Agenda – Executive Policy Committee – September 14, 2022

REPORTS

Item No. 13 Friends of the Canadian Museum for Human Rights – City of Winnipeg Loan Agreement Amendment

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council's decision on April 27, 2011 (Item No. 8 of the Report of Executive Policy Committee dated April 20, 2011) to approve funding in the amount of $3.63 million to the Canadian Museum for Human Rights be amended as follows:

   A. That references in that decision to the "Canadian Museum for Human Rights" be replaced with "Friends of the Canadian Museum for Human Rights"; and

   B. That clause 1 b. of that decision be replaced with the following:

   The funding contribution commencing after the requirements of the Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation have been met, except for the years 2022 and 2023, in which payments toward the additional funding contribution shall be made on condition that the Manitoba Development Corporation consents to a deferral of loan payments in those years.

2. That the City enter into, execute and deliver a Funding Agreement with the Friends of the Canadian Museum for Human Rights and/or such other agreements (the "Ancillary Agreements") as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing.

3. That the City enter into, execute and deliver an amendment to the Loan Agreement between the City and the Manitoba Development Corporation ("MDC") and/or such other agreements (the "Ancillary Agreements") as determined necessary by the City Solicitor / Director of Legal Services to defer payments on the loan owed by the City to MDC for the years 2022 and 2023 and otherwise to implement the intent of the foregoing.

4. That authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of the Funding Agreement and the amendment to the Loan 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.

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

ADMINISTRATIVE REPORT

Title: Friends of the Canadian Museum for Human Rights – City of Winnipeg Loan Agreement Amendment

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
R. Provencher	C. Kloepfer	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

In order to accelerate payments on its own interest-bearing loan, the Friends of the Canadian Museum for Human Rights ("Friends") has requested that the City defer two loan payments on the City's interest-free loan obligation to Manitoba Development Corporation (MDC) and instead make these payments to Friends as part of the City of Winnipeg's already-approved grant commitment of $3.63 million.

At the request of Friends, MDC approved deferral of these two loan payments to permit the City to direct the payments to Friends. The current balance, as of the date of this report, for the loan owed by the City to MDC is $1,967,015. This loan funded the City's initial contribution as per the Definitive Agreement which created the Museum. This loan is interest-free. Accordingly, deferring two loan payments, as proposed in this report, will not result in any additional costs to the City.

The proposed two payments to Friends would be just under $1 million per year ($981,210 in 2021) based on the City's share of the Payments-In-Lieu of Taxes (PILT) paid by the Federal Government. These two payments from the City to Friends represent installments on the $3.63 million additional funding contribution Council approved to the Canadian Museum for Human Rights in 2011. (Although Council approved the funding to the Canadian Museum for Human Rights, it is the Friends of the Canadian Museum for Human Rights which raises funds for the Museum and is the appropriate recipient for this contribution. Accordingly, this report is recommending that the 2011 Council decision be amended accordingly.)

The City's loan payments to MDC would re-commence in 2024. When the MDC loan is repaid, the remaining balance of the $3.63 million grant commitment would be paid to Friends out of the City's portion of the PILT payments paid in respect of the Museum.

The interest-bearing loan secured by Friends was required to provide the Museum with the funds to complete the original capital project (the building & exhibitions).

Friends are making this request as it will allow them to repay their interest-bearing loan two years earlier.

RECOMMENDATIONS

1. That Council's decision on April 27, 2011 (Item No. 8 of the Report of Executive Policy Committee dated April 20, 2011) to approve funding in the amount of $3.63 million to the Canadian Museum for Human Rights be amended as follows:

    A. That references in that decision to the "Canadian Museum for Human Rights" be replaced with "Friends of the Canadian Museum for Human Rights"; and

    B. That clause 1 b. of that decision be replaced with the following:

    The funding contribution commencing after the requirements of the Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation have been met, except for the years 2022 and 2023, in which payments toward the additional funding contribution shall be made on condition that the Manitoba Development Corporation consents to a deferral of loan payments in those years.

2. That the City enter into, execute and deliver a Funding Agreement with the Friends of the Canadian Museum for Human Rights and/or such other agreements (the "Ancillary Agreements") as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing.

3. That the City enter into, execute and deliver an amendment to the Loan Agreement between the City and the Manitoba Development Corporation ("MDC") and/or such other agreements (the "Ancillary Agreements") as determined necessary by the City Solicitor / Director of Legal Services to defer payments on the loan owed by the City to MDC for the years 2022 and 2023 and otherwise to implement the intent of the foregoing.

