Agenda – Executive Policy Committee - September 13, 2006

REPORTS

Item No. 3 Heritage Conservation Tax Credit – Henderson Building, 332 Bannatyne Avenue File G-3.1.5

ADMINISTRATIVE RECOMMENDATION:

1. That City Council:

   A. Approve a Heritage Conservation Tax Credit of up to a maximum of $259,000.00, to I.D. Fashion Ltd., to undertake conservation and rehabilitation work on the Henderson Building, 332 Bannatyne Avenue, and to be utilized by the owner over a maximum ten-year period following completion of the project, subject to the owner beginning the work on or before July 1, 2006 and completing the work on or before December 31, 2007;

   B. Require the owner to retain and preserve original and significant material as a condition of the approval of the Heritage Conservation Tax Credit;

   C. Approve the Heritage Investment Reserve as the source of funding;

   D. Approve the Heritage Conservation Tax Credits pending further approval by the City's Historical Buildings Committee on the exact means for rehabilitating the building as outlined in the applicant's Conservation Report;

   E. Require that no work may proceed without design/heritage approval and/or prior to the issuance of all relevant development permits, and;

   F. Require that the owner satisfy the requirement that the project fulfill functions not likely to be displaced from other parts of the city.

2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

3. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

RE: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR 332 BANNATYNE AVENUE, HENDERSON BUILDING

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Director of Planning, Property & Development

REPORT DATE: August 28, 2006

RECOMMENDATION:

1. That City Council:
   a) approve a Heritage Conservation Tax Credit of up to a maximum of $259,000, to I.D. Fashion Ltd., to undertake conservation and rehabilitation work on the Henderson Building, 332 Bannatyne Avenue, and to be utilized by the owner over a maximum ten-year period following completion of the project, subject to the owner beginning the work on or before July 1, 2006 and completing the work on or before December 31, 2007;
   b) require the owner to retain and preserve original and significant material as a condition of the approval of the Heritage Conservation Tax Credit;
   c) approve the Heritage Investment Reserve as the source of funding;
   d) approve the Heritage Conservation Tax Credits pending further approval by the City's Historical Buildings Committee on the exact means for rehabilitating the building as outlined in the applicant's Conservation Report;
   e) require that no work may proceed without design/heritage approval and/or prior to the issuance of all relevant development permits, and;
   f) require that the owner satisfy the requirement that the project fulfill functions not likely to be displaced from other parts of the city.
2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council; and,
3. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

- The owner of the Henderson Building, I.D. Fashion Ltd., wishes to rehabilitate this currently vacant heritage building at an estimated cost of $650,560.
- The Administration estimates that the owner will undertake $593,000 in eligible conservation and renovation work on the structure normally allowing for a

Heritage Conservation Tax Credit (HCTC) up to a maximum $296,500 under the By-law.

- The Administration recommends a reduced HCTC of up to a maximum of $259,000 based upon the estimated future municipal portion of realty taxes.
- The assessed value of the property will be positively influenced following restoration while there are other attribute policy benefits as a result of this project including; the support for the conservation of underutilized buildings within the downtown.
- This project and the HCTC award amount may be a candidate for credit under the Winnipeg Partnership Agreement.

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

(X) Involves a multi-year contract

Comment(s):

- This Report recommends a Heritage Conservation Tax Credit to I.D. Fashion Ltd.
- Heritage Conservation Tax Credits may be allocated over a maximum ten-year period (2008 through 2017).

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

- The Heritage Conservation Tax Credit (HCTC) as shown within the Financial Impact Statement can be accommodated within the Heritage Investment Reserve.
- The HCTC would be available for use by the applicant over a ten-year period (2008-2017).
- Per Council policy, the incremental portion of the municipal portion of the tax received from this project will be redirected to the Heritage Investment Reserve until the investment is repaid.
- This project and the HCTC award amount may be a candidate for credit under the Winnipeg Partnership Agreement.

