**Minute No. 339**
**Report – Executive Policy Committee – April 18, 2012**

**Item No. 1** **Establishment of a Tax Increment Financing zone to support strategic public investments consistent with the Portage Avenue Development Strategy and Sports Hospitality and Entertainment District**

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the establishment of a designated Tax Increment Financing (TIF) Zone in the Downtown be approved by By-law (Schedule A) to support public investments consistent with the Portage Avenue Development Strategy (PADS) and Sports, Hospitality and Entertainment District (SHED).

2. That the City of Winnipeg enter into a funding and operating agreement with the Province of Manitoba, which includes terms acceptable to the City of Winnipeg regarding the Province's 50% share of the cost of the strategic public investments proposed in the Winnipeg Public Service report, either through the designation of Community Revitalization Properties in the proposed TIF Zone, or by other funding options available to it.

3. That subject to Recommendation 5, a maximum of 80% of the anticipated incremental municipal property taxes generated from all properties in the designated TIF Zone be allocated as the City of Winnipeg's maximum $12.5 million share of strategic public investments and associated borrowing costs in two phases, which strategic public investments and associated borrowing costs shall be up to a maximum of $25 million as per Schedule B.

4. That for the purposes of Recommendations 2 and 3, the baseline for the calculation of municipal incremental property taxes in the TIF Zone be set using assessed values as at January 1, 2012.

**Report – Executive Policy Committee – April 18, 2012**

COUNCIL DECISION (continued):

5. That the existing Downtown Residential Development Grant Program By-law No. 77/2010 be amended as of the effective date of the by-law establishing the TIF Zone to preclude properties in the proposed TIF Zone from eligibility under the Downtown Residential Development Grant Program, subject to a provision that any properties in the proposed TIF Zone that are the subject of an application pursuant to which a conditional approval notice has been issued by the Director of Planning, Property and Development prior to the effective date of the by-law establishing the TIF zone shall remain eligible under the Downtown Residential Development Grant Program.

6. That the City of Winnipeg enter into an agreement with CentreVenture Development Corporation for CentreVenture Development Corporation to be the borrowing agent to finance strategic public investments of up to a total of $25 million (Schedule B) consistent with the Portage Avenue Development Strategy and SHED.

7. That subject to the execution of the City of Winnipeg's agreements with the Province of Manitoba and CentreVenture Development Corporation as contemplated by Recommendations 2 and 6, loan guarantees in two phases for a total maximum of $25 million be approved for CentreVenture Development Corporation as follows:

   (i) Phase 1: loan guarantee of up to $8.3 million; and
   (ii) Phase 2: loan guarantee of up to $16.7 million, only to be executed and delivered based on the reasonable assurance of additional incremental taxes to the satisfaction of the Chief Administrative Officer.

   These loan guarantees shall be specific to public investments consistent with the PADS / SHED.

8. That the Chief Administrative Officer be delegated authority to negotiate and approve any necessary agreements between the Province of Manitoba and the City of Winnipeg and between the City of Winnipeg and CentreVenture Development Corporation and any other agreements required to implement the foregoing.

9. That the Director of Legal Services and City Solicitor be directed to prepare all by-laws and by-law amendments required to implement the foregoing.

10. 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 – April 18, 2012**

DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 18, 2012, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Council.

# ADMINISTRATIVE REPORT

**Title:** Establishment of a Tax Increment Financing (TIF) zone to support strategic public investments consistent with the Portage Avenue Development Strategy (PADS) and Sports Hospitality and Entertainment District ("SHED").

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| G. Holmes | B. Thorgrimson | M Ruta<br>CFO | D Joshi<br>COO |

## RECOMMENDATIONS

1. That Council approves the establishment of a designated Tax Increment Financing (TIF) Zone in the Downtown (Schedule A attached) by By-law to support public investments consistent with the Portage Avenue Development Strategy and Sports, Hospitality and Entertainment District ("SHED").

2. That the City of Winnipeg enter into a funding and operating agreement with the Province of Manitoba, which includes terms acceptable to the City of Winnipeg regarding the Province's 50% share of the cost of the strategic public investments proposed in this report, either through the designation of Community Revitalization Properties (CRP's) in the proposed TIF zone, or by other funding options available to it.

3. Subject to Recommendation 5, that a maximum of 80% of the anticipated incremental municipal property taxes generated from all properties in the designated TIF zone be allocated as the City of Winnipeg's maximum $12.5 million share of strategic public investments and associated borrowing costs in two phases, which strategic public investments and associated borrowing costs shall be up to a maximum of $25 million as per Schedule B attached.

4. That for the purposes of Recommendations 2 and 3, the baseline for the calculation of municipal incremental property taxes in the TIF zone be set using assessed values as at January 1, 2012.

5. That the existing Downtown Residential Development Grant Program By-law No. 77/2010 be amended as of the effective date of the by-law establishing the TIF zone to preclude properties in the proposed TIF zone from eligibility under the Downtown Residential Development Grant Program, subject to a provision that any properties in the proposed TIF zone that are the subject of an application pursuant to which a conditional approval notice has been issued by the Director prior to the effective date of the by-law establishing the TIF zone shall remain eligible under the Downtown Residential Development Grant Program.

6. That the City of Winnipeg enter into an agreement with CentreVenture Development Corporation for CentreVenture Development Corporation to be the borrowing agent to finance strategic public investments of up to a total of $25 million (Schedule B attached) consistent with the Portage Avenue Development Strategy and “SHED”.

7. That subject to the execution of the City of Winnipeg’s agreements with the Province of Manitoba and CentreVenture Development Corporation as contemplated by Recommendations 2 and 6, loan guarantees in two phases for a total maximum of $25 million be approved for CentreVenture Development Corporation as follows:

   (i) Phase 1: loan guarantee of up to $8.3 million; and
   (ii) Phase 2: loan guarantee of up to $16.7 million, only to be executed and delivered based on the reasonable assurance of additional incremental taxes to the satisfaction of the Chief Administrative Officer.

