**Agenda – Council – November 21, 2007**

**Report – Executive Policy Committee – October 31, 2007**

**Item No. 7 Heritage Conservation Tax Credit – Canada Building, 352 Donald Street**
**(Daniel McIntyre Ward)**
**File G-3.1.5**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On October 31, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service, as amended, and submits the following to Council:

1. That a Heritage Conservation Tax Credit of up to a maximum of $1.2 million to undertake conservation and rehabilitation work on the Canada Building, 352 Donald Street, and to be utilized by the owner over a maximum fifteen (15) year period following completion of the project, be approved, subject to the owner beginning the work on or before December 1, 2007, and completing the work on or before December 31, 2009.

2. That the owner be required to retain and preserve original and significant material as a condition of the approval of the Heritage Conservation Tax Credit.

3. That the Heritage Investment Reserve be approved as the source of funding.

4. That the Heritage Conservation Tax Credits be approved 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.

5. That no work proceed without design/heritage approval and/or prior to the issuance of all relevant development permits.

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

7. 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 – October 31, 2007**

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On October 31, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service with the following amendment, namely:

- Recommendation No. 1
  Delete the words "up to a maximum of $870,000.00" and replace with the words "up to a maximum of $1.2 million", and delete the words "maximum ten (10) year period" and replace with the words "maximum fifteen (15) year period",

and submitted the matter to Council.

**RE: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE CANADA BUILDING, 352 DONALD STREET**

**FOR SUBMISSION TO:** Executive Policy Committee

**ORIGINAL REPORT SIGNED BY:** Acting Director of Planning, Property and Development

**REPORT DATE:** October 19, 2007

**RECOMMENDATION:**

1. That City Council:
   a) approve a Heritage Conservation Tax Credit of up to a maximum of $870,000 to undertake conservation and rehabilitation work on the Canada Building, 352 Donald Street, 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 December 1, 2007 and completing the work on or before December 31, 2009;
   b) require the owner to retain and preserve original and significant material as a condition 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
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 Canada Building, Public Capital Company, wishes to rehabilitate this currently under-utilized heritage building at an estimated cost of $5.05 million.
- The Public Service estimates that the owner will undertake $3.6 million in eligible conservation and renovation work on the structure normally allowing for a Heritage Conservation Tax Credit (HCTC) up to a maximum $1.8 million under the By-law.

- The Public Service recommends a reduced HCTC of up to a maximum of $870,000 based upon the estimated future municipal portion of realty taxes (estimated $86,197 annually).
- 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 conservation of under-utilized 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

() Involves a multi-year contract

Comment(s):

- This Report recommends a Heritage Conservation Tax Credit to the Public Capital Company.
- Heritage Conservation Tax Credits may be allocated over a maximum ten-year period (2010 through 2019).

**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 (2010 – 2019).
- 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:**
In June 2005, Public Capital Company, 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 Canada Building, 352 Donald Street.

On August 21, 2006, the applicant provided the necessary information to process the application.

On April 27, 2007 Public Capital Company confirmed that they will be undertaking renovations to the Canada Building for commercial use only. They had investigated the possibility of doing rental apartments in the building but have decided not to proceed.

On October 11, 2007 the owner confirmed that they will be undertaking to redevelop this property for commercial use on the first three floors and residential rental apartments on the upper four floors.

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 September 12, 2005, the City of Winnipeg, recognizing the special significance of this structure, listed the Canada 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:**
The early 1900's saw the emergence in Winnipeg of several large construction companies whose operations extended well beyond the city into western Canada and northwestern Ontario.

Such firms engaged in a wide variety of projects – from roads, bridges and other public works, to industrial plants, terminal grain elevators, government buildings, schools, hospitals, office towers, department stores, and other commercial structures. Some offered design as well as construction services by employing architects and draughtsmen. Some also managed enterprises that supplied building materials and equipment.

One of the forces behind the trend toward industry integration was James McDiarmid (1855-1934), a Scottish-trained contractor who came to Winnipeg in the early 1880's. He and a brother, John (1861-1943), worked with builder G.W. Murray, but in the 1890's formed their own partnership, J. and J. McDiarmid. They later (1906) joined with another brother, Peter (1857-1915), to incorporate The J. McDiarmid Co. Ltd., which remained in business until the mid-1940's. James also became a co-founder and/or officer of several other firms in the building industry, including the Winnipeg, Edmonton and Calgary Paint and Glass companies, Winnipeg Construction Co., and Marble and Tile Company of Canada.