Report

REASON FOR THE REPORT:
On August 18, 2005, I.D. Fashion Ltd. made an initial application to the Planning, Property and Development Department for a Heritage Conservation Tax Credit (HCTC) under By-law 7155/98 (as amended) for the Henderson Building, 332 Bannatyne Avenue.

On May 4, 2006, the applicant provided the necessary information to process the application.

City Council retains sole responsibility for accepting or rejecting applications and for approving the amount of tax credit to be allocated to each authorized project.

HISTORY:
On October 4, 2005, the City of Winnipeg, recognizing the major significance of this structure, listed the Henderson Building on the Buildings Conservation List under the terms of the Historical Buildings by-law 1474/77 (as amended) as a Grade III structure.

DISCUSSION:
Background:
Winnipeg's Exchange District of 1910 represented an evolution from its meager beginnings in the early 1880s. Technological advances were allowing architects, engineers and contractors to replace the small single-family dwellings built in the late 19th century with large warehouses capable of storing massive amounts of goods, machinery and people. Located on both sides of Main Street north of Portage Avenue, the warehouse district also filled with office buildings, garages, factories, hotels and banks. An important evolutionary aspect of the Exchange District was the manufacturing sector, especially the clothing trade. Producing a wide variety of goods, these businesses took advantage of the excellent railway connections, available cheap labour and large local and regional markets. More and more mixed-use buildings were constructed to accommodate the diverse nature of the Exchange District's commerce.

In 1910, one of these mixed-use buildings, the five-storey Henderson Building, was built on the southwest corner of Bannatyne Avenue and Adelaide Street, just west of Princess Street, one of the Exchange District's most important thoroughfares. This large structure was built as a multi-tenant facility accommodating manufacturing, sales offices, showrooms and other services required by the growing list of businessmen and companies located in the area.

The minimal ornamentation of the exterior of the Henderson Building reflects the concerns of the owner and designer to create a sturdy building, rather than an aesthetically intricate design. The building's rough textures and bulkiness are elements of the Romanesque Revival style so prevalent in the Exchange District. The restrained main façades with their strong vertical emphasis and multiple windows arranged in a regular grid, however, resemble the Sullivanesque or Chicago School style that grew out of the warehouse district of Chicago shortly after the turn of the century.

Original drawings show plans for a relatively unremarkable interior, with a staircase and elevator located to the rear of the floor plan. It was constructed using the mill method, solid brick exterior walls resting on a concrete foundation and sturdy wooden plank flooring supported by a system of square beams and posts. Total cost of construction was $50,000. Ornamental tin was used to cover the ceilings on all levels of the building; much of this material still remains. At present, the interior is a mixture of altered and original spaces.

The structure was designed by David Wynyard Bellhouse (1861-1952), a European-trained architect who came to Manitoba in 1883. Intending to be a gentleman farmer in the Cypress River area of Manitoba, he moved into Winnipeg in 1896 and began a career in architecture which spanned over four decades, concentrating mainly on the designing of residential structures.

Constructed by local contractor P. Burnett, the Henderson Building housed a number of small- to medium-sized companies over the years and was originally owned by Robert J. Henderson, whose overall and shirt making venture, Henderson Manufacturing Company, occupied part of the building until he sold the structure in 1950. The Henderson Building has continued to operate as a multi-use facility to the present day.

The Heritage Conservation Tax Credit Program (HCTC)

The HCTC incentive strategy was adopted by City Council in 1998 on a pilot basis for three years with a review during the third year. The purpose of the program was to assist a limited number of projects selected for their ability to:

- increase property assessment values; and
- fulfill functions not likely to be displaced from other parts of the city.

Another criterion that has been established previously by Council is that heritage incentives should be used primarily for vacant or underutilized heritage buildings.

Council retains sole responsibility for accepting or rejecting applications and for setting the amount of tax credit to be allocated to each authorized project.