   These loan guarantees shall be specific to public investments consistent with the PADS / “SHED”.

8. That the Chief Administrative Officer be delegated authority to negotiate and approve any necessary agreements between the Province of Manitoba and the City of Winnipeg and between the City of Winnipeg and CentreVenture Development Corporation and any other agreements required to implement the foregoing.

9. That the City Solicitor be directed to prepare all by-laws and by-law amendments required to implement the foregoing.

10. 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

Council approval is required for the establishment of a Tax Increment Financing (TIF) zone, for the proposed loan guarantee to CentreVenture Development Corporation, and for the assignment of incremental municipal property taxes. Also, the Public Service is seeking Council's direction to negotiate the final terms of a funding partnership for this purpose with the Province of Manitoba. The Public Service requires approval to move forward with negotiations, which will lead to Council consideration of a by-law establishing a Tax Increment Financing zone and assignment of incremental municipal property taxes, as well as agreements with the Province and CentreVenture as required.

## IMPLICATIONS OF THE RECOMMENDATIONS

- A designated Tax Increment Financing zone will be created in support of strategic public investments consistent with the advancement of the Portage Avenue Development Strategy (PADS) and Sports, Hospitality and Entertainment District ("SHED") in Downtown Winnipeg.
- Borrowing authority and a dedicated funding source will be established for the financed portion of strategic public investments consistent with PADS / "SHED", which may include but are not necessarily limited to:
    - Public Realm Enhancements
    - Signage, Lighting and Façade Improvements
    - Safety and Security
    - Tenant Recruitment and Retention Strategy
    - Promotions
    - Connectivity

  Borrowing and investment for this purpose is proposed to be phased according to Schedule B attached, with the intent that the investments strategically coincide with and/or leverage private development projects consistent with the advancement of the PADS / "SHED".

  The intent of Schedule B is to reflect;
    - the borrowing requirements for strategic public investments up to a maximum of $25 million
    - two primary phases of borrowing that are intended to minimize the City of Winnipeg's loan guarantee exposure by managing the timing of borrowing based on incremental taxes from two primary private development opportunities within the TIF zone. The intent would be to advance a second phase of loan guarantee based on the reasonable assurance of additional incremental taxes to the satisfaction of the Chief Administrative Officer. It is important to note for the purpose of the report recommendations that any shortfalls in incremental municipal taxes versus borrowing obligations under the loan guarantee would be subsidized by the general property tax base.
    - an equal funding contribution by the City of Winnipeg and the Province of Manitoba

- When the City guarantees a loan, it must disclose this potential liability in the financial statements. If the organization were in default of the loan agreement, the City would be obligated to make payments on the loan. In this specific situation, CentreVenture represents a consolidated entity in the City's financial statements so any outstanding debt reflects on consolidation in the City's financial statements. The following is the policy criteria related to requests for loan guarantees as adopted by Council on June 17th, 1992:

  A. Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy.

     *This report has been submitted to and reviewed by the City Treasurer.*

  B. The organization requesting the loan guarantee must provide a service, which, in whole or in part, falls within the mandate of the City of Winnipeg.

     *CentreVenture's goal is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.*

  C. The project for which the loan guarantee is being requested must not be in conflict with City policy. For example, if City policy stated that we already have more than enough hockey arenas for our population, the City would not guarantee a loan for the purpose of constructing a hockey arena.

     *The project for which the loan guarantee is required does not conflict with City policy.*

  D. The organization's services must be available to the community at large without restrictions based upon ethnicity, religion or race and without unreasonably restrictive membership or user fees.

     *The services CentreVenture supplies are available to the community at large.*

  E. The organization must be non-profit.

     *CentreVenture is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999.*

  F. The organization must produce financial records and a business plan that demonstrates the organization's long-term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.

*CentreVenture's financial statements have been included with the City's Detailed Financial Statements since 2003 and, therefore, are readily available for review. CentreVenture most recently provided the City with a business plan for the years 2011 through to 2013 which included specific reference to the Portage Avenue Development Strategy (PADS) and Sports, Hospitality and Entertainment District ("SHED").*

G. The organization structure and the principals of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.

*CentreVenture has demonstrated the ability to implement its business plan as endorsed by Council.*

H. Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1.000.000.00.

*The loan guarantee request is for up to a total of $25 million, with the condition of an operating agreement with CentreVenture governing the terms and conditions, and an agreement with the Province of Manitoba for a 50% contribution toward the total proposed public investments. Council has granted loan guarantees in excess of this maximum amount in the past.*

I. The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantee must have raised at least 20% of the total project costs from non-City of Winnipeg sources as a down payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down payment.

*Under the terms and conditions recommended in this report, CentreVenture will act as the*
*borrowing agent for the City of Winnipeg. In this regard, the Province will be asked to contribute 50% of the costs of the strategic public investments by agreement.*

J. The loan that the City is guaranteeing must be related to a capital asset.

*The borrowing by CentreVenture that the City of Winnipeg is guaranteeing is for strategic public investments in support of the economic development of downtown properties.*

K. The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.

*Insurance arrangements will be made with CentreVenture Development Corporation by agreement.*

