, whichever occurs first.

4(2) The first determination of incremental taxes and the first annual grant payment required by subsection (1) shall be made in respect of the year after the year in which the first occupancy permit is issued for a building constructed on Forks Railside Phase 1.

4(3) The Chief Financial Officer may comply with the obligation set out in this section by setting off the grant payment payable to the Forks Renewal Corporation against the taxes payable by the Forks Renewal Corporation. However, the obligation on the Chief Financial Officer set out in subsection (1) does not apply in any year in which the Forks Renewal Corporation does not pay the taxes it owes in respect of Forks Railside Phase 1.

4(4) The obligation on the Chief Financial Officer set out in subsection (1) is subject to the execution by the Forks Renewal Corporation of a grant agreement approved by the Chief Financial Officer which incorporates the conditions on the grant set out in this By-law and such other terms and conditions considered necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

Conditions on grants

5(1) It is a condition of the grants paid out pursuant to section 4 that they be used by the Forks Renewal Corporation exclusively to support public space investments within Forks Railside Phase 1 consistent with Railside at the Forks Concept Plan adopted as Council Policy PD-023, as amended from time to time.

5(2) It is a further condition of the grants paid out pursuant to section 4 that the Forks Renewal Corporation provide to the Chief Financial Officer annually a report setting out expenditures made with the previous year's grant.

5(3) If the Forks Renewal Corporation fails to comply with a condition set out in this By-law or set out in the agreement required by subsection 4(4), the Chief Financial Officer shall attempt to resolve the failure with the Forks Renewal Corporation and, if this is unsuccessful, shall

(a) refuse to make a grant under section 4 in the following year; and

(a) bring the matter to the attention of Council.

DONE AND PASSED this day of , 2020.

Mayor

City Clerk

Approved as to content:

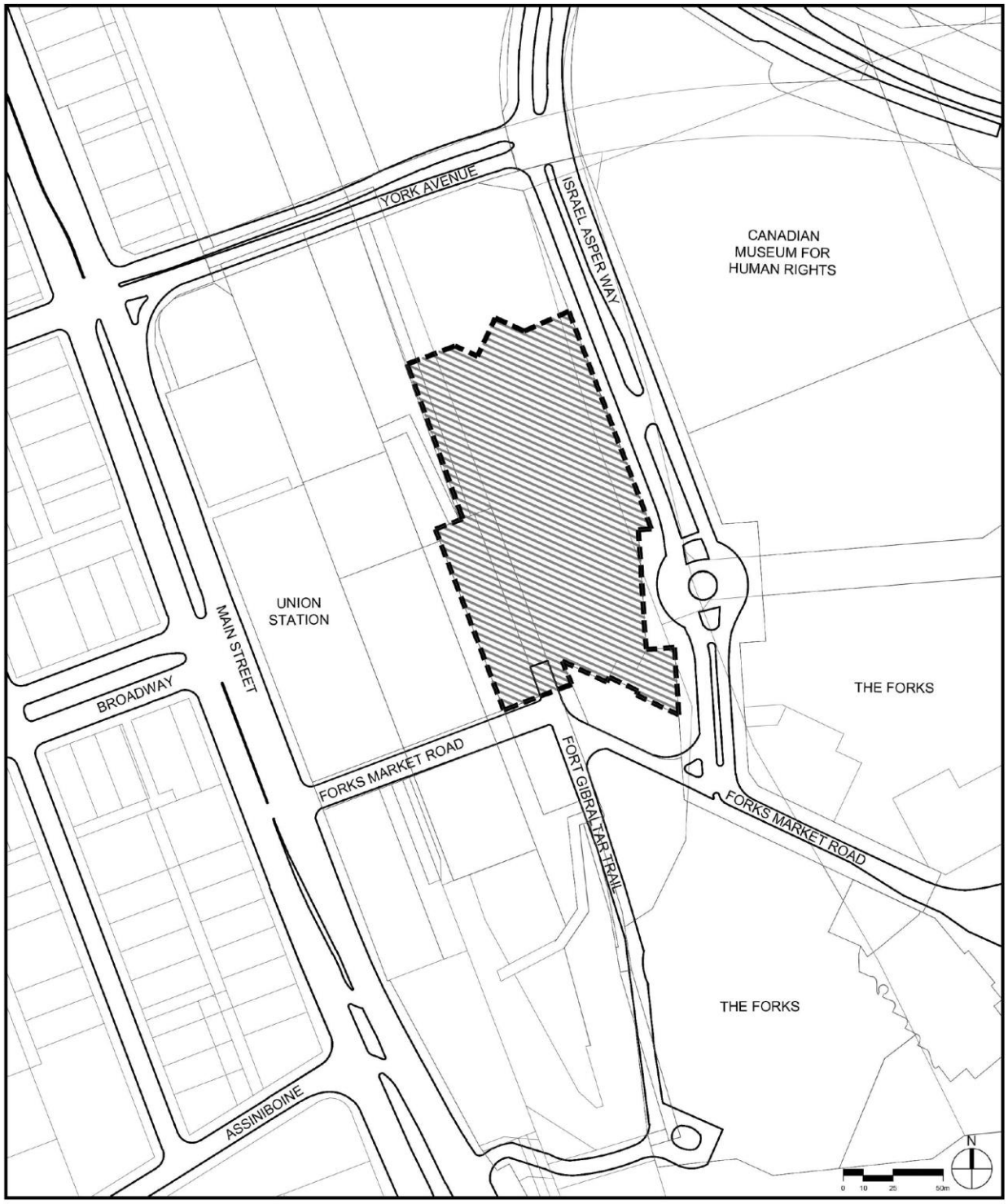
Director of Planning, Property and Development

