Agenda – Council – June 22, 2023

Report – Executive Policy Committee – June 12, 2023

Item No. 10 Tax Increment Financing Grant under the Heritage and Economic Development Incentive Program for the Redevelopment of 325 Broadway (Fort Rouge-East Fort Garry Ward)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 12, 2023, 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 in the amount of 80 percent of the annual incremental municipal property taxes for up to 10 years and to a maximum of $1.4 million to 325 Broadway Nominee Inc. in respect of 325 Broadway Avenue be approved in accordance with this report and the Heritage and Economic Development Incentive Program By-Law No. 64/2022.

2. That the City enter into, execute and deliver a grant agreement with 325 Broadway Nominee Inc. 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"), and that authority be delegated to the Senior Manager of Economic Development and Policy to negotiate and approve the terms and conditions of the grant agreement and the 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.

3. 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 – June 12, 2023

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 12, 2023, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: Tax Increment Financing Grant under the Heritage and Economic Development Incentive Program for the Redevelopment of 325 Broadway Avenue

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Dryburgh	M. Jack	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The Public Service is requesting that Council approve a Tax Increment Financing (TIF) grant under the Heritage and Economic Development Incentive (HEDI) Program equal to 80 percent of the annual incremental municipal property taxes for up to 10 years and to a maximum of $1.4 million from a redevelopment of 325 Broadway Avenue. Approval of this municipal TIF grant would be subject to the applicant securing TIF support for this project from the Province of Manitoba.

325 Broadway Avenue is currently a vacant downtown office building that was previously occupied by the Canada Revenue Agency. The current owner, 325 Broadway Nominee Inc., is planning an estimated $38.6 million redevelopment of this building into a 140-room hotel that would create an estimated 50 full-time jobs once it is complete which is expected to be spring, 2025.

The HEDI program provides municipal TIF grants for projects in the downtown that involve the restoration of heritage buildings, the re-development of surface parking lots as well as new and expanded businesses.

To qualify for TIF support as a new or expanded business under the HEDI program, the project must involve a minimum of $10 million of private sector investment and create a minimum of 10 full-time jobs that align with *OurWinnipeg* 2045 and the Province of Manitoba's economic growth objectives. The Public Service has determined that the redevelopment of 325 Broadway Avenue meets these criteria.

The HEDI program allows the Public Service to approve TIF grants of up to $1 million per project over 10 years, with Council approval required for all TIF grants exceeding $1 million, to a maximum of $2 million per project.

The Public Service has determined that a municipal TIF grant of $1.4 million is warranted to support this project's economic viability, based on its review of the estimated cost of constructing the hotel and its projected net income from operations.

RECOMMENDATIONS

1. That a Tax Increment Financing grant in the amount of 80 percent of the annual incremental municipal property taxes for up to 10 years and to a maximum of $1.4 million to 325 Broadway Nominee Inc. in respect of 325 Broadway Avenue be approved in accordance with this report and the Heritage and Economic Development Incentive Program By-Law No. 64/2022.

2. That the City enter into, execute and deliver a grant agreement with 325 Broadway Nominee Inc. 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"), and that authority be delegated to the Senior Manager of Economic Development and Policy to negotiate and approve the terms and conditions of the grant 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.

3. 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

Pursuant to the Heritage and Economic Development Incentive Program By-Law No. 64/2022, Council approval is required for the City to provide a TIF grant for a project under the HEDI that exceeds $1 million.

IMPLICATIONS OF THE RECOMMENDATIONS

If the recommendations of the Winnipeg Public Service are concurred in, a municipal TIF grant of up to $1.4 million will assist the owner of 325 Broadway Avenue to redevelop a vacant office building into a new hotel.

HISTORY / DISCUSSION

325 Broadway Avenue is currently a vacant office building that was previously occupied by the Canada Revenue Agency. The current owner is planning an estimated $38.6 million redevelopment of this building into a 140-room hotel that will also include meeting facilities, full food and beverage service and other amenities. This project is expected to be completed by spring, 2025.

This project is expected to create 50 full-time jobs, with many of these jobs at the management and supervisory level. These jobs align with the *OurWinnipeg* 2045 Goal of supporting Economic Prosperity, specifically Policy 3.6 - Downtown Economic Investment which states: ***Prioritize the Downtown by leveraging private and public investments, including housing, entrepreneurship, arts, entertainment, and tourism, that advance its status as an economic driver.*** These new jobs and the project itself also appear to align with the Province of Manitoba's economic growth objectives by providing additional hotel room capacity that is located close to key business and tourist destinations in downtown Winnipeg.