- Secured borrowing authority with a dedicated funding source would form the basis for a more detailed master / business plan and budget consistent with the PADS / “SHED”. A more detailed master / business plan and budget, acceptable to the City of Winnipeg’s Chief Administrative Officer, would seek to:
  - reflect the strategic phasing of public investments necessary to create the predictability, leverage and investment protection for the magnitude of private investment in the “SHED” that would not have otherwise occurred.
  - mitigate any unnecessary financial risks and borrowing costs through a timely and financially prudent borrowing strategy on behalf of the City of Winnipeg
- The resulting TIF By-law and agreements would reflect an appropriate administrative and governance framework for the monitoring of borrowing and investments consistent with the approved recommendations in this report.
- The existing Downtown Residential Development Grant Program By-law No. 77/2010 would be amended to preclude properties in the proposed TIF zone from eligibility under this program. Section 5 of the existing By-law identifies the “Eligibility Requirements” including paragraph 5(b) which states “the property or properties on which the project is situated is located Downtown; “Downtown” is defined as “…the geographic area of the City of Winnipeg to which the Downtown Zoning By-law No. 100/2004 applies;”
- The long-term policy vision and direction provided in OurWinnipeg, Complete Communities, and “OurDowntown – Always a Priority” would be advanced significantly through collaborative public and private investment, resulting in a unique, world-class destination district in Winnipeg’s Downtown.

## HISTORY / DISCUSSION

- In May 2010, CentreVenture presented the Portage Avenue Development Strategy including the Sports, Entertainment and Hospitality District concept to a group of downtown stakeholders informally referred to as the Downtown Council.
- In July 2010, the Portage Avenue Development Strategy was presented by CentreVenture to Council and unanimously endorsed in principle.
- In March 2011, the CentreVenture Development Corporation submitted its 2011-2013 Business Plan to the Executive Policy Committee for information. The Portage Avenue Development Strategy, including a Sports & Entertainment District is a key component of this business plan and proposes that Tax Increment Financing be considered as a funding tool for the public elements of this Strategy.
- In July 2011, OurWinnipeg and the Complete Communities Direction Strategy were adopted as by-laws and put into effect as of August 2011 affirming direction for “OurDowntown – Always a Priority” as Winnipeg’s preeminent complete community.
- Council has on numerous occasions in the past used incremental municipal property taxes successfully as a funding source and / or an economic development incentive, most recently through the Downtown Residential Development Grant program, which has equal participation from the Province of Manitoba.

The City of Winnipeg's legal framework for Tax Increment Financing

- The City has under section 217 – 219 of the Charter the power to create programs, issue grants, tax credits or tax rebates or otherwise provide financial incentives. Among the tools available to the City is Tax Increment Financing, or TIF's (Section 222).
- TIF's were specifically identified in section 222 of The City of Winnipeg Charter, which was enacted in 2002 and came into effect on January 1, 2003. As defined in section 222, the key elements of a TIF are not about how the financial benefit is delivered (i.e. by grant, tax credit, or tax rebate). The defining characteristic of a TIF described in section 222 is that it captures incremental taxes from a particular area of the city and then uses those funds to support private or public investments in that area.
- Section 222 allows the creation of a more traditional TIF, which appears to require funding directed to a defined area of the city, funding calculated on the basis of incremental taxes, and the possible creation of a reserve in which incremental tax finances are retained.
- The City of Winnipeg is required under the Municipal Assessment Act to do regular property assessments at market value (as at the reference date) and is required under clause 334(1)(a) of The City of Winnipeg Charter to apply a uniform mill rate. This means that under the current legal framework, the City would not be allowed to create an Economic Development Zone directly through a program which 'freezes' assessment levels or applies a different tax mill rate based on a zone or district.

The Province of Manitoba's legal framework for Tax Incremental Financing

- In 2008 (3$^{rd}$ session, 39$^{th}$ Legislature) The Province of Manitoba enacted Bill 4, creating The Community Revitalization Tax Increment Financing Act. Under this Bill, regulations may be made designating properties as community revitalization properties. While a property is so designated, increases in its assessed value are subject to a community revitalization levy that is imposed at the same rate as, but in lieu of, taxation for school purposes.
- Money raised by the community revitalization levy is to be paid into a new Community Revitalization Fund. This fund is to be used to make grants to help revitalize communities and neighbourhoods, to encourage economic, social and cultural development, and to preserve heritage properties. Grants from this fund can be paid to municipalities.
- Before recommending that the Lieutenant Governor in Council designate a property as a community revitalization property, the minister must consult with the council of the municipality and the school board of the school division in which the property is located.
- A designation as a community revitalization property expires on the earliest of the following:
    - December 31$^{st}$ of the 25$^{th}$ year of the designation period
    - December 31$^{st}$ of an earlier year prescribed by regulation
    - December 31$^{st}$ of the year in which the designation is revoked

Financial Implications and Assumptions (See Schedule D for Sensitivity Analysis)

- Proposed strategic public investments: Phase 1 - $8.3 million; Phase 2 - $16.7 million
- Loan amortization period - 15 years.
- Annual incremental property taxes ("base scenario"): Phase 1 - $1 million ($350,000 – City; $650,000 Province); Phase 2 - $2 million ($700,000 – City; $1.3 million – Province).
- Portion of incremental municipal property taxes from the proposed TIF zone allocated for the City's share of the principal and interest payments (P&I) – 80%.
- Total annual incremental municipal property taxes required for City share of P&I on the $8.3 million Phase 1 loan - $500,500, leaving a gap of $150,500.
- Based on an assessed value of all properties (excluding those used in "base scenario") in the proposed TIF zone (Jan. 1/12) of $250 million, an additional $19.5 million, or 8%, in assessed value (Jan. 1/14) is required to attain additional $150,500.
- Additional $150,500 required reduced if amortization period extended; would result in more interest expense.
- Conversely, reduced amortization period would require more than $150,500; would result in less interest expense.
- Analysis based on proposed 2012 municipal mill rate of 0.0140560 and conservative weighted average portioning rate of 55% (i.e. mid-point of 45% residential and 65% non-residential).
- Should anticipated development warrant Phase 2, total annual incremental municipal property taxes required for City share of P&I on the $16.7 million Phase 2 loan - $1.001 million, leaving a gap of $301,000.
- Based on an assessed value of all properties (excluding those used in "base scenario") in the proposed TIF zone of $250 million (Jan. 1/12), an additional $39 million, or 16%, in assessed value (Jan. 1/16) will be required to attain additional $301,000.
- The general property tax base would subsidize any shortfalls in incremental municipal taxes.