4. That authority be delegated to the Chief Financial Officer to negotiate and approve the terms and conditions of the Funding Agreement and the amendment to the Loan 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.

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

REASON FOR THE REPORT

Council approval is required to amend its decision in 2011 to approve a grant of $3.63 million to the Canadian Museum for Human rights subject to first repaying the City's loan with MDC.

Council approval is also required to amend the Loan Agreement with MDC as well as to enter into a grant agreement with Friends.

IMPLICATIONS OF THE RECOMMENDATIONS

The net PILT payments received for 2022 and 2023 in respect of the Museum will be diverted from repayment of the loan owed to MDC and used to fund accelerated payment of the $3.63 million grant commitment to Friends. Because the loan owed to MDC is interest-free, there will be no additional cost to the City.

Payments to service the amended MDC loan agreement will resume in 2024.

HISTORY/DISCUSSION

At its meeting on June 28, 2006, Council approved a contribution of up to $20 million towards the development of the Museum. The $20 million contribution included the following:

Municipal tax relief over the life of the lease up to maximum of	$11,100,000
One-time capital cash contribution of	$ 5,100,000
Ninety-nine (99) year Ground Lease of Parcel 3 valued at	$ 2,500,000
Development and Permit fee refund up to a maximum of	$ 1,300,000
Total:	**$20,000,000**

On June 20, 2007, Council approved an amendment to its June 28, 2006 decision in order to be consistent with the Statement of Intentions signed on April 20, 2007 by the Government of Canada, Friends of the Canadian Museum for Human Rights, the Province of Manitoba, The Forks Renewal Corporation and the City of Winnipeg.

Among the recommendations approved by Council on June 20, 2007, was the authorization for the City to secure funding from the Province of Manitoba in the amount of $11.1 million to be used as payment in lieu of that portion of the City's contribution intended to be made by way of municipal tax relief.

The intent of this recommendation was implemented by way of a Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation which was executed on January 28, 2008. Pursuant to the terms and conditions of the Loan Agreement, the City has agreed to repay an interest-free $11.1 million loan by way of instalments equal to the net PILT the City receives from the Government of Canada in respect of the Museum.

During a meeting held on January 17, 2011, the Museum made a formal request for an additional $3.63 million funding contribution from the City of Winnipeg.

At its meeting on April 27, 2011 Council approved the following:

> *That a grant of $3.63 million be approved as an additional funding contribution to the Canadian Museum for Human Rights subject to:*
>
> > *a. The annual net Payments-In-Lieu of Taxes received from the Government of Canada in respect of the Canadian Museum for Human Rights be used as the funding source;*

b. The funding contribution commencing after the requirements of the Loan Agreement between the City of Winnipeg and the Manitoba Development Corporation have been met; and

c. The Canadian Museum for Human Rights confirming other sources for the balance of the funding required.

The benefits of Friends repaying their loan two years earlier are:

- Interest savings for Friends;
- No restrictions on Friends fundraising (the Provincial guarantee requires fundraising first for the loan repayment);
- Increased Museum programming opportunities as Friends will have additional funds to contribute to the Museum;
- The extension of the Province's Guarantee on the Friends loan is two years shorter; and
- The Province approved the extension of the Guarantee from July 31/22 to November 30/23 and approved the City deferring their loan payments as noted above.

There is no cost to the City for deferring the two payments on the interest-free loan owed to MDC as is proposed by this report.

FINANCIAL IMPACT

Financial Impact Statement **Date:** August 4, 2022

Project Name:

Friends of the Canadian Museum for Human Rights - City of Winnipeg Loan Agreement Amendment

COMMENTS:

There are no financial implications associated with the recommendations in this report.

Jocelyn Peters - August 4, 2022
Jocelyn Peters CPA, CGA
Manager of Finance & Administration (Campus)

CONSULTATION

This Report has been prepared in consultation with:

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

3.6 - Prioritize the Downtown by leveraging private and public investments, including housing, entrepreneurship, arts, entertainment, and tourism, that advance its status as an economic driver.
6.46 - Collaborate with government bodies, including Indigenous, Federal, and Provincial governments, and stakeholders in pursuit of the context-sensitive remediation and redevelopment of brownfield lands.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

4.4 – Support redevelopment of former commercial and industrial lands into active use.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Financial Services
Prepared by: Rob Provencher
Date: August 3, 2022
File No:

Attachments: N/A