To date, Council has approved the following tax incentives under this program:

Building Name	Work	Amount of Incentive	Status
Former Free Press Building, 300 Carlton St.	exterior restoration	$400,000	work complete
Marshall Wells Building, 136 Market Avenue	interior upgrade	$3 million	work complete
Portage Village Inn, 311 Portage Ave. (A&B Sound)	interior upgrade	$835,000	work complete
146-164 Princess Street (Red River College)	downtown technical campus	$15 million	work complete
211 Bannatyne Avenue (formerly 476 Main Street, J.H. Ashdown Hardware Store	commercial offices, studios, and artists live / work spaces	$1.715 million	work complete
222 Broadway, Hotel Fort Garry	interior upgrade	$2.68 million	work underway
500/504 Main Street, Union Bank Tower and Annex	restoration & rehabilitation	$2 million	work pending
361 Hargrave Street, former Film Exchange Building	rehabilitation & construction of addition	$800,000	work complete
167 Lombard Avenue, Grain Exchange Building	rehabilitation & restoration	$765,000	work complete
228 Notre Dame, The Lindsay Building	rehabilitation and restoration	$110,000	work complete
283 Bannatyne Avenue, Travellers Building	conservation and rehabilitation work	$250,000	work underway
130-132 James Avenue, Victor Fox Foods Building	conservation and rehabilitation work	$250,000	applicant not proceeding
331 Smith Street, Ramada Marlborough Hotel	renovations and redevelopment	$405,300	work complete
275-281 McDermot Avenue, Bedford Building	conservation and rehabilitation work	$500,000	application expired
319 Elgin Avenue, former Scott Fruit Company Warehouse	conservation and rehabilitation work	$140,000	work complete
234 Portage Avenue, Former Oldfield, Kirby, & Gardner Bldg.	conservation and rehabilitation work	$100,000	work complete
110 Princess Street, Sterling Cloak Bldg. (Fairchild Bldg.	conservation & rehabilitation work	$1,300,000	work underway

Scope of Work

The program is intended to support work that:

- conserves significant architectural or other heritage elements;
- repairs and stabilizes City-designated structures;
- extends the life of such structures and / or;
- rehabilitates space to meet contemporary requirements, but in the process makes minimal changes to a structure's historical integrity, including its defining design characteristics, site and environment.

Based on a submitted Application Form, the applicants advise that subject to an HCTC, that they will invest approximately $ 650,560 to upgrade the Henderson Building.

The current vacancy rate is 90%. The HCTC is needed to redevelop the existing premises to current state-of-the-art standards for office use.

The work that the owners propose will ensure that the building has a long-term life expectancy while having minimal impact on the historical integrity of the building.

Eligible Work

The applicant proposes to rehabilitate the Henderson Building to provide a completed base building for tenant improvement by individual users. Work is to start immediately and be completed by December 31, 2007.

Exterior Work:

- will be minimal, but will include a new entranceway located in an existing loading dock to allow for a new passenger elevator for universal access; and
- new windows in an existing light well

Interior Work:

- interior demolition to allow for a new passenger elevator
- new epoxy coated concrete floors
- new steel stud walls
- new steel stairs
- new passenger elevator
- upgrading of heating system
- new air conditioners
- upgrade of ventilation system
- upgrade of sprinkler system
- upgrade of electrical system
- new fire alarm system
- new fiber-optic communication system

FINANCIAL IMPLICATIONS:

The owners propose to invest approximately $650,560 to rehabilitate this building with eligible heritage work estimated at $593,000. The owner has requested an HCTC of $296,500 based upon the maximum allowable tax credits under the By-law (i.e. 50% of eligible costs). The Administration recommends a lesser HCTC of $259,000 based upon our estimates of the future municipal portion of property taxes for the restored and fully occupied building.

