

Agenda – Council – September 30, 2020

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – September 17, 2020

Item No. 5 Proposed Extension of the Transcona-West Joint Venture Agreement

STANDING COMMITTEE RECOMMENDATION:

On September 21, 2020, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the following to Council:

1. That the Transcona-West Joint Venture Agreement between the City of Winnipeg and Genstar Development Company be extended to December 31, 2025, unless otherwise terminated as provided for in the Transcona-West Joint Venture Agreement dated January 25, 2005.
2. That the City enter into, execute and deliver an Addendum to the Joint Venture Agreement with Genstar Development Company 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”).
3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Addendum to the Joint Venture 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.
4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 21, 2020, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On September 17, 2020, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

Dave Boles, Genstar Development Company, submitted a communication titled “Proposed Extension of the Transcona Joint Venture Agreement” dated September 16, 2020, in support of the matter.

ADMINISTRATIVE REPORT

Title: Proposed Extension of the Transcona-West Joint Venture Agreement

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
G. Chappell	J. Kiernan	B. D'Avignon, Acting Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The City of Winnipeg and Genstar Development Company entered into a Joint Venture Agreement on January 25, 2005 for lands within the Transcona-West Area. The Joint Venture Agreement involved the joint development and marketing of equal quantities of City-owned and Genstar-owned land totaling roughly 258 acres.

The Joint Venture has been very successful to date. Approximately 34 acres of land to which the Agreement applies are still undeveloped. The Joint Venture Agreement will expire on December 31, 2020 and is required to be extended if the Joint Venture is to continue.

The Public Service supports an extension of the Joint Venture Agreement until December 31, 2025.

RECOMMENDATIONS

1. That the Transcona-West Joint Venture Agreement between the City of Winnipeg and Genstar Development Company be extended to December 31, 2025, unless otherwise terminated as provided for in the Transcona-West Joint Venture Agreement dated January 25, 2005.
2. That the City enter into, execute and deliver an Addendum to the Joint Venture Agreement with Genstar Development Company 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").
3. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Addendum to the Joint Venture 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.

4. 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

The authority to amend the Transcona-West Joint Venture Agreement has not been delegated by Council, and therefore Council approval is required for an extension.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no regulatory, operational, human resources or other implications associated with this report.

Genstar is the managing partner of the Joint Venture and ultimately decides the timing of development, servicing and pricing. No changes to the Joint Venture Agreement are required beyond extending the date of the agreement.

HISTORY/DISCUSSION

On July 23, 2003, the Public Service received a proposal from Genstar Development Company ("Genstar"), for the creation of a Joint Venture between Genstar and the City for the purpose of developing and marketing City and Genstar owned lands within the Transcona-West Area of the East Kildonan-Transcona Community.

The Joint Venture proposed the City contribute 129.1 acres of City-owned land in the Transcona-West area, and Genstar would provide a similar land contribution. In total, the Joint Venture included 258.2 acres under development (see Schedule A).

On December 15, 2004, Council approved the Transcona-West Joint Venture with Genstar. The agreement was finalized on January 25, 2005.

Since 2005, the Joint Venture has provided a favourable return for the City of Winnipeg with its 50% share of total distributions to date being \$21M; well in excess of the original estimate of \$6.175M. The City's share of distributions has been significantly higher than the land value throughout the Joint Venture, more than doubling or tripling the return through each successive subdivision (Rougeau Gardens, Kildonan Green, Devonshire Village). The profitability of the Joint Venture is expected to continue, maintaining an internal rate of return close to 30%.

The only remaining lands contemplated by the Joint Venture are 34 acres in the final phase of the Devonshire Village subdivision. It is noted that the Joint Venture Agreement ends when one of the following events occurs:

- I. Ninety days after the disposition of all of the Lands; or
- II. By written agreement of Genstar and the City, for whatever reason; or
- III. **On December 31, 2020 or such later date that is mutually acceptable to Genstar and the City; or**
- IV. Genstar, after making application for rezoning and subdivision of any part of the Lands or a Phase thereof, determines the conditions of development imposed by the approving

authority of the City are such that in Genstar's opinion the financial return does not justify proceeding with further development of the Lands.

Without an amendment to extend the agreement, it will therefore terminate on December 31, 2020.

Genstar advises that the final phase of development is not anticipated to occur for approximately five years. Due to the profitability of the Joint Venture, it is recommended that the agreement be extended by an additional five-year term. It is not proposed that any of the other provisions, which might bring the agreement to an end sooner than December 31, 2025, be amended.

Over the past few years Genstar has indicated a desire to purchase the City's share of the remaining Joint Venture lands. No appraisal has been completed on the remaining Joint Venture lands since the Public Service recommends continuing with the current arrangement. Information on future distributions will not be available until the land is closer to development, though distributions are expected to exceed land value based on the historical performance.

FINANCIAL IMPACT

Financial Impact StatementDate: **July 31, 2020**

Project Name:**Proposed Extension of the Transcona-West Joint Venture Agreement****COMMENTS:**

Information on future distributions will not be available until the land is closer to development, though distributions are expected to exceed land value based on the historical performance. As such, for the purposes of this report, there are no direct financial implications associated with the recommendations contained herein.

Mike McGinn July 31, 2020

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

Legal Services (has to legal issues)

OURWINNIPEG POLICY ALIGNMENT

The Joint Venture Agreement occupies land within Emerging Communities. Complete Communities states:

“It is noted that development of these areas typically reflects the principles of Complete Communities, such as a focus on compact development, a mix of uses, a diversity of housing types, the promotion of public transit, the encouragement of active transportation and community connectivity. As such, their future build-out is expected to be in conformance with the components of **Complete Communities**. There may be opportunities to modify future development in these areas where it is identified that the goals and objectives of Complete Communities can be maximized.”

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

4.1 Increase Strategic Infill Development that Provides Access to and Capitalizes on Existing and Planned Corridors with Frequent Transit Service

4.2 Ensure New Areas of Growth are Designed According to the Principles of Complete Communities

SUBMITTED BY

Department: Planning, Property and Development
Division: Real Estate and Land Development
Prepared by: Gord Chappell, Real Estate Administrator
Date: August 5, 2020
File No: 8013 V6

Attachments:
Schedule A – Joint Venture Map

Schedule A – Joint Venture Map

