**Agenda – Council – March 25, 2021**

**Report – Executive Policy Committee – March 17, 2021**

**Item No. 13 Market Lands Southern Development Site Tax Increment Financing Grant Request**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 17, 2021, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That a Tax Increment Financing grant to CentreVenture Development Corporation or its legal designate Market Lands Inc. in respect of the Southern Development Site of the Market Lands be approved, and that the grant:

    A. be an annualized payment of 100% of incremental municipal property taxes for a period of 25 years, beginning after September 1 of the year after the year in which the first occupancy permit is issued and final assessment is attained for the entire project;

    B. be conditional on written confirmation of financial support for the project from the Province of Manitoba and the Government of Canada.

2. That the City enter into, execute and deliver a Tax Increment Financing grant agreement with CentreVenture Development Corporation or its legal designate Market Lands Inc., and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing; and that authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of the grant agreement and any ancillary agreements, in accordance with this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor.

3. That the Chief Administrative Officer be delegated the authority to enter into a long-term lease on behalf of The City of Winnipeg with CentreVenture Development Corporation or its legal designate Market Lands Inc. for the southern portion of the Market Lands, for $1.00 per year, to develop the public purposes proposed in this report, and that authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the lease, in accordance with this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

**Report – Executive Policy Committee – March 17, 2021**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

4. That Council approve and that the City enter into, execute and deliver a tripartite agreement between The City of Winnipeg, Market Lands Inc. and Canada Mortgage and Housing Corporation addressing the rights and interests of Canada Mortgage and Housing Corporation as mortgage holder, and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing, and that authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the tripartite agreement and any ancillary agreements, in accordance with this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

5. That CentreVenture Development Corporation report back to Council within 180 days regarding the progress of the project, and the outcome of various funding applications.

6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

## Report – Executive Policy Committee – March 17, 2021

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 17, 2021, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

Angela Mathieson, President and CEO, CentreVenture Development Corporation, submitted a presentation titled “Market Lands Southern Development Site”.

# ADMINISTRATIVE REPORT

**Title:** Market Lands Southern Development Site Tax Increment Financing Grant Request

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| J. Kiernan | J. Kiernan | C. Kloepfer | M. Ruta,<br>Interim CAO |

## EXECUTIVE SUMMARY

On April 27, 2016, City Council directed that public engagement be undertaken to determine the most suitable redevelopment on the Market Lands (former Public Safety Building and Civic Centre Car Park site). CentreVenture Development Corporation ("CentreVenture") and the Public Service have previously reported to City Council on the findings of those community consultations and the resulting project vision was approved in July 2019. The financial requirements of the development project are outlined in this report.

The Southern Development Site of the Market Lands is 40,462 square-feet and is limited by a historic encumbrance on the title requiring that it be used for public purposes. To meet that requirement, CentreVenture is proposing to enter into a long-term lease with the City and construct a 'Creative Hub' featuring 20,000 square-feet of affordable arts spaces for several non-profit groups, including: Urban Shaman Contemporary Aboriginal Art Gallery, a new public market structure, an outdoor public art realm, and an affordable housing project with 102 mixed-income rental units. See Appendix A "The Market Lands Southern Development Plan".

The Northern Development Site of the Market Lands is a 53,550 square-foot parcel. CentreVenture has issued an RFP for the sale of this parcel, targeting up to 300,000 square-feet of private sector mixed-use development. The incremental municipal property taxes on the Northern Development Site are estimated to be $473,437 per year. CentreVenture has not requested a TIF grant for this portion of the site.

In total, the Market Lands are estimated to see over $149 million in capital investment, generating significant economic development impacts during construction, as well as long-term economic activity through the advancement of the Creative Hub.