Debt Strategy Impact

On June 22, 2011, Council adopted the Debt Strategy report for tax supported, utilities and total City borrowing. As CentreVenture Development Corporation's financial statements are consolidated into the City's financial statements, any debt of this organization will be consolidated into the City's debt position.

The impact of this debt financing falls within the debt limits established in the Council report as outlined in the table below:

| | |
|---|---|
| Debt Ratio Limit: Total City net debt as a percentage of revenue | 85.0% |
| Forecasted peak rate including proposed debt from this report | 78.2% |
| Debt Servicing Ratio Limit: Total City debt servicing as a percent of revenue | 11.0% |
| Forecasted peak rate including proposed debt from this report | 8.4% |
| Debt Per Capita Limit: Total City debt per capita maximum | $2,050 |
| Forecasted peak rate including proposed debt from this report | $1,759 |

## FINANCIAL IMPACT

### Financial Impact Statement

**Date:** April 3, 2012

**Project Name:** **First Year of Program** **2012**

Establishment of a Tax Increment Financing (TIF) zone to support strategic public investments consistent with the Portage Avenue Development Strategy (PADS) and Sports Hospitality and Entertainment District ("SHED").

| | 2012 | 2013 | 2014 | 2015 | 2016 to 2030 |
|---|---|---|---|---|---|
| **PADS / SHED Project:** | | | | | |
| Strategic Public Investments - CentreVenture Development Corporation | $ 4,400,000 | $ 3,890,000 | $ 9,440,000 | $ 7,192,000 | $ - |
| **Funding Sources:** | | | | | |
| CenterVenture External Debt - City of Winnipeg Loan Guarantee | $ 4,400,000 | $ 3,890,000 | $ 9,440,000 | $ 7,192,000 | $ - |
| | | | | | - |
| Grants (Enter Description Here) | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - |
| Other - (Enter Description Here) | | | | | - |
| Total Funding | $ 4,400,000 | $ 3,890,000 | $ 9,440,000 | $ 7,192,000 | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Total Principal and/or Interest Payments | $ - | $ 220,000 | $ 798,678 | $ 1,272,690 | $ 34,299,963 |
| Incremental Revenue/Capitalized Interest | - | 220,000 | 1,150,500 | 1,624,512 | 35,821,500 |
| Estimated Incremental Tax Revenue in Excess of Debt Servicing Requirements | $ - | $ - | $ (351,822) | $ (351,822) | $ (1,521,537) |
| Less: Provincial Portion | - | - | 250,661 | 250,661 | (2,849,981) |
| Net Estimated Incremental Municipal Property Tax Revenue | $ - | $ - | $ (101,161) | $ (101,161) | $ (4,371,518) |

**Additional Comments:** PADS / SHED expenditures, to be made/managed by CentreVenture, in 2012 & 2013 represent Phase 1 of the proposed public investments while those in 2014 & 2015 represent Phase 2. Funding will be external borrowing by CentreVenture for which the City's will provide a loan guarantee of up to $25 million. Interest-only payments of $220,000 (2013) and $474,012 (2015) will made using loan proceeds (i.e. capitalized interest ). Principal & interest payments will begin in 2014 with full repayment occurring in 2030. Realization of incremental municipal & provincial property taxes from the proposed TIF Zone begins in 2014 and 2016 from Phase 1 & 2 respectively. The municipal portion reflects increases from 2012 assessed values of all properties in the TIF zone of 8% by 2014 and 16% by 2016. Of the $351,822 net benefit beginning in 2014, $250,661 represents estimated incremental provincial taxes, which is assumed to be held by the City to service the Province's share of the debt going forward. Net estimated incremental municipal property taxes of $101,161 will accrue to the General Revenue Fund.

See Schedule B for details of proposed strategic public investments and Schedule D for additional detail on amounts included in this FIS and for a sensitivity analysis regarding estimated incremental tax revenue.

*"Original signed by"*
Mike McGinn, CA
Manager of Finance

## CONSULTATION

**In preparing this report, there was consultation with:**

Province of Manitoba
CentreVenture Development Corporation
Corporate Finance Department
Assessment and Taxation Department
Legal Services Department
Downtown Council

**Attachments:**

Schedule A: Map of Proposed Tax Increment Financing (TIF) Zone
Schedule B: High Level Strategic Public Investments and Funding Scenario and Description of Public Investment Categories
Schedule C: Risks and Risk Mitigation
Schedule D: Additional Detail – Financial Impact Statement and Sensitivity Analysis

## SUBMITTED BY

| | |
|---|---|
| Department: | Planning, Property and Development |
| Division: | Office of the Director |
| Prepared by: | Gary Holmes |
| Date: | April 4, 2012 |
| File No. | |