Among the McDiarmids' clients was the Canadian Pacific Railway for which they built shops facilities in Winnipeg and at various other points between Fort William and Vancouver. They also secured Dominion government contracts, including customs buildings in Winnipeg and Calgary. In 1915, the Manitoba government turned to them to complete the Legislative and Law Courts buildings after the original contractor was dismissed. They also participated in one of the consortia that built the Winnipeg aqueduct (1914-19).

From the mid-1890's onward, James combined an architectural practice with his construction work. His early projects included plans for St. Andrew's Presbyterian Church (1894-95) and warehouses in the Exchange District. Other commissions followed in Winnipeg and across the West. Surviving local examples of his designs include the James Penrose House, Cumberland (Nokomis) Block, and Great-West Saddlery, Merrick-Anderson, Donald H. Bain and Marshall-Wells warehouses.

In 1910, the McDiarmids engaged in another facet of their industry by becoming the owner-developers, as well as designers and builders, of an office block on the west side of Donald Street between Ellice and Cumberland avenues – a transitional site between the Exchange District and downtown commercial core.

The seven-storey, $80,000 structure rose from a reinforced concrete foundation to a reinforced concrete frame enclosed by brick walls with Tyndall stone and concrete accents. To enhance safety, a central interior wall was clad by tile and brick firewalls.

The building's five-bay front (east) façade was executed in the Chicago Style. The symmetrical facing was divided vertically by attached, squared columns and horizontally by large rectangular windows. The top floor and roofline were highlighted through the use of delicately detailed capitals, paired mini-columns, a full entablature, parapet, nameplate, and shield displaying the date of construction. The original main entrance was recessed within an arch topped by a keystone and cornice. Later alterations placed this element in squared surrounds. The building's rear elevation displayed a reduced version of the front design, while the north and south walls had numerous rectangular windows, but no ornamentation.

The main-floor interior held an entrance lobby and retail shops, the occupants of which included watchmakers, tailors, barbers, and a photographic store. Upper floors were divided into offices that ran off central hallways. In addition to various small and medium-sized companies, tenants included the Manitoba Power Commission, James Richardson and Sons, Dominion Bridge Co., Air Canada, Manitoba Housing and Renewal Corp., and Manitoba Heart Foundation.

The J. McDiarmid Co. sold the Canada Building in 1924 to Winnipeg barrister Allan Bronfman. Brian Investments Ltd. succeeded him as owner a quarter-century later. In 2005, Public Capital Company purchased the property that was mostly vacant and under-utilized.

**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 underway |
| 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 |

| Building Name | Work | Amount of Incentive | Status |
|---|---|---|---|
| 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 complete |
| 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 |
| 110 Princess Street, Sterling Cloak Bldg. (Fairchild Bldg.) | conservation and rehabilitation work | $1.3 million | work complete |
| 65 Rorie Street/140 Bannatyne Avenue, former Northern Electric Building | rehabilitation and additions | $1.9 million | work underway |
| 332 Bannatyne Avenue, Henderson Building | rehabilitation | $259,000 | work underway |

**Scope of Work**

The program is intended to support work that:

- conserves significant architectural or other heritage elements; and/or
- repairs and stabilizes City-designated structures;
- extends the life of such structures;
- 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 Public Capital Company advises that subject to the approval of an HCTC incentive they will invest approximately $5.05 million to upgrade the Canada Building, 352 Donald Street.

The current vacancy rate is about 68%. The HCTC is needed to redevelop the existing premises to current state-of-the-art office standards.

The work that the owners propose will ensure that the exterior architectural elements are repaired and have a long-term life expectancy while having minimal impact on the historical integrity of the building.

This project is very important to the downtown since it will bring 60 residential rental apartments into the outside boundary of the Exchange District National Historical Site.

The significance of this undertaking can be better understood when one sees the level of support that was needed, from a variety of sources, to make this project happen.

CentreVenture Development Corporation was able to broker this initiative with the owners by supplementing the City's heritage tax credit with an additional grant of $100,000 and a $238,000 forgivable loan. The Manitoba Housing and Renewal Corporation, under their Innovative Inner City Housing Development Program have approved a grant of up to $500,000 subject to the owner developing 60 new rental apartment units.

This project is significant since it provides badly needed lower market rental accommodations in the Downtown. Currently none exist north of Portage Avenue towards the Exchange District National Historic Site.

