Agenda – Executive Policy Committee – March 13, 2023

REPORTS

Item No. 19 Shareholder Approval of an Option Agreement Term Sheet for a sale of the Portage Place Mall Assets by North Portage Development Corporation to True North Real Estate Development Limited

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the City of Winnipeg, as a shareholder of the North Portage Development Corporation (NPDC), approve the Option Agreement Term Sheet to sell the NPDC assets at Portage Place Mall (as hereinafter defined) to True North Real Estate Development Limited (TN).

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

ADMINISTRATIVE REPORT

Title: Shareholder Approval of an Option Agreement Term Sheet for a sale of the Portage Place Mall Assets by North Portage Development Corporation to True North Real Estate Development Limited

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Dryburgh	M. Jack	N/A	M. Jack

EXECUTIVE SUMMARY

North Portage Development Corporation (NPDC) is seeking approval from its three shareholders – the City, the Province of Manitoba, and the Government of Canada – for an Option Agreement Term Sheet (Term Sheet) to sell its land and parking assets at Portage Place Mall to True North Real Estate Development Limited (TN).

The Term Sheet is attached as Appendix A. If approved, it will form the basis for negotiating an Option Agreement that will give TN the right, but not the obligation, to purchase the NPDC assets noted above for a period through to December 31, 2023, at a predetermined price.

Key terms and conditions in the Term Sheet include an asset purchase price of not less than $34.5 million, a requirement for TN to undertake community consultations on its plans to redevelop the Mall, as well as a requirement for TN to maintain public access to the skywalks as part of a future Purchase and Sale Agreement.

The Term Sheet also includes a requirement for TN to close a separate purchase of the leasehold interest of Spruceland Mall Limited Partnership which currently owns Portage Place Mall.

The Federal Government and Province of Manitoba have already approved the Term Sheet. It is recommended that the City of Winnipeg also approve the Term Sheet.

Should TN exercise the option, NPDC and TN will undertake the necessary due diligence to prepare a Purchase and Sale Agreement that would ultimately be subject to shareholder approval at a future time.

RECOMMENDATIONS

1. That the City of Winnipeg, as a shareholder of the North Portage Development Corporation (NPDC), approve the Option Agreement Term Sheet to sell the NPDC

assets at Portage Place Mall (as hereinafter defined) to True North Real Estate Development Limited (TN).

2. 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 Board of The Forks North Portage has approved the Option Agreement Term Sheet for the sale of the Portage Place Mall assets to TN and has requested approval from all three shareholders for it before negotiating and finalizing an Option Agreement. The Federal Government and Province of Manitoba have approved the Term Sheet.

IMPLICATIONS OF THE RECOMMENDATIONS

City of Winnipeg approval, as one of three shareholders of NPDC, will help to ensure the proposed Option Agreement can be negotiated and finalized.

HISTORY / DISCUSSION

North Portage Development Corporation **(**NPDC) was incorporated in 1983 by the City, the Province of Manitoba, and the Government of Canada to redevelop the north side of Portage Avenue between Carlton and Colony Streets. Land assembly was undertaken and various projects were constructed including the construction of the Portage Place Mall, the Place Promenade Apartment Complex, and the Kiwanis and Fred Douglas Life Lease projects.

In 1987, NPDC entered into a development agreement with the Cadillac Fairview Corporation to construct Portage Place and, concurrently, the parties entered into a 75-year land lease agreement. Currently, the Portage Place Mall is owned by Spruceland Mall Limited Partnership while the land on which the Mall is located, the associated parking within Portage Place, and two development pads are owned by NPDC.

In 1994, The Forks North Portage (TFNP) partnership was formed by a merger between NPDC and the Forks Renewal Corporation. Revenues from the land lease and parking at Portage Place Mall support TFNP's activities which include the annual operating and capital needs of The Forks.

In June 2019, following a national marketing effort, the Board of TFNP approved a Purchase and Sale Agreement between Starlight Acquisitions, Spruceland Mall and NPDC.

Between June 2019 and September 2021, Starlight Acquisitions went through a due diligence process that was extended several times but, eventually, the sale did not materialize.