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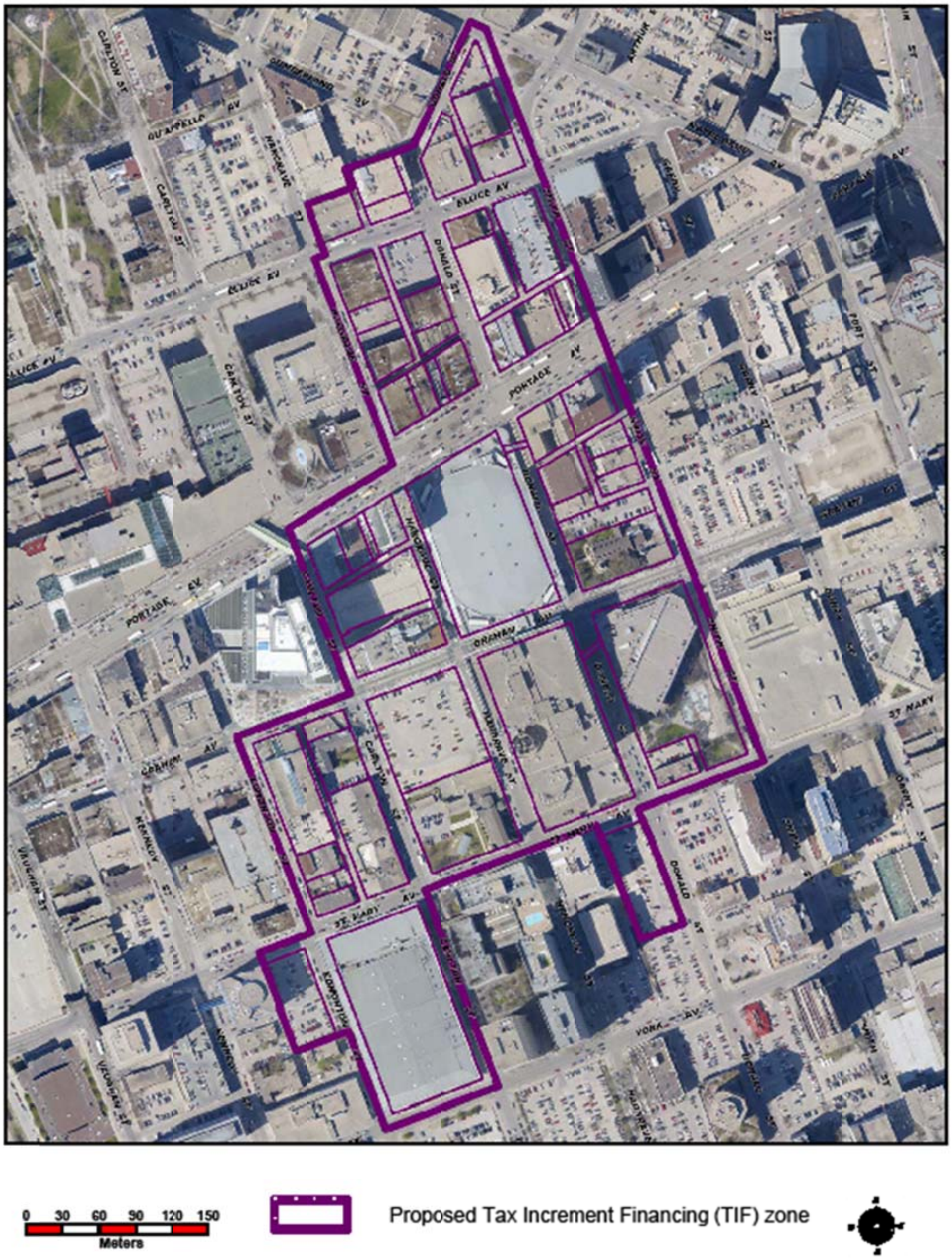
## Schedule A: Map of Proposed Tax Increment Financing (TIF) Zone



## Schedule B: High Level Strategic Public Investments and Funding Scenario

### Sports, Hospitiality & Entertainment District Tax Increment Financing Zone

**Source of Funds**

| **Phase 1 Estimates** | **City** | **Province** | **Combined** |
|---|---|---|---|
| Estimated yearly taxes generated by **Phase 1 Development** | $ 500,500 | $ 650,000 | $ 1,150,500 |
| % of yearly incremental taxes designated to TIF | 80% | 100% | |
| Desiginated TIF zone in years | 15 | 8 | |
| Gross value of estimated incremental taxes | $ 7,507,500 | $ 5,200,000 | $ 12,707,500 |
| Gross value of estimated incremental taxes designated to TI | $ 6,006,000 | $ 5,200,000 | $ 11,206,000 |
| Net Present Value of TIF | $ 4,156,029 | $ 4,201,088 | $ 8,357,117 |
| Maximum Required for Planned Phase 1 Investment | | | $ 8,290,000 |
| Interest rate used in calculations | 5% | 5% | 5% |
| **Phase 2 Estimates** | | | |
| Estimated yearly taxes generated by **Phase 2 Development** | $ 1,001,000 | $ 1,300,000 | $ 2,301,000 |
| % of yearly incremental taxes designated to TIF | 80% | 100% | |
| Desiginated TIF zone in years | $ 15 | $ 8 | |
| Gross value of estimated incremental taxes | $ 15,015,000 | $ 10,400,000 | $ 25,415,000 |
| Gross value of estimated incremental taxes designated to TI | $ 12,012,000 | $ 10,400,000 | $ 22,412,000 |
| Net Present Value of TIF | $ 8,312,030 | $ 8,402,177 | $ 16,714,207 |
| Maximum Required for Planned Phase 2 Investment | | | $ 16,632,000 |
| Interest rate used in calculations | 5% | 5% | 5% |
| **Total Estimated** | $ 12,468,059 | $ 12,603,265 | $ 25,071,324 |

| **Use of Funds Phase 1 &Phase 2** | |
|---|---|
| Streetscaping & Public improvements | $ 14,500,000 |
| Portage Ave Lighting Plan | $ 1,500,000 |
| Mall Management/Security | $ 350,000 |
| Marketing and Promotions | $ 150,000 |
| Retail Recruitment and Retention | $ 950,000 |
| Storefront Enhancement | $ 580,000 |
| Skywalk enhancements | $ 1,400,000 |
| People mover | $ 350,000 |
| Land assembly | $ 2,500,000 |
| Contingency funds | $ 1,350,000 |
| SHED administration | $ 600,000 |
| Carrying costs | $ 692,000 |
| Total | $ 24,922,000 |