UWCRC 2.0 Inc. ("CRC 2") and CentreVenture have established a partnership whereby the parties will jointly design and develop the portion of the land known as the Southern Development Site as an independent corporation to develop the public purposes as proposed in this report. Council is therefore requested to delegate to the Chief Administrative Officer the authority to enter into a long-term lease on behalf of The City of Winnipeg with CentreVenture or its legal designate Market Lands Inc. for the southern portion of the Market Lands, for $1.00 per year. CAO approval of the lease will be subject to final confirmation of secured project financing.

The Market Lands are currently exempt from property taxes. To help finance the public-purpose projects on the Southern Development Site, CentreVenture has requested a Tax Increment Financing ("TIF") grant to maintain that effective condition for a further 25 years.

As such, the Public Service seeks Council approval of a TIF grant payable to Market Lands Inc. for a 25-year period. The grant is contingent upon "written confirmation of financial support for the project from the Province of Manitoba and the Government of Canada".

The incremental municipal property taxes on the Southern Development Site are estimated to be $102,240 per year. After 25 years, the Southern Development Site will incur full property taxes.

## RECOMMENDATIONS

1. That a Tax Increment Financing grant to CentreVenture Development Corporation or its legal designate Market Lands Inc. in respect of the Southern Development Site of the Market Lands be approved, and that the grant:
   A. be an annualized payment of 100% of incremental municipal property taxes for a period of 25 years, beginning after September 1 of the year after the year in which the first occupancy permit is issued and final assessment is attained for the entire project;
   B. be conditional on written confirmation of financial support for the project from the Province of Manitoba and the Government of Canada.

2. That the City enter into, execute and deliver a Tax Increment Financing grant agreement with CentreVenture Development Corporation or its legal designate Market Lands Inc., and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing; and that authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of the grant agreement and any 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.

3. That Council delegate to the Chief Administrative Officer the authority to enter into a long-term lease on behalf of The City of Winnipeg with CentreVenture Development Corporation or its legal designate Market Lands Inc. for the southern portion of the Market Lands, for $1.00 per year, to develop the public purposes proposed in this report, and that authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the lease, 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 and that the City enter into, execute and deliver a tripartite agreement between The City of Winnipeg, Market Lands Inc. and Canada Mortgage and Housing Corporation addressing the rights and interests of Canada Mortgage and Housing Corporation as mortgage holder, and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing, and that authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the tripartite agreement and any 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 CentreVenture Development Corporation report back to Council within 180 days regarding the progress of the project, and the outcome of various funding applications.

6. 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

On October 16, 2020, the Standing Policy Committee on Property and Development, Heritage and Downtown Development received as information a verbal report of the Winnipeg Public Service on the PSB demolition.

The Committee granted an extension of time of 60 days for the Winnipeg Public Service to report back on the pending site development and an update on the status of CentreVenture's request to The City of Winnipeg regarding a Tax Increment Financing grant.

CentreVenture has requested Tax Increment Financing for 25 years on the Southern Development Site, the portion of the Market Lands restricted to public purposes. Council approval is required for the City to give a Tax Increment Financing grant and to enter into agreements for that purpose.

Council approval is also required for the City to enter into the proposed long-term lease agreement and the tripartite agreement between The City of Winnipeg, Market Lands Inc. and Canada Mortgage and Housing Corporation ("CMHC").

## IMPLICATIONS OF THE RECOMMENDATIONS

Should the recommendations of the Winnipeg Public Service be concurred in, municipal tax increment financing shall be utilized for the purposes of constructing a Creative Hub to include:

- an 8,000 square foot multi-purpose structure to be used as a Public Market showcasing new Manitoba food and creative products and as a community gathering space for the Exchange District, hosting public events such as workshops, performances, and exhibits.
- Development of 20,000 square feet of space to provide long-term sustainable homes in the Exchange District for Manitoba arts organizations, including a new high-profile main floor location for Urban Shaman Aboriginal Contemporary Art Gallery.
- A high-quality outdoor public realm to complement and support the Creative Hub, and to become a new public space that can be used for festivals such as the Fringe Fest, Jazz Fest, Nuit Blanche, and other future events and programs.

