



Archived Content

Information identified as archived is provided for reference, research or recordkeeping purposes. It is not subject to the Government of Canada Web Standards and has not been altered or updated since it was archived. Some of this archived content is available only in one official language. Translation by CMHC can be requested and will be provided if demand is sufficient.

Contenu archivé

Le contenu identifié comme archivé est fourni à des fins de référence, de recherche ou de tenue des dossiers; il n'est pas assujéti aux normes Web du gouvernement du Canada. Aucune modification ou mise à jour n'y a été apportée depuis son archivage. Une partie du contenu archivé n'existe que dans une seule des langues officielles. La SCHL en fera la traduction dans l'autre langue officielle si la demande est suffisante.



RESIDENTIAL INTENSIFICATION CASE STUDIES

Municipal Initiatives

CENTREVENTURE DEVELOPMENT CORPORATION

Winnipeg, Manitoba

SUMMARY

CentreVenture provides public assets to a privately managed, arms-length body with authority to transact deals, provide incentives, do land assembly and lobby for changes in municipal policies. It focuses on revitalizing the downtown area of Winnipeg, including the stimulation of housing construction, through loans, loan guarantees and tax credits as well as non-financial means.

Date Implemented: 1999

Key Outcomes: To date, CentreVenture has provided financial support to four separate residential or mixed-use projects for a total of 77 units.

BACKGROUND

Winnipeg's downtown has been marked by physical decay, declining property values, and declining residential population for many years. There have been few additions to the downtown housing stock since the late 1980s. However, the downtown area also boasts many opportunities as a living environment and housing in the downtown is reasonably priced compared to other central areas in Canada. Opportunities for the renovation of heritage buildings give the downtown a unique appeal.

In 1999, the City's economic agency—Economic Development Winnipeg—struck a task force of private business people to assess the issues facing downtown. The task force recommended that the City create an arms-length agency with resources and authority to revitalize the downtown.

DESCRIPTION AND GOALS

In May 1999, the City responded to the task force recommendations by creating a new private-public planning and development corporation called the CentreVenture Development Corporation. The corporation is run by a volunteer board of directors, with a chair (originally the Mayor, but now a leading business person) in addition to eight other members from the business community. It reports annually to the Executive Policy Committee of City Council.

With \$3 million in startup capital funding provided by the City of Winnipeg, \$500,000 (received over two years) from the Province of Manitoba and net proceeds from selling surplus City-owned land, the corporation has stimulated \$25 million in private investment in the downtown area. Most of the projects in which the corporation has been involved have been of a commercial or institutional nature, but housing has emerged as a more important priority in the last year or so as a result of market interest. The instruments the organization has available to catalyze housing projects include the Urban Development Bank and the Heritage Tax Credit.



Figure 1: CentreVenture Mandated Area
Source: City of Winnipeg

The purpose of the Urban Development Bank is to provide "creative financing" that will allow promising projects to go ahead that would not normally qualify for financing from conventional sources. The corporation's financial assistance can take the form of gap financing, loan guarantees, or forgivable loans. The corporation also helps facilitate projects through non-financial means, e.g., by identifying priority projects, bringing the players together and by sharing information on the range of other public initiatives that may support projects.

Gap financing means providing funds to cover the shortfall after conventional financing, the developer's equity, and funds from any other public initiative are tallied up. For instance, gap financing may be used to bridge the difference between a construction loan from a bank plus the owner's equity on the one hand and the cost of construction on the other hand. In such a case, the CentreVenture loan is made in increments as construction phases are completed and equity is built up in the project. Title is used as security and the mortgage is gradually released as units are sold and the loan is repaid, typically within two years.

With a loan guarantee, the corporation does not offer a loan directly to the project developer but deposits money or co-signs a loan with the private lender that has agreed to finance the project as collateral on behalf of the project developer. For both types of loans, the corporation usually charges an interest rate similar to a conventional lending institution.

Forgivable loans are loans that do not have to be repaid and are therefore essentially grants made to the developer under certain conditions. CentreVenture offers forgivable loans in the context of its recently introduced Downtown Housing Demonstration Project. The Project is designed to stimulate housing development in the Exchange District and the North Portage neighbourhood bordering the Exchange. The program, supported by a \$500,000 grant from the City of Winnipeg, is intended to help downtown developers and building owners convert existing buildings or portions of buildings into private-market housing units. The program was introduced following research that showed subsidies of up to \$20,000 per unit were needed to close the gap between market rates for housing and economic occupancy costs for developing residential housing units downtown.