Legally reviewed and certified as to form:

for Director of Legal Services

and City Solicitor

Attachment B - Map of Forks Railside Phase 1 TIF Zone



Attachment C - Preliminary TIF Investment Budget for Phase 1

RAILSIDE - CAPITAL BUDGET*

CAPITAL EXPENDITURES	
Public Realm/Community Infrastructure Investments	
1A Courtyards and Alleys	$ 3,584,459.50
1A Israel Asper Way Frontage	$ 1,686,000.00
1B Courtyards and Alleys	$ 3,251,109.50
1B Israel Asper Way Frontage	$ 1,354,875.00
Israel Asper Way - Promenade Redesign	$ 4,232,000.00
Box Car Alley	$ 1,200,000.00
Programming (Retail/Commercial, Site Activation, etc.)	$ 250,000.00
City of Winnipeg Cost-Recovery - Traffic / Underground Structures	$ 200,000.00
Community Centre	TBD
Community Household Waste Collection/Diversion Facilities	TBD
Subtotal	**$ 15,758,444.00**
Requisite Investments to Support Community Infrastructure	
Geothermal - Design / Install 1A and 1B System	$ 6,000,000.00
Site Due Diligence (Archaeological, Environmental) - 1A	$ 85,000.00
Site Due Diligence (Archaeological, Environmental) - 1B	$ 85,000.00
Public Archaeological Dig	$ 300,000.00
Land Dedication (10%)	$ -
School Board Dedication	$ -
Subdivision	$ 72,500.00
1A Watermain	$ 128,470.00
1A Wastewater Sewer	$ 157,100.00
1A Land Drainage Sewer	$ 198,940.00
1B Watermain	$ 172,900.00
1B Wastewater Sewer	$ 164,930.00
1B Land Drainage Sewer	$ 196,870.00
Construction Coordination	$ 600,000.00
Site Preparation (removals)	$ 500,000.00
Consulting Fees - Planning, Design and Engineering	$ 2,000,000.00
Dev. Permit and Misc. Permit Reqs (Public Spaces)	$ 50,000.00
Manitoba Hydro service connections	TBD
Telecom service connections	TBD
Subtotal	**$ 10,711,710.00**
SUB-TOTAL CAPITAL COSTS	**$ 26,470,154.00**
Other Costs	
Estimated Carrying Costs**	$ 16,500,000.00
Contingency	$ 5,000,000.00
Subtotal	**$ 21,500,000.00**
TOTAL	**$ 47,970,154.00**

Note: the above costs are preliminary estimates only and subject to change pending detailed design and costing.