The construction of 102 rental apartment units, designed to qualify under Canada Mortgage & Housing Corporation's National Housing Co-Investment Fund whereby a minimum of 30% of the units are rented at less than 80% of the median market rent for the area.

The restrictive covenant over the southern third of the site limits development and has historically limited potential opportunities. The request for 100% of the incremental taxes over a

25-year period reflects the site restrictions that limit both ownership and the potential activities that can be accommodated in the project.

The request for financial support from the provincial government is through their Manitoba Capital Works Incentive (MCWI) program. The proponent of an approved project under the incentive receives a tax rebate of the incremental education property taxes that are generated as a result of capital investment on the approved property for a period of up to 20 years or until education property taxes are eliminated, whichever is sooner. CentreVenture has requested that the term be extended to 25 years

Council approval of the Tax Increment Financing Grant for the full Southern Development Site of the Market Lands will allow CentreVenture to finalize agreements with other government funders of the project.

A non-binding MOU of a proposed business partnership transaction between CRC 2 and CentreVenture has been established whereby the parties will jointly design and develop that portion of the land municipally know as 151 Princess Street, Winnipeg.

The relationship between the City, Market Lands Inc. and CMHC will be set out in a triparty agreement and will address future risk if there is a default under the mortgage and given that it involves a lease of 99 years, the implications if CentreVenture does not exist at a future point in time.

## HISTORY/DISCUSSION

**Background:**

The Market Lands site is an important property in the downtown, directly surrounded by critical community assets including City Hall and Administration Building, the Exchange District, Red River College, and the Winnipeg Chinese Cultural & Community Centre. City Council has exercised strong oversight of its development from the City's first public market in the 1870's to the urban renewal project of the 1960's that created the entire civic centre campus.

**2015**

An external evaluation undertaken by Deloitte concluded the Civic Centre Car Park suffered from poor structural integrity and demolition of the vacant and condemned structure must occur. It also outlined a strong case for demolition of the Public Safety Building. It cited the state of the Public Safety Building, as well as the limitations of the structure and exterior cladding, made it unsuitable for a significant and costly restoration project. It also determined that restoration of the building would not contribute to downtown revitalization priorities and would not provide value above and beyond other alternatives. These limitations, along with an associated high cost of restoration, combined to make a strong case for demolition.

**2016**

On April 27, 2016, City Council resolved that a large public space and private development was the preferred option of three presented at the time for redevelopment of the former Public Safety Building and Civic Centre Parkade. The other two options included civic offices and a large public parkade. Concerns were raised that the preferred option of a large public space may not

be the highest and best use for such an important site. Therefore, Council resolved that further public engagement be undertaken to determine the best approach to the redevelopment.

**2017**

CentreVenture was requested to lead, with the Public Service, the public engagement process which was officially launched by Mayor Bowman on January 17, 2017.

On May 17, 2017, CentreVenture reported on the first phase of public engagement, the “Market Lands Guiding Aspirations Report”, to the Standing Policy Committee on Property and Development, Heritage, and Downtown Development. That report summarized the participation of 300 Winnipeggers in focus group interviews and panel discussion events, with thousands more engaged through social media and an online public engagement portal.

Through the summer and fall of 2017, CentreVenture conducted the second phase of public engagement with a focus on urban design. This included events and workshops held on the Market Lands in a brightly coloured public engagement kiosk. Unique online downloadable design tools allowed many Winnipeggers to participate.

**2018**

On March 18, 2018, CentreVenture and the Public Service, released the “Market Lands Urban Design Framework Report.” That report further defined the redevelopment as a new destination for all Winnipeggers, comprised of quality public outdoor spaces surrounded by mixed-use developments with places to live, work, and play, including a new public market building. Physical guidelines for the site were outlined, including better connections to surrounding areas, a new pedestrian access way through to Red River College along the historic route of Market Avenue, and the potential scale of future buildings.