The Downtown Heritage Tax Credit, which is administered by CentreVenture in cooperation with the City of Winnipeg, is meant to stimulate capital investment in the conservation and adaptive reuse of historical buildings in the heart of the city. The tax credit is provided to property owners who invest in the restoration, repair and reuse of designated heritage buildings and is calculated on the basis of 50 per cent of the net private investment made in eligible work. The maximum assistance available is \$250,000 per building. The credit is disbursed in instalments to the recipient over a ten-year period and may be used to pay municipal property or business taxes. These tax credits can be used in conjunction with the financing mechanisms described above as a form of secure repayment: for example a loan may be repaid over the ten-year period by assigning the tax credit, which would have otherwise been paid to the property owner, to CentreVenture.

Typically, property owners initiate CentreVenture's involvement in their projects by applying to one of the assistance programs. CentreVenture has a number of criteria:

- a preference for small and medium sized projects;
- no more than 15 per cent of its initial funding to any single project;
- likelihood of project success;
- the economic and social benefits that will be realized by the downtown area (and the larger city).

COMPLEMENTARY POLICIES AND PROGRAMS

CentreVenture is broadly supported by the City's downtown plan (1999) and community plan (2002). The downtown plan, called CentrePlan, provided a set of recommendations focused on the need to attract and preserve residents to the area, including attention to pedestrian comfort, safety, parking, transit access, small scale businesses used by residents and the needs of work-at-home residents. Plan Winnipeg (2002) incorporated most of this vision and strongly supports residential development in the downtown, e.g., by promoting the adaptive reuse of heritage buildings and by ensuring its zoning and building bylaws support the concepts of mixed land use and compact urban form in the downtown.

One reflection of the City's commitment to ensuring that its regulations support downtown development was Council's decision—after being lobbied by CentreVenture—to amend the zoning bylaw allowing residential as a permitted use throughout the downtown. Many buildings in the area were zoned industrial although no current or future demand was foreseen for that purpose. The amendment has generated investment interest in the downtown and permitted residential projects to go ahead (including some of those supported by CentreVenture) that would have otherwise been prohibited by zoning regulations.

STAKEHOLDER RESPONSE

CentrePlan was the outcome of a consultation process, involving a series of task forces and workshops over a five-year period (1994-99), exploring the problems and opportunities presented by the downtown area. The process was led by the City of Winnipeg, with participation by a wide range of community organizations, professionals and hundreds of individual citizens. Although CentrePlan recommended strong action

by the City to implement the resulting recommendations, it did not support the creation of a new public-private agency. Rather, it called for the establishment "of a representative coalition of downtown stakeholders that is policy-oriented and vision-guiding and that can provide clear direction, strong leadership and a unified voice for the downtown."

However, the idea of an arm's length public-private agency was strongly supported by the private sector Task Force mentioned above, which included participation from private developers, downtown business people and community leaders. The city's economic interests, including the Chamber of Commerce and the Business Council of Manitoba, considered an arm's length public-private agency to be the best means of providing the leadership and securing the cooperation of a wide range of partners that would be required to affect long term change in the downtown.

At the time CentreVenture was set up, the mass media adopted somewhat of a "prove it" attitude, which reflected the general skepticism that anything could be done to reverse the decline of the downtown, but press coverage is now broadly supportive of the initiative. Whatever opposition there was to the initiative seems to have dissipated and has been replaced with optimism and support.

Because the corporation has no budget for advertising, it depends on presentations to community and business organizations throughout the community for promotion. Since its startup, the executive director has made hundreds of presentations reaching thousands of stakeholders, constituents and potential investors.

IMPACT

To date, CentreVenture has provided financial support to four separate residential and mixed-use projects. One of the first residential projects to be undertaken in the Exchange District in many years is situated at 123 Princess St. (Figure 2) where an abandoned warehouse was converted into seven condominium units on the upper four storeys with commercial space on the ground floor. CentreVenture provided the necessary gap financing (\$200,000) to pay for the construction costs and a \$175,000 heritage tax credit. For more information, refer to the case study on Western Elevator Lofts in Part 2 of this study "Residential Intensification Case Studies: Built Projects".



Figure 2: 123 Princess St.

A second project at 181 Bannantyne St. (Figure 3) features 16 condo units, also in an old warehouse, and was able to proceed due to a tax credit from CentreVenture and some earlier assistance from the City of Winnipeg. Together, this financing assistance leveraged \$5.4 million in private sector funding.



Figure 3: 181 Bannantyne St.