Existing 2006 Realty Tax Year information

Total Assessment	Portioned Assessment	Municipal Portion Realty Taxes
$ 426,600	$ 277,290	$ 7,056

Estimated Realty Tax Information following Redevelopment

Total Assessment (Estimated)	Portioned Assessment (Estimated)	Municipal Portion Realty Taxes (Estimated)
$1,568,000	$1,019,200	$ 25,937

Existing 2006 Business Tax Information

Annual Rental Value	Business Tax Rate	Business Tax
$20,460	7.75%	$ 1,586

Estimated Business Taxes following Redevelopment

Annual Rental Value	Business Tax Rate	Business Tax
$266,000	7.75%	$ 20,615

The Administration would therefore recommend an HCTC for approximately the same value of the municipal portion of realty taxes over a ten-year period. The proposed total heritage incentive package is up to a maximum of $ 259,000, which is approximately 40% of the total estimated value of the project ($650,560). The project provides a leverage of approximately 2.5:1 private investment to public support.

The municipal portion of realty taxes will increase by an estimated $ 18,881 annually while business taxes will increase by an estimated $ 19,029 for a total City tax increase of an estimated $ 37,910 annually. The City will therefore realize the total value of the recommended HCTC by the 7th year of the tax credit.

The Administration also recommends that the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council. This project is being proposed without a future tenant in place. The Administration wishes to ensure that the restoration work begins and ends in a timely manner so that the Tax Credit authority within the Heritage Investment Reserve is not held indefinitely. In this regard, the Administration will prepare a Heritage Agreement that requires the Applicant to begin and complete the work within an eighteen (18) month timeframe; that is, the work must be started on or before July 1, 2006 and completed on or before December 31, 2007. In the event of nonperformance by the Applicant, the HCTC would expire.

The future property taxes as estimated will provide for some new incremental revenues to the City of Winnipeg. Council policy requires that incremental taxes attributable to this project be redirected to the Heritage Investment Reserve until its capacity is restored. As such, the HCTC recommended within this Report can be accommodated within the Heritage Investment Reserve.

Financial Impact Statement

Date: August 23, 2006

Project Name:

First Year of Program 2008

REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR
332 BANNATYNE AVENUE, HENDERSON BUILDING

	2008	2009	2010	2011	2012-2022
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 18,881	$ 18,881	$ 18,881	$ 202,357
Less: Incremental Revenue/Recovery	37,910	37,910	37,910	37,910	379,100
Net Cost/(Benefit)	$ (37,910)	$ (19,029)	$ (19,029)	$ (19,029)	$ (176,743)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (37,910)	$ (19,029)	$ (19,029)	$ (19,029)	$ (176,743)

Additional Comments: Revenues consist of incremental municipal property taxes of $18,881 + incremental business taxes of $19,029. These amounts are assumed to be constant for the 15-year period 2008-2021. Direct costs represent incremental municipal property taxes that will be credited to the Heritage Investment Reserve from the General Revenue Fund from 2009-2022 (i.e. $18,881 x 13 years = $245,453 + $13,547 in 2022 = $259,000) to replenish the $259,000 tax credit. All business tax revenue will accrue to the General Revenue Fund.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Property Assessment Department
Corporate Finance Department
Legal Services Division

External Consultation With:

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development
Division: Planning and Land Use / Office of the Director
Prepared by: Giles Bugailiskis \ Jim Paterson
PPD File No.: HTC 24-2005

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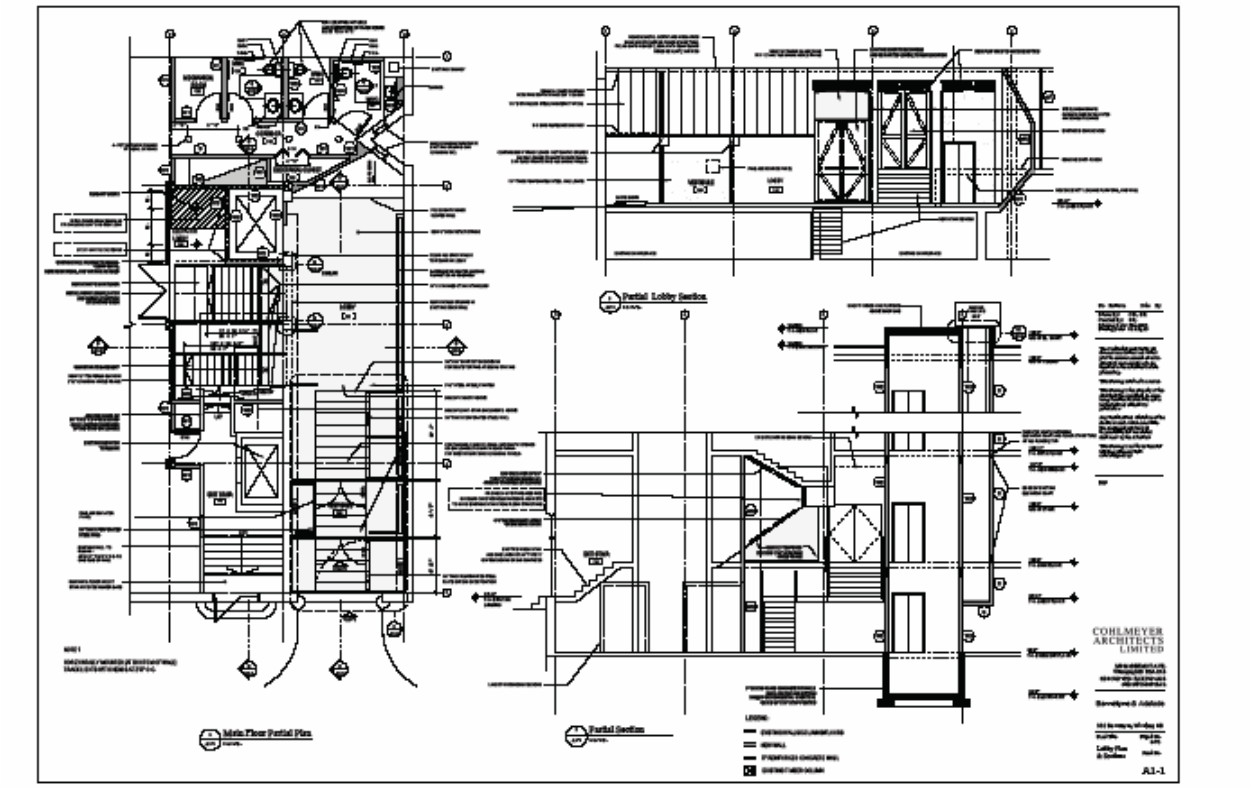
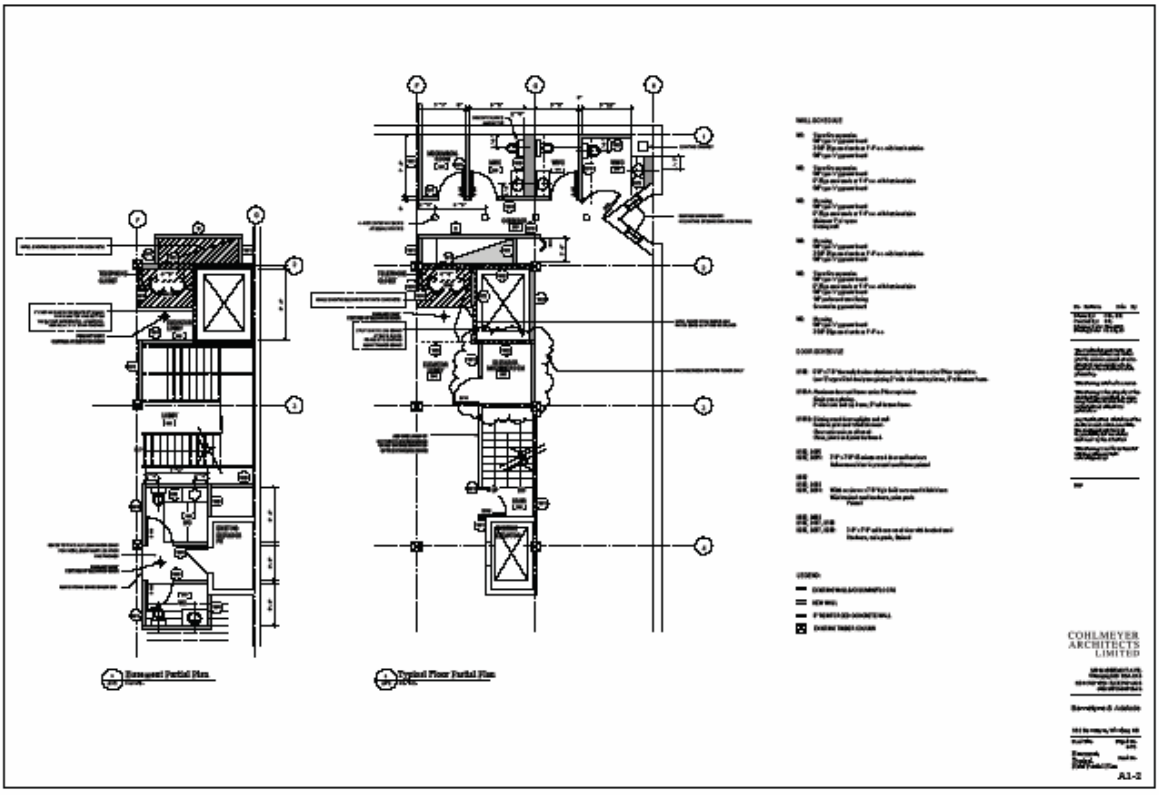
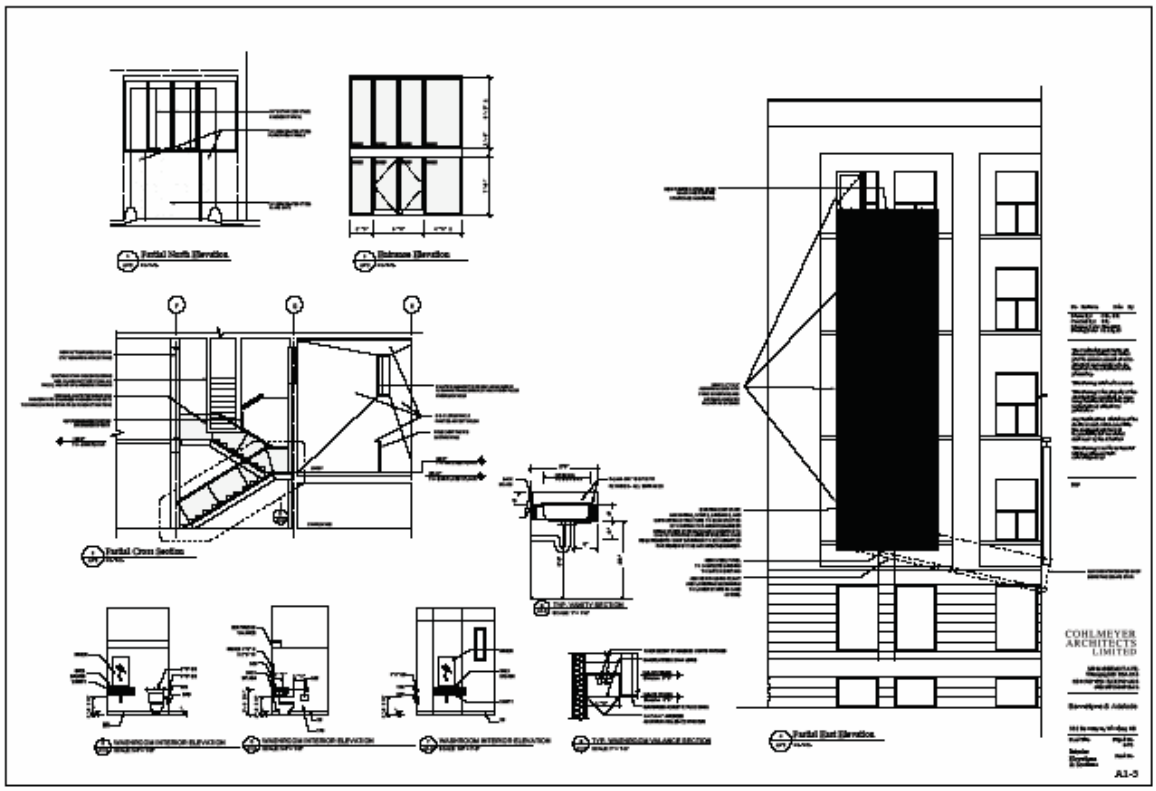
Attachments:

A1-1.pdf A1-2.pdf A1-3.pdf A1-4.pdf


Partial Lobby Section
Main Floor Partial Plan
Partial Section
COHLMEYER ARCHITECTS LIMITED
A1-1


Basement Partial Plan
Typical Floor Partial Plan
COHLMEYER ARCHITECTS LIMITED
A1-2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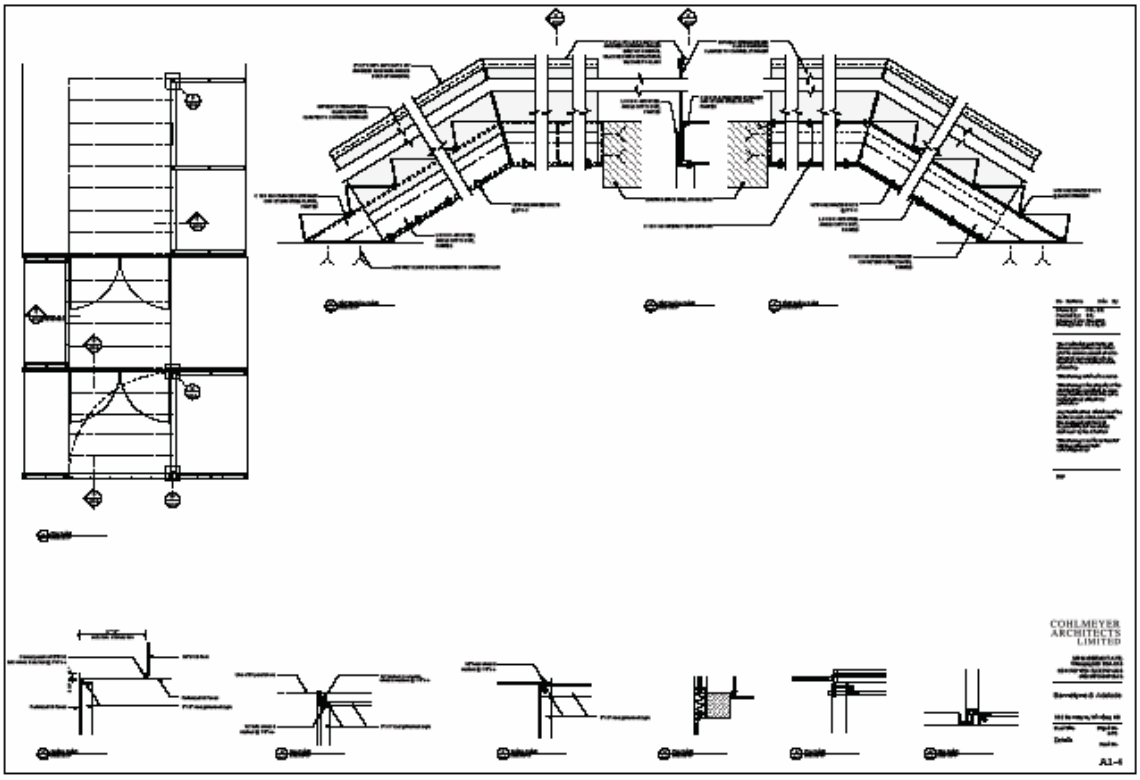
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