On May 24, 2018, Council approved CentreVenture’s 3-year business plan which included, in lieu of operating funding, the option to purchase City of Winnipeg surplus properties for $1.00, including the northern portion of the Market Lands site.

In the summer and fall of 2018, CentreVenture focused on further refinement of the program and business plan for the southern portion of the Market Lands. This included meeting with potential tenants, funders, and the Public Service. As well, CentreVenture issued an expression of interest (EOI) seeking organizations interested in potential opportunities to occupy space at the Market Lands. The strongest response was received from organizations in the arts and cultural sector. This further reinforced previous public engagement findings that the Market Lands should be a place that enhances the arts sector in the Exchange District.

In December 2018, following a juried design competition, the team of Daoust Lestage from Montreal was selected as the architect for the southern portion of the Market Lands.

**2019**

Through 2019, CentreVenture continued to consult with key stakeholders and funding bodies, including Canadian Heritage and CMHC to determine a reasonable financial framework to achieve the public uses required on the southern portion of the Market Lands, within existing government funding programs.

In June of 2019, following an RFP, CentreVenture selected the construction management firm of Concord Projects Inc. to join the integrated design team, with an emphasis on project pricing.

On July 18, 2019, the “Market Lands Project Vision” was endorsed by City Council.

CentreVenture tabled with the Public Service a request for tax increment financing and a further $3.5 million upfront grant to achieve the public uses on the Southern Development Site.

**2020**

In the spring of 2020, the Public Service undertook a review of the project and its financial requirements in the context of the impacts of COVID-19.

CentreVenture was asked to reconsider their request for an upfront grant of $3.5 million due to the financial challenges faced by the City resulting from COVID-19. CentreVenture agreed to rescope or seek other funding sources to address this $3.5 million.

CentreVenture was asked to look at alternative corporate structures/partnerships to eliminate the financial consolidation of the project’s loan with The City of Winnipeg, as is the accounting standard with CentreVenture’s assets and liabilities. CentreVenture is exploring alternatives and is confident in their ability to achieve this request.

**Financial Requirements:**

The cost of the Southern Development Site is estimated to be $54.1 million. CentreVenture has designed the project to qualify under a number of existing funding programs, most notably Canadian Heritage’s Cultural Spaces Fund (Creative Hubs) and CMHC’s National Housing Strategy (Affordable Housing Innovation Fund & National Housing Co-Investment Fund). On February 16, 2021, the Government of Canada (Canadian Heritage) announced an investment of $4 million in the Market Lands project. CentreVenture is in advanced and positive discussions with all remaining project funders and optimistic in their ability to achieve the funding required. See Appendix E “Cash Sources Summary” for funding breakdown.

CentreVenture issued an RFP, which closed on December 11, 2020, for sale of the Northern Development Site to the private sector. Proposals are currently being reviewed with CentreVenture striving for mixed-use density of up to 300,000 square feet and an estimated private sector investment of more than $100 million. The successful proponent(s) will enter into a Development Agreement with CentreVenture to ensure promised development outcomes and timelines are achieved.

The entire Market Lands site is currently exempt from property taxation. CentreVenture is requesting that the Southern Development Site continue with that financial benefit for a further 25 years through the granting of Tax Increment Financing. CentreVenture has applied for the same support from the provincial government through their Manitoba Capital Works Incentive (MCWI) program. This provincial and municipal support is required to achieve viability of the public-purpose projects on the Southern Development Site.

CentreVenture has not at this stage requested Tax Increment Financing for the Northern Development Site.

| Incremental Property Taxes | Southern Development Site | Northern Development Site |
|---|---|---|
| Base Taxes | $0 exempt | $0 exempt |
| Incremental Assessment | $16,046,000 | $80,617,000 |
| Incremental Municipal Taxes | $100,240 | $473,437 |
| Incremental Education Support Levy | $16,981 | $15,820 |
| Incremental School Division Levy | $114,277 | $539,735 |

*Note: All taxes generated from the site overall will be 'new' or incremental as the property has never previously been on the City of Winnipeg's tax rolls. Amounts above are 2020 Assessment Estimates, April 1, 2018 reference date.*

Consistent with previous TIF agreements and programs, it is important to note that final assessment values and related taxes can only be calculated upon completion of the project. As such, the amount and timing of municipal taxes arising from the project are subject to many different variables and can vary, perhaps materially, from these estimates.