The other two residential projects are being undertaken within the framework of the Housing Demonstration Project (mentioned above), which is directed at adaptive reuse of buildings within the Exchange and North Portage area. An eight-storey converted office building (228 Notre Dame St.) will have 45 rental units with commercial space on the main floor. It was supported by a \$300,000 forgivable loan and some tax credits. Another project (87/89 Princess St.) in an abandoned warehouse has 14 units (8 rental and 6 condo) with commercial uses on the main floor. It was facilitated by a \$200,000 grant from CentreVenture. Together, this assistance leveraged \$6.2 million in private sector funding.

Units in all four buildings are being sold or rented at market rates but are considered affordable by Winnipeg standards. Several other residential projects are in the planning and early construction stages and they promise to bring approximately 100 more units to the market.

FINANCIAL ISSUES

CentreVenture's annual operating budget of \$250,000 comes from the City of Winnipeg. The money is used to run an office with a full-time Executive Director and two full-time staff persons. It should be kept in mind that the four residential projects discussed above are only a small part of the office's activities. There are over 50 projects underway, in the planning stages, or recently completed in the downtown, and CentreVenture has had financial or facilitation involvement in a majority of them.

For the four residential projects described above CentreVenture has provided gap financing in the amount of \$200,000, \$175,000 in tax credits and \$500,000 in grants. The loans will be repaid within two years of the lending dates and the money will be recycled back into the Urban Development Bank. When all projects are completed, they will result in a tax stream to the City of Winnipeg of approximately \$250,000 per year.

Residential projects to date have not entailed any other major expenditures (e.g., on infrastructure, demolition, decontamination) on the part of CentreVenture or the City of Winnipeg.

EVALUATION

CentreVenture has been very successful at using limited public funds to leverage private investment in the downtown area. On average, eight dollars of private money is invested for every dollar of public money put up by the corporation. The four residential developments described above are virtually the only private housing developments that have occurred in the downtown area for the last 15 years and there is little doubt that these projects would not have gone forward without CentreVenture's intervention (i.e., no commercial lending institution would have considered financing the projects without CentreVenture's participation).

The initiative has also been successful on the political level. Pleased with the successes of the Corporation and the visible development momentum, Council renewed CentreVenture's mandate in June 2002 for an additional four years. The renewal, which was approved unanimously by City Council, added seven million dollars to the Urban Development Bank and expanded CentreVenture's mandated area to affect broader results.

However, some controversy arose over whether an arm's length public-private agency was the appropriate solution to address downtown problems. The original mandate of the agency gave it responsibility for a wide range of matters normally within the purview of committees of Council (e.g. design review), which created the impression that authority for downtown issues was being shifted from elected officials to a semi-private organization with less political accountability. In the end, however, limited resources forced the agency to reduce its scope of action and focus on stimulating capital investment in the downtown, a role that caused less friction with City agencies. Within its narrower focus, the agency has been quite successful: to date, the momentum achieved towards the goal of revitalizing downtown is visible and has created excitement and a renewed attention to the city's centre.

CentreVenture represents a new model that has not been tried before in Canadian cities: providing public assets to a privately managed, arms-length body with authority to transact deals, do land assembly and challenge public policies.

The key condition for letting CentreVenture take shape in Winnipeg was the political leadership provided by the Mayor and some council members. Another important condition for the success of the initiative has been the enthusiastic engagement of the private sector in the agency's work.

FOR MORE INFORMATION

CONTACT:

Annitta Stenning

President & Chief Executive Officer
CentreVenture Development Corporation
Tel: (204) 954-7730
Fax: (204) 954-7739
info@centreventure.com

Bill Thiessen

Business Development Officer
CentreVenture Development Corporation
Tel: (204) 954-7735
Fax: (204) 954-7739
thiessen@centreventure.com

REPORTS:

City of Winnipeg (1999) CentrePlan: Working Together for Winnipeg's Downtown.

City of Winnipeg (2002) Plan Winnipeg 2020 Vision.

CentreVenture Development Corporation
(October, 1999) Start Up Business Plan Summary.

CentreVenture Development Corporation
(October, 2000) First Year in Review. Report to Executive Policy Committee.

CentreVenture Development Corporation (April, 2002)
Report to City of Winnipeg.

WEB SITES:

<http://www.city.winnipeg.mb.ca/ppd/default.stm>
(City of Winnipeg)

www.centreventure.com
(CentreVenture)

OUR WEB SITE ADDRESS: www.cmhc.ca

Although this information product reflects housing experts' current knowledge, it is provided for general information purposes only. Any reliance or action taken based on the information, materials and techniques described are the responsibility of the user. Readers are advised to consult appropriate professional resources to determine what is safe and suitable in their particular case. Canada Mortgage and Housing Corporation assumes no responsibility for any consequence arising from use of the information, materials and techniques described.