| Use of Funds Phase 1 | 2012 | 2013 | Total Phase 1 |
|---|---|---|---|
| Streetscaping & Public improvements | $ 3,000,000 | $ 2,250,000 | $ 5,250,000 |
| Portage Ave Lighting Plan | $ 350,000 | $ 150,000 | $ 500,000 |
| Mall Management/Security | $ 50,000 | $ 100,000 | $ 150,000 |
| Marketing and Promotions | $ 50,000 | $ 100,000 | $ 150,000 |
| Retail Recruitment and Retention | $ 200,000 | $ 350,000 | $ 550,000 |
| Storefront Enhancement | $ 100,000 | $ 120,000 | $ 220,000 |
| Skywalk enhancements | $ 200,000 | $ 200,000 | $ 400,000 |
| People mover | $ 50,000 | $ 150,000 | $ 200,000 |
| Land assembly | $ - | $ - | $ - |
| Contingency funds | $ 250,000 | $ 100,000 | $ 350,000 |
| SHED administration | $ 150,000 | $ 150,000 | $ 300,000 |
| Carrying costs | $ - | $ 220,000 | $ 220,000 |
| Total | $ 4,400,000 | $ 3,890,000 | $ 8,290,000 |

| Use of Funds Phase 2 | 2014 | 2015 | Total Phase 2 |
|---|---|---|---|
| Streetscaping & Public improvements | $ 4,250,000 | $ 5,000,000 | $ 9,250,000 |
| Portage Ave Lighting Plan | $ 500,000 | $ 500,000 | $ 1,000,000 |
| Mall Management/Security | $ 100,000 | $ 100,000 | $ 200,000 |
| Marketing and Promotions * | $ - | $ - | $ - |
| Retail Recruitment and Retention | $ 200,000 | $ 200,000 | $ 400,000 |
| Storefront Enhancement | $ 240,000 | $ 120,000 | $ 360,000 |
| Skywalk enhancements | $ 1,000,000 | $ - | $ 1,000,000 |
| People mover | $ 50,000 | $ 100,000 | $ 150,000 |
| Land assembly | $ 2,500,000 | $ - | $ 2,500,000 |
| Contingency funds | $ 500,000 | $ 500,000 | $ 1,000,000 |
| SHED administration | $ 100,000 | $ 200,000 | $ 300,000 |
| Carrying costs | $ - | $ 472,000 | $ 472,000 |
| Total | $ 9,440,000 | $ 7,192,000 | $ 16,632,000 |

* BIZ assumes responsibility for ongoing marketing and promotions

Description of Public Investment Categories

***Public Realm Enhancements***
Intents:
- to establish a distinct look and feel that identifies the SHED and evokes the sports/entertainment theme
- to use light, colour, art and animation to create an interesting and attractive outdoor environment

Includes:
Streetscaping - iconic elements, sidewalk / walkway improvements, planting, lighting First phase to include Donald from Portage to Graham Avenue; second phase to include the other three sides of the MTS Centre.

***Signage, Lighting and Façade Improvements***
Intents:
- to bring color, light and animation to the SHED through high quality, exuberant signage
- to promote activity at grade, visual transparency, bold and engaging architectural treatment
- to provide guidance to building owners and to ensure that new development contributes to the SHED 'look and feel'

Includes:
Portage Avenue Lighting Strategy façade lighting; creative multimedia; sign guidelines; re-imaging of skywalk designs; coordination with private property owners.

***Safety and Security***
Intents:
- to ensure the safety and comfort of visitors in the public realm

Includes:
Bringing more positive activity and street life; concentrated outreach program efforts; direct management of public spaces through special event permits; integrating Crime Prevention Through Environmental Design (CPTED) elements into public realm enhancements and public / private investment protection

***Tenant Recruitment and Retention Strategy***
Intents:
- to seek out new commercial and entertainment enterprises that support the PADS / SHED vision
- to coordinate the mix of new commercial and entertainment attractions spatially within the PADS / SHED area in order to enhance predictability / protection of private investment

Includes:
Coordination with economic development partners to advance recruitment and retention strategically through proactive planning and centralized information on availability and details of leasable space

***Promotions***
Intents:
- to promote SHED to the public as a major destination
- to assist in marketing the SHED to prospective businesses

Includes:
Branding; advertising/communications; special events; special promotions; market research; coordination with Tourism Winnipeg

***Connectivity***
Intents:
- create point to point access to the SHED from complementary district destinations in the downtown
- promote a 'park once' philosophy for patrons of the SHED accessing the downtown by private vehicle

Includes:
Introduction of a distinct 'people-mover' to enhance convenient and dedicated access to and from the SHED during periods of extended hour activity in the downtown in collaboration with Winnipeg Transit and / or the private sector

## Schedule C: Risks and Risk Mitigation

Risk 1: Interest rates could rise during the borrowing period.

Risk Mitigation:

- An Agreement between the City and CentreVenture would require interest on borrowing to be fixed for the full borrowing period at rates that are reflective of those available to the City of Winnipeg as guarantor of the loan. The effect of refinancing after 10 years, which is consistent with Canadian commercial banking practices, would have an immaterial effect of the amount of additional incremental taxes required to service the remaining debt. See Schedule D for sensitivity analysis.

Risk 2: The borrowing agent engages in activities that would be covered by the loan guarantee but that would be outside the parameters of the TIF by-law.