**Property Assignment:**

Parcel B, which comprises the majority of the Southern Development site, was gifted to the City in 1875 with the restriction that the land must be used for public purposes and purposes of the municipal corporation. Therefore, it was determined that this portion of the Market Lands would be leased to CentreVenture on a long-term basis in order for the City to maintain control over its use in perpetuity.

On May 24, 2018, Council approved CentreVenture's 3-year business plan which included the option to purchase the northern portion of the Market Lands site for $1.00. That agreement was executed between The City of Winnipeg and CentreVenture on February 22, 2019, with a disposal deadline of end of 2020. Due to practical time limitations, the Option to Purchase Agreement for the northern portion was extended by Council on September 30, 2020.

**Operating Entity:**

Memorandum of Understanding ("MOU")

A non-binding MOU of a proposed business partnership transaction between CRC 2 and CentreVenture has been established whereby the parties will design and develop that portion of the land municipally know as 151 Princess Street, Winnipeg – a.k.a. "Southern Site".

The parties shall have their respective counsel prepare a binding agreement or agreements (as necessary) to establish binding obligations with respect to the Project.

CRC 2 and CentreVenture shall establish a non-share capital corporation to be incorporated through which the business partnership will be operated, and the Project carried out. The corporation name shall be "Market Lands Inc." (See "Organizational Structure" in Appendix B pages 24-25.)

Market Lands Inc. shall be responsible for:

- Acquisition, development, construction, supply, leasing, management, retrofitting and re-purposing of real estate for the following purposes:
    - for the benefit of arts and culture;
    - for the provision of residential accommodation and affordable housing;
    - for the furtherance of community economic development; and
    - such other activities incidental to the above-mentioned purposes, including commercial and business purposes and uses.

The business partnership may be created through a joint venture agreement, a co-ownership agreement or such other vehicle as CRC 2 and CentreVenture determine; and Market Lands Inc. shall acquire a leasehold interest in the property from The City of Winnipeg for a term of not less than ninety-nine years.

It is acknowledged that the purpose of this structure is to enable both CentreVenture and The City of Winnipeg to exclude and not consolidate the financial position of Market Lands Inc. in their respective financial statements.

Market Lands Inc. shall award a management contract for the project to CRC 2 for a term of not less than five years and on such other terms as are usual in such projects and as are mutually agreed in a separate property management agreement.

**Mortgage:**

The proposed lease of the southern portion of the Market Lands will be subject to the approval of the CMHC. It is anticipated that a tripartite agreement among the City of Winnipeg, Market Lands Inc.and CMHC will be required, which will address the rights and interests of all parties in the event of a mortgage default by the tenant. The relationship between the City and CMHC will be set out in a triparty agreement.

If in the event the Tenant defaults on the obligations of the mortgage, the City would:

- Allow CMHC to pursue its remedies against the tenant (leasehold mortgagor) as set out in the CMHC documents;
- Advise CMHC if the City intends to remedy the identified defaults by the Tenant;
- Have the option to work with CMHC to seek out an alternate party as Tenant and leasehold mortgagor (subject to approval by both the City and CMHC);
- Be required to make the periodic payments due under the Mortgage;
- Need to satisfy the tenant (sublandlord) obligations, including collecting revenues payable by the subtenants.

The terms and conditions of the tripartite agreement are expected to:

- Reduce the potential that the City must immediately pay out a lump sum to eliminate any existing mortgage balance, in the event of a mortgage default by the tenant;
- Allow the City to maintain control and effective decision making with respect to the southern portion of the Market Lands, ensuring that the intent of the restrictive covenant is maintained (i.e.: ensuring continued public use); and
- Permit CMHC to effect remedy in the event of a mortgage default by the tenant.