**Eligible Work**

The applicants propose to rehabilitate the Canada Building to provide a completed base building for tenant improvement by individual users on the first three floors and 60 rental apartments on the upper four floors. Work is to start on or before December 1, 2007 and be completed by December 31, 2009.

***Exterior Work:***

- Repair exterior masonry;
- Replace roof; and
- Replace existing windows.

***Interior Work:***

- Provide new structural system to allow for new stairs and mechanical shafts;
- Upgrade fire protection with standpipe, sprinklers, emergency generator;
- New central heating system;
- New ventilation and cooling system;
- New plumbing system
- New electrical system
- New elevators, and;
- New interior walls

**FINANCIAL IMPLICATIONS:**

The owners propose to invest approximately $5.05 million to conserve this building with eligible heritage work estimated at $3.6 million. The owner has requested an HCTC of $1.8 million based upon the maximum allowable tax credits under the By-law (i.e. 50% of eligible costs). The Public Service recommends a lesser HCTC of $870,000, based upon our estimates of the future municipal portion of property taxes and eligible business taxes for the restored and fully occupied building.

***Existing 2007 Tax Year information***

| Total Assessment | Portioned Assessment | Municipal Realty Taxes |
|---|---|---|
| $1,100,000 | $715,000 | $18,195.32 |

***Tax Information following Redevelopment***

***A.* Lower Floors**

| Assessment Estimated | Portioned Assessment Estimated | Municipal Realty Taxes Estimated |
|---|---|---|
| $3,679,000 | $2,391,350 | $60,855 |

***B. Upper Floors***

| Assessment Estimated | Portioned Assessment Estimated | Municipal Realty Taxes Estimated |
|---|---|---|
| $2,213,000 | $995,850 | $25,342 |

***Total***

| Assessment Estimated | Portioned Assessment Estimated | Municipal Realty Taxes Estimated |
|---|---|---|
| $5,892,000 | $3,387,200 | $86,197 |

The Public Service would therefore recommend a HCTC for approximately the same value of the municipal portion of realty taxes. The proposed total heritage incentive package is up to a maximum of $870,000 which is approximately 17% of the total estimated private investment in the project ($5.05 million). The project provides a leverage of approximately 7:1 private investment to public support, which is within a very favorable range of support.

The Public Service 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 Public Service 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 Public Service will prepare a Heritage Agreement that requires the Applicant to begin and complete the work within an twenty-four (24) month timeframe; that is, the work must be started on or before December 1, 2007 and completed on or before December 31, 2009. In the event of nonperformance by the Applicant, the HCTC would expire.

The future property taxes as estimated will provide for some incremental revenues to the City of Winnipeg (assumed as a result of a successful appeal). 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:** October 12, 2007

**Project Name:** **First Year of Program** **2010**

**REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR 352 DONALD STREET, THE CANADA BUILDING**

| | 2010 | 2011 | 2012 | 2013 | 2014-2023 |
|---|---|---|---|---|---|
| **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 | $ 86,197 | $ 86,197 | $ 86,197 | $ 86,197 | $ 517,182 |
| Less: Incremental Revenue/Recovery | - | 68,002 | 68,002 | 68,002 | 657,964 |
| Net Cost/(Benefit) | $ 86,197 | $ 18,195 | $ 18,195 | $ 18,195 | $ (140,782) |
| Less: Existing Budget Amounts | 86,197 | 18,195 | 18,195 | 18,195 | (140,782) |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Direct costs beginning in 2010 represent the estimated annual municipal property tax credit to be applied to the tax roll. This is assumed to be constant for the 10-year period 2010-2019. Annual revenues, beginning in 2011, consist of incremental municipal property taxes of $68,002 and, for the purposes of this FIS, it is assumed that this incremental tax revenue will be constant for the 13-year period 2011-2023. Incremental municipal property tax will be credited to the Heritage Investment Reserve to replenish the 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; Finance Department

**External Consultation With:**
CentreVenture Development Corporation

**THIS REPORT SUBMITTED BY:**

Department: Planning, Property and Development
Division: Planning and Land Use/Office of the Director
Prepared by: Giles Bugailiskis \ Barry Thorgrimson
PPD File No. HTC 25-2005

Document name: O:\Reports Directive\Planning and Land Use\Heritage\2007 Reports\352 Donald HCTC Report.Rev.doc