Risk Mitigation:

- The Agreement between the City of Winnipeg and CentreVenture would clearly establish the parameters regarding borrowing and loan repayments. The loan guarantee would be specific to the TIF by-law and subject to its terms and conditions. Additionally, a Provincial funding Agreement would include external audit requirements that would extend to the borrowing agent. The loan guarantor could also include an expenditure oversight requirement in its Agreement if it so desired.

Risk 3: Incremental property taxes associated with properties within the TIF zone may not be enough to meet annual borrowing obligations.

Risk Mitigation:

- Borrowing for the project has been broken into two phases of approximately $8.3 million and $16.7 million respectively. Phase 2 will not proceed until there are sufficient indicators of imminent development required to attain the necessary incremental taxes to service the proposed Phase 2 borrowing.

- 
- The amount of borrowing for Phase 1 of the project is premised on a base amount of incremental property taxes totaling $1 million/annum beginning in 2014. The estimated municipal portion of incremental taxes in excess of the base amount required to service the debt is based on a conservative 8% increase, from 2012 to 2014, in the assessed value of all properties, other than those factored into the base amount, within the proposed TIF zone.
- The allocated amount of incremental municipal taxes generated annually in the TIF zone could be increased from 80% to 100%.
- The borrowing term could be extended if desired; notwithstanding that accepted accounting practice is to match borrowing to the estimated useful life of the capital asset(s) for which the borrowing is incurred.
- The TIF zone boundary could be extended if desired to increase the number of properties from which to generate incremental municipal taxes.
- Existing and future programs involving tax credits could be (re)aligned so as not to jeopardize the City of Winnipeg's ability to fulfill its obligation under the loan guarantee.

Risk 4: The Provincial funding share flows at different rates and on different terms and conditions than the City of Winnipeg's funding share.

Risk Mitigation:

- The agreement between the City of Winnipeg and the Province of Manitoba would include provisions to ensure that both parties fund an equal share of the borrowing cost obligations for agreed upon expenditures, and that the City of Winnipeg would be fully compensated for payment obligations that are short or late.

## Schedule D: Additional Detail – Financial Impact Statement and Sensitivity Analysis

| Year | Combined - Phase 1: 20% GRF | Combined - Phase 1: 80% City / 100% Prov TIF | Combined - Phase 1: P & I | Combined - Phase 1: Net $$$ | Combined - Phase 2: 20% GRF | Combined - Phase 2: 80% City / 100% Prov TIF | Combined - Phase 2: P & I | Combined - Phase 2: Net $$$ | Net $$$ - Phase 1 & 2 Combined | Interest Paid with Loan Proceeds | Amounts in Financial Impact Stmt.: Total Principal and/or Interest Payments | Amounts in Financial Impact Stmt.: Incremental Revenue/Capitalized Interest | Amounts in Financial Impact Stmt.: Incremental Tax Revenue in Excess of Debt Servicing | Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 220,000 | $ 220,000 | $ (220,000) | $ - | 2013 |
| 2014 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ - | $ - | $ - | $ - | $ (351,822) | | $ 798,678 | $ (1,150,500) | $ (351,822) | 2014 |
| 2015 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ - | $ - | $ - | $ - | $ (351,822) | $ 474,012 | $ 1,272,690 | $ (1,624,512) | $ (351,822) | 2015 |
| 2016 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (850,258) | | | | | |
| 2017 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (850,258) | | $ 2,401,042 | $ (3,451,500) | $ (1,050,458) | 2016 |
| 2018 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (850,258) | | $ 2,401,042 | $ (3,451,500) | $ (1,050,458) | 2017 |
| 2019 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (850,258) | | $ 2,401,042 | $ (3,451,500) | $ (1,050,458) | 2018 |
| 2020 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (850,258) | | $ 2,401,042 | $ (3,451,500) | $ (1,050,458) | 2019 |
| 2021 | $ (100,100) | $ (1,050,400) | $ 798,678 | $ (351,822) | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (850,258) | | $ 2,401,042 | $ (3,451,500) | $ (1,050,458) | 2020 |
| 2022 | $ (100,100) | $ (400,400) | $ 798,678 | $ 298,178 | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (200,258) | | $ 2,401,042 | $ (3,451,500) | $ (1,050,458) | 2021 |
| 2023 | $ (100,100) | $ (400,400) | $ 798,678 | $ 298,178 | $ (200,200) | $ (2,100,800) | $ 1,602,365 | $ (498,435) | $ (200,258) | | $ 2,401,042 | $ (2,801,500) | $ (400,458) | 2022 |
| 2024 | $ (100,100) | $ (400,400) | $ 798,678 | $ 298,178 | $ (200,200) | $ (800,800) | $ 1,602,365 | $ 801,565 | $ 1,099,742 | | $ 2,401,042 | $ (2,801,500) | $ (400,458) | 2023 |
| 2025 | $ (100,100) | $ (400,400) | $ 798,678 | $ 298,178 | $ (200,200) | $ (800,800) | $ 1,602,365 | $ 801,565 | $ 1,099,742 | | $ 2,401,042 | $ (1,501,500) | $ 899,542 | 2024 |
| 2026 | $ (100,100) | $ (400,400) | $ 798,678 | $ 298,178 | $ (200,200) | $ (800,800) | $ 1,602,365 | $ 801,565 | $ 1,099,742 | | $ 2,401,042 | $ (1,501,500) | $ 899,542 | 2025 |
| 2027 | $ (100,100) | $ (400,400) | $ 798,678 | $ 298,178 | $ (200,200) | $ (800,800) | $ 1,602,365 | $ 801,565 | $ 1,099,742 | | $ 2,401,042 | $ (1,501,500) | $ 899,542 | 2026 |
| 2028 | $ (100,100) | $ (400,400) | $ 760,645 | $ 260,145 | $ (200,200) | $ (800,800) | $ 1,602,365 | $ 801,565 | $ 1,061,710 | | $ 2,401,042 | $ (1,501,500) | $ 899,542 | 2027 |
| 2029 | | | | | $ (200,200) | $ (800,800) | $ 1,602,365 | $ 801,565 | $ 801,565 | | $ 2,363,010 | $ (1,501,500) | $ 861,510 | 2028 |
| 2030 | | | | | $ (200,200) | $ (800,800) | $ 1,522,078 | $ 721,278 | $ 721,278 | | $ 1,602,365 | $ (1,001,000) | $ 601,365 | 2029 |
| | | | | | | | | | $ - | | $ 1,522,078 | $ (1,001,000) | $ 521,078 | 2030 |
| | $ (1,501,500) | $ (11,206,000) | $ 11,942,131 | $ (765,369) | $ (3,003,000) | $ (22,412,000) | $ 23,955,187 | $ 1,543,187 | $ 777,818 | | $ 34,299,963 | $ (35,821,500) | $ (1,521,537) | |
| | | | | | | | | | | | $ 36,591,330 | $ (38,816,512) | $ (2,225,182) | |

## PHASE 1 - STRATEGIC PUBLIC INVESTMENTS

| | | | | |
|---|---|---|---|---|
| % Incremental Tax from TIF | 80% | 80% | 80% | 80% |
| Loan Amortization Period (Years) | 10 | 15 | 20 | 25 |
| TIF Zone 2012 "Base" Assessment | 250,000,000 | | | |

| | | | | |
|---|---|---|---|---|
| Required amount of incremental municipal taxes/annum | 672,000 | 500,500 | 416,500 | 371,000 |
| Amount per base scenario | 350,000 | 350,000 | 350,000 | 350,000 |
| | 322,000 | 150,500 | 66,500 | 21,000 |
| Assumed weighted average portioning (mid-point of 45% & 65%) | 55% | 55% | 55% | 55% |
| Assumed constant mill rate | 0.0140560 | 0.0140560 | 0.0140560 | 0.0140560 |
| Additional increase in assessment within the TIF zone required | 41,651,576 | 19,467,584 | 8,601,956 | 2,716,407 |
| Increase in Assessment as % TIF Zone "Base" Assessment | 17% | 8% | 3% | 1% |
| Interest Costs Incurred - City's Share | 1,332,965 | 1,955,082 | 2,601,272 | 3,222,190 |
| Interest Costs Incurred -City's Share (base scenario - 15 yr. amort) | 1,955,082 | 1,955,082 | 1,955,082 | 1,955,082 |
| Additional interest costs | (622,117) | - | 646,190 | 1,267,108 |

## PHASE 2 - STRATEGIC PUBLIC INVESTMENTS

| | | | | |
|---|---|---|---|---|
| % Incremental Tax from TIF | 80% | 80% | 80% | 80% |
| Loan Amortization Period (Years) | 10 | 15 | 20 | 25 |
| TIF Zone 2012 "Base" Assessment | 250,000,000 | | | |

| | | | | |
|---|---|---|---|---|
| Required amount of incremental municipal taxes/annum | 1,344,000 | 1,001,000 | 833,000 | 742,000 |
| Amount per base scenario | 700,000 | 700,000 | 700,000 | 700,000 |
| | 644,000 | 301,000 | 133,000 | 42,000 |
| Assumed weighted average portioning (mid-point of 45% & 65%) | 55% | 55% | 55% | 55% |
| Assumed constant mill rate | 0.0140560 | 0.0140560 | 0.0140560 | 0.0140560 |
| Additional increase in assessment within the TIF zone required | 83,303,151 | 38,935,168 | 17,203,912 | 5,432,814 |
| Increase in Assessment as % TIF Zone "Base" Assessment | 33% | 16% | 7% | 2% |
| Interest Costs Incurred - City's Share | 2,688,968 | 3,936,652 | 5,232,635 | 6,477,663 |
| Interest Costs Incurred -City's Share (base scenario) | 3,936,652 | 3,936,652 | 3,936,652 | 3,936,652 |
| Additional interest costs | (1,247,684) | - | 1,295,983 | 2,541,011 |

**Debt Servicing Capability (for $8.3 Million Phase 1) from Annual Incremental Taxes Generated**

Amortization Period (in years) **15**

| Borrowing Rate | Incremental Taxes | NPV of Incremental Taxes | Incremental Taxes - "Base Scenario" | Additional Incremental Taxes Required | Additional Assessed Value Required | % Increase in Assessed Value Required |
|---|---|---|---|---|---|---|
| 4.50% | $483,250 | $4,151,908 | $350,000 | $133,250 | $17,236,250 | 7% |
| 4.75% | $491,500 | $4,151,133 | $350,000 | $141,500 | $18,303,410 | 7% |
| **5.00%** | **$500,500** | **$4,156,015** | **$350,000** | **$150,500** | **$19,467,584** | **8%** |
| 5.25% | $509,000 | $4,156,071 | $350,000 | $159,000 | $20,567,082 | 8% |
| 5.50% | $517,000 | $4,151,543 | $350,000 | $167,000 | $21,601,904 | 9% |
| 5.75% | $525,500 | $4,150,561 | $350,000 | $175,500 | $22,701,402 | 9% |
| 6.00% | $534,250 | $4,151,015 | $350,000 | $184,250 | $23,833,238 | 10% |
| 6.25% | $543,000 | $4,150,931 | $350,000 | $193,000 | $24,965,075 | 10% |
| 6.50% | $552,000 | $4,152,219 | $350,000 | $202,000 | $26,129,249 | 10% |
| 6.75% | $561,000 | $4,152,968 | $350,000 | $211,000 | $27,293,424 | 11% |
| 7.00% | $570,000 | $4,153,209 | $350,000 | $220,000 | $28,457,598 | 11% |