**Financial Risk:**

An analysis prepared by CentreVenture includes financing sources for the $47.9 million capital cost (i.e. excluding land value of $6.2 million) of i) grants ($11.0 million), ii) a forgivable loan ($10.9 million), iii) repayable loans ($20.4 million) and iv) Market Lands Inc. equity ($5.6 million) for a total of $47.9 million. (See Appendix B attached pages 27-29.)

The primary risk to the redevelopment project relates to the two repayable loans: CMHC loan of $16.4 million and Federation of Canadian Municipalities (FCM) loan of $4 million. Annual debt servicing cost on the former is +/- $0.409 million and the latter $0.215 million for a total of $0.624 million annually. Market Lands Inc. intends to service this debt with net operating cash inflow generated from residential and commercial development of the Southern Development Site. Based on a proforma analysis prepared by CentreVenture, this development will result in net income of +/- $0.819 million before debt servicing costs. All things being equal, there will be positive cash flow of $0.196 million after debt servicing. Any capital costs in excess of the $47.9 million (excluding land value) noted above is to be financed through an increased equity contribution by Market Lands Inc.

Risk factors include higher than projected vacancy rates resulting in less revenue and/or higher expenses than included in the proforma (interest rate risk, for e.g.). These risks are mitigated to a large degree by the conservative assumptions used in the proforma. A vacancy rate of 3% (i.e. base case scenario) is utilized in forecasting revenues despite the anticipated rate being very close to, if not exactly, 0%, given the relatively low rents to be charged and demand for such housing. That said, a vacancy rate of as much as 15%, all other things being equal, would still generate sufficient cashflow to cover expenses including debt service costs.

Operating expenses include typical costs such as utilities, repairs & maintenance, insurance, security and management fees. Also included is a contribution to a replacement reserve of 4% of gross income. Assuming a vacancy rate of 3%, operating expenses could be as much as 31% greater than forecast in the proforma and, all other things being equal, there would still be sufficient cashflow to cover expenses including debt service costs.

If it is assumed that the vacancy rate is 6.6%, the highest actual vacancy rate in the Winnipeg Metropolitan Area since 1971 (source: StatsCan Table: 34-10-0127-01 (formerly CANSIM 027-0011)) and that operating expenses are 22% greater than base case scenario included in the proforma analysis, all other things again being equal, there will positive net cash inflow to service the CMHC and FCM debt.

While the risk is comparatively low, in the event of default, subject to the tripartite agreement yet to be negotiated, there may be adverse financial consequences for The City of Winnipeg.

**Summary/Conclusion:**

The Market Lands project has been a priority project of The City of Winnipeg and CentreVenture for over three years. In that time, the buildings on the site have been demolished and extensive community consultation, urban/architectural design, market feasibility analysis, and business planning has been undertaken.

To achieve the public purposes required on the Southern Development Site, CentreVenture has developed a plan to lever significant funding through programs offered by other levels of government. It is also anticipated that this plan will lever significant private sector investment in the Northern Development Site.

In total the Market Lands is estimated to see over $149 million in capital investment, generating significant economic development impacts during construction and ongoing economic activity through the advancement of the creative industries onsite.

CentreVenture has taken the architectural design of the Southern Development Site to the Class 3 budget level. If all funding responses are in place in 2021, then they will be able to begin construction drawings in 2021, with a ground-breaking target in the spring of 2022.

CentreVenture anticipates closing on the sale of the Northern Development Site in 2021, with a targeted ground-breaking of the fall of 2022 or early 2023.

Granting of municipal tax increment financing is critical for the feasibility of the public purposes required on the Southern Development Site and achieved by the development plan proposed by CentreVenture.  Failing to secure TIF will require that the project to be fully rescoped.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** February 26, 2021

**Project Name:**

**First Year of Program** 2025

Market Lands Southern Development Site Tax Increment Financing Grant Request

| | 2025 | 2026 | 2027 | 2028 | 2029 to 2049 |
|---|---|---|---|---|---|
| **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 | $ 111,000 | $ 113,000 | $ 115,000 | $ 117,000 | $ 3,191,000 |
| Less: Incremental Revenue/Recovery | 111,000 | 113,000 | 115,000 | 117,000 | 3,191,000 |
| Net Cost/(Benefit) | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budget Amounts | - | - | - | - | - |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Direct costs represent tax increment financing grants payable to Market Lands Inc. beginning in 2025 for a 25-year period, ending in 2049. The amounts reflected above are based on estimated 2020 municipal taxes of $100,000 and an annual inflation rate of 2%

Mike McGinn Feb. 26, 2021

Mike McGinn, CPA, CA
Manager of Finance

## CONSULTATION

This Report has been prepared in consultation with:

Planning, Property & Development
Assessment & Taxation
Legal Services (as to legal issues)
CentreVenture Development Corporation

## OURWINNIPEG POLICY ALIGNMENT

***OurWinnipeg***

01-1a Approach to City Building – Direction 3: Support new developments that are contiguous with existing developments to minimize the spatial use of land and the extension of services.

01-1b Key Directions for the Entire City: Accommodate growth and change in Transformative Areas within the city's-built environment including mixed use centres and corridors, major redevelopment sites and Downtown.

01-1c Key Directions for Specific City Areas: Downtown

- Pursue a focused district, destination and cluster approach to Downtown development that will seek to:
    - Provide 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
- Promote and enable a mix of residential development options as part of a mixed-use strategy 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 expansion of employment and educational opportunities in the Downtown seeking to:
    - Reinforce Downtown's role as a hub for business, for learning, for government and for commercial activity
    - Capitalize upon Downtown's strategic advantages
- Support the expanded presence of arts, 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 exemplary urban design Downtown, with the intent of producing high quality public places (districts, destinations and clusters) that:
    - Have their own identity and a clear and understandable image
    - Are convenient and functional, easy to get to and move through and safe
    - Are attractive, and showcase design excellence
    - Is practical and economically sensible

- Facilitate the movement of people and goods within the Downtown and to it from elsewhere in the city by focusing primarily on an enhanced array of sustainable transportation options.

01-4 Housing – Direction 3: Establish partnerships with the private, not-for-profit and government sectors to provide affordable housing throughout the city, with a particular focus on locations near a variety of transportation options.

- Maintain a collaborative approach to housing, recognizing that the City can play a role by facilitating and providing incentives to other partners
- Encourage the development of mixed-income neighbourhoods
- Work with the housing industry, not-for-profit organizations and other levels of government to develop long-term funding strategies related to affordable housing

01-4 Housing – Direction 6: Encourage Residential Development Downtown

- Enhance the quality of downtown residential life
- Develop a strong planning framework for Downtown residential development
- Adapt and develop tools to support desired development
- Promote downtown living with developers and potential tenants

02-2 Environment – Direction 1: Reduce the environmental impact of our activities, through strategies such as planning for sustainable energy use and greenhouse gas reduction

03-3 Creativity – Direction 1: Continue to Develop Winnipeg's unique artistic identity and diversity of expression

- Recognize artistic and cultural expression as a key component of sustainable and complete communities

03-3 Creativity – Direction 3: Support a wide range of arts and cultural facilities

- Collaborate to provide, support or encourage the development, maintenance and establishment of sustainable funding strategies of arts and cultural facilities of different scales appropriate to their context

03-3 Creativity – Direction 5: Foster life-long arts learning opportunities

- Promote cross-cultural and inter-generational opportunities for arts activities and learning

03-3 Creativity – Direction 7: Grow support for creative industries and entrepreneurs

- Recognize and support the role that entrepreneurs and small and medium-sized enterprises have in the creative economy
- Continue to develop and support the hard and soft infrastructure which sustains Winnipeg's creative industries and activities

03-3 Creativity – Direction 8: Establish Winnipeg as a City of choice and desired destination for artists and creative professionals

- Recognize the importance of living, working and presentation spaces for professional artists and arts organizations and support strategies to enhance their sustainability

## WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report in support of the Market Lands Project is in accordance with all seven (7) of the Strategic Actions outlined in the City's *Climate Action Plan: Planning for Climate Change, Acting for People (2018).* As a City agency, CentreVenture is proud to showcase environmental stewardship and climate change action in this exciting new downtown development.