The Heritage and Economic Development Incentive Program (HEDI) program was approved by Council in 2022. It provides municipal Tax Increment Financing (TIF) grants for projects in the downtown that involve the restoration of heritage buildings, re-development of surface parking lots as well as new and expanded businesses. This program allows the Public Service to approve TIF grants of up to $1 million over 10 years per project with Council approval required for TIF grants exceeding $1 million, to a maximum of $2 million per project.

To qualify for TIF support as a new or expanded business under the HEDI program, the project must involve a minimum of $10 million of private sector investment and create a minimum of 10 full-time jobs that align with *OurWinnipeg* 2045 and the Province's economic development objectives. The Public Service has determined that the current hotel project at 325 Broadway Avenue meets these criteria. This project will also support the adaptive reuse of a vacant office building in downtown Winnipeg.

The Public Service recommends that a TIF grant of up to $1.4 million, or 80 percent of the estimated incremental municipal property taxes generated from the redevelopment of 325 Broadway Avenue over 10 years, be approved in order to support the economic viability of this project based on a review of the applicant's estimated cost of construction and projected net income from the operation of the new hotel over 10 years.

If approved by Council, the annual municipal TIF grant will be equal to 80 percent of the difference between the property taxes on the redeveloped property the year after the first occupancy permit is issued and a final assessment is attained, which is estimated to be 2026 (and each subsequent year thereafter) and the property taxes paid on the property in 2023, to a maximum of $1.4 million.

Council has authorized a maximum of $10 million of municipal TIF grants under the HEDI program for projects within the downtown. $2.4 million of TIF grants have been approved to date including $1.0 million for a mixed-use project being developed at 127 Bannatyne Avenue and $1.4 million for a residential project being developed at 138 Portage Avenue East. If Council approves the current application, it will bring the total approved TIF grants for downtown projects to $3.8 million, leaving $6.2 million remaining to support new projects.

The developer of this project is also applying for TIF support under the Manitoba Works Capital Incentive Program administered by the Province of Manitoba. If approved by Council, the municipal TIF would be provided subject to the applicant securing TIF support from the Province of Manitoba for this project.

FINANCIAL IMPACT

Financial Impact Statement

Date: May 12, 2023

Project Name:

First Year of Program **2026**

Tax Increment Financing Grant under the Heritage and Economic Development Incentive Program for the redevelopment of 325 Broadway Avenue

	2026	2027	2028	2029	2030-2035
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants					
Reserves, Equity, Surplus					
Other					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 131,103	$ 133,725	$ 136,400	$ 139,128	$ 895,186
Less: Incremental Revenue/Recovery	163,879	167,156	170,499	173,909	1,118,982
Net Cost/(Benefit)	$ (32,776)	$ (33,431)	$ (34,100)	$ (34,782)	$ (223,796)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (32,776)	$ (33,431)	$ (34,100)	$ (34,782)	$ (223,796)

Additional Comments:

Direct costs represent the estimated tax increment financing grants to be paid between 2026 and 2035. Grants will be to a maximum of $1.4 million or 80 percent of the incremental municipal property taxes for up to 10 years generated from the re-development. The incremental revenue/recovery represents estimated incremental property taxes generated by the project. It is estimated the City will retain $358,885 of total incremental municipal property taxes over the entire term of grants from 2026 to 2035. Approved developments are expected to generate $289,514 of property tax revenue for the City annually after the final grant is paid in 2035.

Estimates were based on the 2023 assessment roll with 2% annual rate of inflation. Final assessment values and related taxes can only be calculated upon completion of projects. As such, the amount and timing of municipal taxes arising from The Policy are subject to many different variables and may vary from these estimates.

Lioubov Gavrilova- Crozier, May 12, 2023

Lioubov Gavrilova- Crozier, CPA, CA
Manager of Finance and Administration
Campus Departments

CONSULTATION

This Report has been prepared in consultation with the departments listed below, and they concur with its content.

- Corporate Finance
- Property, Planning and Development
- Assessment and Taxation
- Legal Services

OURWINNIPEG POLICY ALIGNMENT

Economic Prosperity - 3.6 Downtown Economic Investment. Prioritize the Downtown by leveraging private and public investments, including housing, entrepreneurship, arts, entertainment, and tourism, that advance its status as an economic driver.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CAP), and it was determined that the CAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Office of the Chief Administrative Officer
Prepared by: Matt Dryburgh Senior Manager, Economic Development and Policy
Date: May 15, 2023