REPORT OF THE

EXECUTIVE POLICY COMMITTEE

DATED MARCH 13, 1998

On motion of Her Worship Mayor Thompson, the Report of the Executive Policy Committee, dated March 13, 1998, was considered.

Heritage Tax Credit for Adaptive Re-use of former Free Press Building, 300 Carlton Street File G-3 (Vol. 8) c/r G-3.1 (Vol. 6)

384 - 1. On December 12, 1996, Council approved the Heritage Tax Credit Program in principle. The enabling by-law received all three readings by Council on February 25, 1998.

The Manitoba Call Centre Team and the City of Winnipeg Business Liaison and Intergovernmental Affairs Department have presented Air Canada with a support package that would facilitate their locating a 500 person call centre in the Free Press Building.

A. The Proposal:

Shelter Canadian Properties Ltd. has secured an offer to purchase the former Free Press Building from Thompson Newspapers Company Limited for the purposes of redeveloping the building for office use (call centres). The building has been vacant since 1991. The project would involve re-use of the existing building, parking in the basement floors, and a three storey addition to the north and west of the existing building to front on Carlton Street and Ellice Avenue for an eventual total floor area of approximately 270,000 square feet. A pedestrian walkway connection to Portage Place is also proposed.

Air Canada would occupy the expanded second floor as a call centre for a total of approximately 75,000 square feet. The expanded main floor and third floor, and the existing upper floors total approximately 195,000 square feet and would likely be occupied by other call centres or office uses. Air Canada proposes to establish the call centre strategically located in this building which is opposite the existing Air Canada call centre operations in the Air Canada building at 355 Portage Avenue. This call centre therefore solidifies Air Canada's presence in Downtown Winnipeg.

This Air Canada call centre project involves 500 new employees and a projected payroll of $15.25 million by year three of ramp-up. It will receive approximately $3.5 million of training, technical and financial support through the Manitoba Call Centre Team, and additional support from MTS Netcom Inc. City staff have worked with the Team to present a Downtown option (ie. Free Press Building) that is competitive with a suburban one.

B. Conformity with Plan Winnipeg and CentrePlan:

Plan Winnipeg...toward 2010 calls for the City to identify where Winnipeg has a competitive edge over other urban centres (such as call centres) and to aggressively seek to take advantage of these opportunities.

It also calls for the City to give priority to the Downtown in the development of major commercial, office, entertainment, and cultural facilities.

Regarding Heritage Assets, the Plan declares that the City shall pursue options in cooperation with the other levels of government and the private sector for the adaptive re-use of vacant heritage buildings.

CentrePlan calls for the City to ensure that Downtown maintains its status as the centre of business and employment. In terms of office development and related employment, CentrePlan outlines strategies of maintaining a healthy and viable Downtown office market, and fostering a positive climate for new investments and redevelopment in the Downtown.

Report of the Executive Policy Committee dated March 13, 1998

C. City Support and Process:

It is proposed that City financial support of up to $2 million come through the Heritage Tax Credit Program.

Construction of the project is scheduled to commence in March of 1998 with occupancy about 150 days later. Air Canada must know the amount of City support that can be passed through in the lease.

It should also be noted that Shelter is entitled to apply for a realty tax exemption under the Municipal Act for the period during which renovations to the designated building occur.

D. Benefits of the Proposal:

1) This re-use project will eventually accommodate new Downtown employment of 1000 to 1400 jobs when the building and addition are fully occupied, with 500 of those jobs initially with Air Canada over the next 24 to 36 months.

2) This project would launch the Heritage Tax Credit Program with a signature building.

3) It is another successful partnership with the Province, and demonstrates value of collaboration and cooperation.

4) It demonstrates the re-use of what is currently a failing heritage building that has been vacant since 1991 and has had a negative effect on adjacent properties.

5) It provides a much-needed inventory of large floor office space suitable for call centres at a time when such space is becoming increasingly scarce in the Downtown area.

E. Financial Details:

According to documents submitted, Shelter appears to have paid about $2 million for the existing land and building, and is proposing to spend about $6 million on hard and soft construction costs for the Air Canada component of the project. It has been assumed that about $4 million of the work would translate into a tax credit of about $2 million, and could be used against any municipal portion of property taxes, business taxes, or amusement taxes flowing from the building for a period of up to 10 years.

The building has yet to be listed through the Historical Buildings By-law but an application is forthcoming.

Present value of 10 years of $200,000 per year tax credits is calculated at 6% to be $1,472,000. Current estimate of 1998 property taxes on the existing vacant building and land is $125,000, with the building component being a very small proportion of this amount. Estimate of incremental future business and property taxes on the Air Canada portion of the total project is $370,000 annually. The municipal portion of this amount is approximately $202,000.

The remainder of the planned building expansion and redevelopment, involving 195,000 square feet of space and over $15 million in construction costs, could generate, at total build out, another $955,000 in property and business tax annually. The municipal portion of this amount is $508,000. No tax credits are proposed for the remaining occupants of the building and therefore incremental taxes flowing from those portions of the building would be an immediate benefit. The total annual incremental tax revenues would be approximately $710,000 associated with this proposal.

The enabling by-law for the credit allows for a special agreement which would include certain performance assurances by both Shelter Canadian Properties Ltd. and Air Canada.

F. Conformity to Heritage Tax Credit By-law

1) The $200,000 per year, ten year discretionary tax credit is considerably less than the 50% maximum of net private investment in eligible work noted in the by-law. In fact, although the percentage on the Air Canada component is close to 40%, the percentage is closer to 14% for the total project. A final calculation will be made when audited actual expenditures are submitted by Shelter Canadian Properties Ltd.

Report of the Executive Policy Committee dated March 13, 1998

2) This project is the first of 3 or 4 major projects initially contemplated in order to evaluate the impact and effectiveness of the program.

G. Draft Terms and Conditions of Support:

Essential terms and conditions for agreement between the City of Winnipeg and Shelter Canadian Properties Ltd., for purposes of redeveloping the former Free Press building at 300 Carlton Street, are as follows:

1. That Shelter Canadian Properties Ltd. complete the acquisition of the property commonly known as 300 Carlton Street in order to carry out the redevelopment project.

2. That a minimum of 75,000 square feet of space be developed for the Air Canada call centre.

3. That a tax credit of up to $200,000 per year for 10 years be provided by the City of Winnipeg for that space occupied by Air Canada, consistent with the criteria and regulations set out in the City of Winnipeg Heritage Tax Credit By-law.

4. That property taxes are paid in full (or the equivalent) when due for each taxation year.

5. That the Province of Manitoba provide written confirmation that it will provide the minimum contributions as outlined in this report.

6. That Council, at its sole discretion, duly appropriate the funding in each year required.

7. That Air Canada submit evidence by July 1 in each year of tax credit, verifying that it has met or exceeded its employment commitment of 500 positions in the building.

8. That the building be listed pursuant to the Historic Buildings By-law.

9. Any such other terms and conditions as deemed necessary by the City Solicitor/Manager of Legal Services for the purposes of implementing the intent of Council.

The recommendations as outlined below are required to facilitate the adaptive re-use of the Free Press Building at 300 Carlton Street, consistent with the spirit and intent of the City of Winnipeg Heritage Tax Credit By-law.

The Executive Policy Committee recommends:

I. That Council approve the following recommendations as they pertain to an agreement, pursuant to the City of Winnipeg Heritage Tax Credit By-law, between the City of Winnipeg and Shelter Canadian Properties Ltd., regarding the proposal of Shelter Canadian Properties Ltd. for the adaptive re-use of the Free Press Building at 300 Carlton Street with an Air Canada call centre as the pivotal lead tenant:

   A. That a Heritage Tax Credit of $200,000 per year for ten years (1999 to 2008 inclusive) be made available to Shelter Canadian Properties to be passed on in total to, and through its lease with, Air Canada.

   B. That an allocation of $200,000 be budgeted for in the 1999 to 2008 Current Budgets as a line item to cover this support (total cash flow of $2,000,000) to be indirectly offset by incremental tax revenues generated by the project.

   C. That City Officers do all things necessary to accommodate the above recommendations involving finalizing and arranging for execution of all agreements and documents.

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

For the information of Council, the Five-Year Financial Forecast of Expenditures - Current Budget and the Financial Impact are on file on the office of the City Clerk.

Report of the Executive Policy Committee dated March 13, 1998

Moved by Councillor Angus,
Adoption of the clause.

The motion for the adoption of the clause was put and declared carried.