1. Strategic Opportunity #1 Corporate Leadership
   City leadership in climate action is shown by support for City agencies to enable climate action in whatever mandate they may be pursuing.

2. Strategic Opportunity #2 Empower Community Leaders and Collaborate with Stakeholders
   This project is an opportunity to further enhance the levels of collaboration between the City and CentreVenture to develop a signature climate action demonstration project in the heart of downtown and within a heritage district.

3. Strategic Opportunity #3 Advancing Sustainable Transportation – Increase Mobility Options and Shift to Zero Emission Vehicles
   Being centrally located downtown and accessible to a variety of transportation modes, educational facilities and employment opportunities, the Market Lands project will have an impact on lowering daily single occupancy vehicles.

4. Strategic Opportunity #4 Facilitate Compact, Complete Development and Increase Density
   Research shows that energy used for transportation increases as a city becomes more spread out and as housing, jobs, daily needs and recreation or community destinations become more dispersed. This project increases residential density in an emerging urban neighbourhood, directly within the major employment hub of the city (i.e. downtown), with daily needs, amenities and community destinations offered either on-site or in close proximity.

5. Strategic Opportunity #5 Low Carbon and Energy Efficient Buildings
   The mixed-use apartment building will achieve 65% energy efficient beyond the 2015 National Energy Code for Buildings (2015 NECB) and is being designed to achieve net-zero operations.

6. Strategic Opportunity #6 Waste Reduction and Diversion
   The project will implement a robust waste reduction and diversion strategy.

7. Strategic Opportunity #7 Community Climate Resiliency
   The Market Lands project offers a holistic approach to climate action that considers the multiple co-benefits between climate adaptation and mitigation by increasing density and amenities in an urban location, with terrific transit, cycling and pedestrian access, reducing energy consumption and generating renewable energy on-site.

**SUBMITTED BY**

Department: Planning, Property and Development
Division: Office of the Director
Prepared by: John Kiernan
Date: March 2, 2021
File No:

Appendix A – Market Lands Site

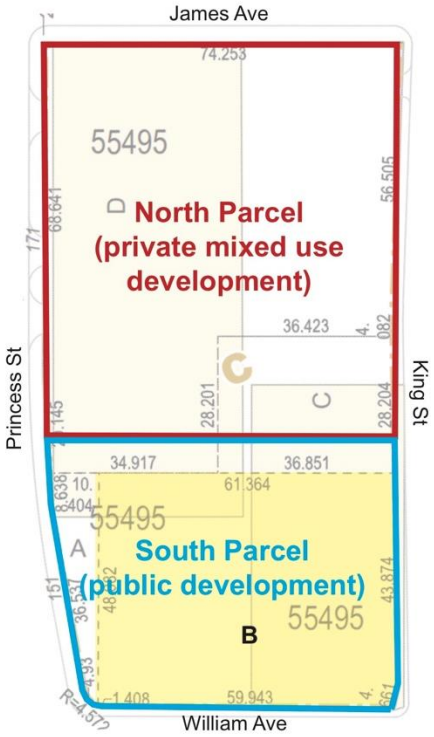
Appendix B – CentreVenture Tax Increment Financing Proposal

Appendix C – CentreVenture RFP for Northern Development Site

Appendix D – Cash Sources Summary

**Appendix A – Market Lands Site**

Current Site Condition Showing Existing Buildings and Legal Parcels (note Parcel B)




Market Lands Future Development Concept