In June 2022, the Board of TFNP ratified the following values to guide a future sale of the Portage Place Mall assets. These values include:

- Meet the financial requirements of TFNP.
- Be grounded in a generational approach.

- Be informed by community needs and wide stakeholder consultation.
- Ensure continued access to skywalks and Edmonton corridor.

Discussions with True North Real Estate (TN) then ensued and have resulted in an Option Agreement Term Sheet (Term Sheet) which has been approved by the Board of TFNP. TN's offer was the only formal proposal received by NPDC for these assets after having received Starlight's proposal. This Term Sheet, if approved by the shareholders, will form the basis for negotiating an Option Agreement. The Option Agreement gives TN the right, but not the obligation, to purchase the NPDC assets prior to the expiry of the Option Period.

If TN exercises its option to purchase the NPDC assets, the terms outlined in the Option Agreement will be incorporated into a Purchase and Sale Agreement that would ultimately be subject to Board and Shareholder approval at a future time.

The Unanimous Shareholder Agreement governing the assets of NPDC requires consent of all the shareholders for a sale of these assets, but it is not explicit on the need for the same with respect to an Option Agreement for these assets. Therefore, the Board of TFNP is requesting approval from the shareholders for the Option Agreement Term Sheet.

Option Agreement Term Sheet

A summary of proposed terms and conditions that would form the basis for the negotiation of an Option Agreement are in Appendix A. Significant items include:

- The NPDC properties which include the land, air rights, and parking structure sub-lease at Portage Place Mall.

- A purchase price of not less than $34.5 million. This is less than the purchase price of $47 million offered by Starlight but it reflects an appraisal of the current fair market value of the NPDC properties undertaken by the Altus Group. The net proceeds of this sale, once invested, are expected to provide a similar annual income to that which TFNP currently receives from these assets. The purchase of the leasehold interest in the Mall itself will be determined separately by TN and Spruceland Mall and will be incremental to this amount.

- An Option Period of January 1, 2023, to December 31,2023. This is the period during which TN may decide to exercise its option to purchase the assets from NPDC.

- A requirement for TN, during the Option Period, to engage in a stakeholder and community engagement process with respect to its proposed redevelopment plans for the Mall.

- A requirement for TN to maintain access by the public and other parties to the existing skywalk system connecting Portage Place Mall to other adjacent properties between the hours of 7:00 am and midnight each day or such other times agreed to by NPDC and other parties with a contractual right to access the Mall. This requirement will be included in an eventual Purchase and Sale Agreement.

Other Considerations

TN's plans include a significant investment to redevelop Portage Place Mall into a vibrant mixed use building. TN is a well-known Winnipeg-based developer and owner of mixed use real estate and sports and entertainment assets in Winnipeg with relationships throughout Canada.

The Option would give TN a one-year period to complete its due diligence so that it may develop an appropriate and engaging urban redevelopment plan for Portage Place and the surrounding neighbourhood. Portage Place has been a largely vacant asset in a state of decline for many years. It is understood and supported by all parties that a dynamic and purposeful redevelopment plan is a necessary and significant step forward for the community surrounding Portage Place Mall and the urban health of downtown Winnipeg.

TN intends to pursue a redevelopment plan for Portage Place that will resonate with and benefit the City of Winnipeg, the downtown community and the Province as a whole. Within that plan, it is expected that there will be a significant opportunity to advance the critical needs of urban improvement in the downtown. TN, together with its partners and consultants will pursue this redevelopment planning process throughout 2023.

Both the Government of Canada and the Province of Manitoba have provided their approval for the Term Sheet. The Public Service recommends that the Council also approve the Term Sheet.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 1, 2023

Project Name:
Shareholder Approval of an Option Agreement Term Sheet for a sale of the Portage Place Mall Assets by North Portage Development Corporation to True North Real Estate Development Limited

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

Jason Duke - March 1, 2023
Jason Duke, CPA, CGA
Acting Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services

OURWINNIPEG POLICY ALIGNMENT

Economic Prosperity - 3.6 Downtown Economic Investment. Prioritize the Downtown by leveraging private and public investments.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Office of the Chief Administrative Officer
Prepared by: Matt Dryburgh Senior Manager, Economic Development and Policy
Date: March 1, 2023

Appendix A: