Agenda - Council – December 19, 2007

Report "A" - Executive Policy Committee – December 12, 2007

Item No. 4 104 King Street, Ryan Building – Options for Consideration
File G-3.1.1

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 12, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That subject to an executed Development Agreement:

    A. That a grant be approved in the amount of $1.5 Million for the re-development of 104 King Street to ensure the two principal facades of the former Ryan Block are preserved while incorporating the construction of an approximately 186 stall parkade including 8000 sq. ft. of main floor retail space.

    B. That a Heritage Conservation Tax Credit be approved in an amount equivalent to the incremental municipal portion of realty and business tax paid annually in respect of the subject property over a period not exceeding 21 years and in a total amount not exceeding $800,000.00.

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

    D. That the Acting Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as approved by Council including security arrangements such as mortgages to the extent deemed necessary by the Acting Chief Administrative Officer.

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

Report "A" - Executive Policy Committee – December 12, 2007

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 12, 2007, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

RE: 104 KING STREET- OPTIONS FOR CONSIDERATION

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: J. Paterson A/ Director - Planning, Property, and Development Department

REPORT DATE: December 10, 2007

RECOMMENDATION: Subject to an executed Development Agreement, that City Council approve the following:

1. A Grant in the amount of $1.5 M for the re-development of 104 King Street to ensure the two principal facades of the former Ryan Block are preserved while incorporating the construction of an approximately 186 stall parkade including 8000 sq. ft. of main floor retail space;
2. A Heritage Conservation Tax Credit in an amount equivalent to the incremental municipal portion of realty and business tax paid annually in respect of the subject property over a period not exceeding 21 years and in a total amount not exceeding $800,000;
3. That the source of funding come from the Heritage Investment Reserve:
4. The Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as approved by Council including security arrangements such as mortgages to the extent deemed necessary by the Acting Chief Administrative Officer.
5. That the proper Officers of the City do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

- On August 30, 2007 the Acting Director of Planning, Property and Development sent notice to Reiss that he has defaulted on the June 1, 2007 Order and the City of Winnipeg would take measures to stabilize the building and all costs associated with the stabilization would be added to the taxes of the property.
- The City of Winnipeg retained Crosier, Kilgour & Partners Ltd. to complete an engineering design to preserve the facades of 104 King Street. Additionally, environmental concerns related to pigeon droppings and asbestos have been identified.
- CentreVenture Development Corporation (CentreVenture) has signed a Memorandum of Understanding with the owners of 104 King Street (Reiss) to construct a 4-storey parking structure along with main floor retail space while preserving the two principal facades (Bannatyne Avenue and King Street) subject to a number of conditions.

- CentreVenture will contribute financially to the proposed project with a $500,000 Grant. The funding source will come from a portion of their Gail Parvin Hammerquist allocation. Further, CentreVenture will gap finance through an assignment of the $800,000 HCTC to a net present value, (approximately $450,000 - $500,000) subject to Board approval.
- The Heritage Conservation Tax Credit By-law 7155/98 (HCTC) only permits a maximum period of 10 years for the Heritage Conservation Tax Credit to be used unless otherwise approved by Council. Based on the heritage value of the structure and need for public parking within the Exchange District, the Public Service recommends that Council approve the extended time period under the HCTC By-Law.
- On November 28, 2007 Reiss, CentreVenture and the Public Service reached an Agreement in Principle to move forward with a formal Development Agreement, subject to Council's approval of the Heritage Incentive Package.
- The Agreement in Principle has also recognized the costs incurred by the City in stabilizing the 104 King Street building. All costs associated with the remediation and stabilization will be paid by Reiss from the $1.5M Heritage Grant.
- The City will include provisions, through the formal Development Agreement, to protect its investment by ensuring certain conditions are fulfilled prior to release of all funds.
- The City grant may be a candidate for credit under the WPA.

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): The direction provided by Executive Policy Committee, and subsequently by Council, will have implications for the Exchange District.

Policy Implications

( ) No

(x) Yes

Comment(s): This Report identifies options that may have implications on our City's Heritage Policy.

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): While this Report identifies options that have financial implications, there is sufficient funding within the Heritage Investment Reserve to finance the project as contemplated within the Report.

Report

REASON FOR THE REPORT:
CentreVenture and the owner of 104 King Street (Reiss) have signed a Memorandum of Understanding to re-develop the subject property and preserve the two principal facades. Further, an agreement has been reached with Reiss and the Winnipeg Public Service in principle to enter into a formal Development Agreement subject to Council's approval of the Heritage Grant and the Heritage Conservation Tax Credit. This report recommends that the City participate in the project through a Heritage Grant and a Heritage Conservation Tax Credit requiring the approval of City Council.

HISTORY:
The four-storey Ryan Block, across from Old Market Square in Winnipeg's Exchange District National Historic Site, was built in 1895 for Thomas Ryan, one of Winnipeg's first shoe merchants. He was a city alderman in the 1880s and was elected Mayor, passing bylaws to limit Sunday shopping. By 1907 the building was too small, even with a 1903 addition, and Ryan located elsewhere.

A series of wholesalers occupied the warehouse after 1907. Warkov-Safeer, a wholesale leather supplier, was a long-standing owner. Gray's Auction Mart occupied the building in 1977. Bedford Investments acquired the property in 1987. In 1990, Pyramid Records was the last tenant before the City's Amy Street Steam Plant was closed and heat was no longer provided to the building.

In 1988 Bedford Investments owned all of the properties fronting King Street between Bannatyne and McDermot Avenues with the exception of 98 King Street which was a one-storey building built by Ryan originally to store shoes. Bedford Investments acquired 98 King Street which was on the "Inventory," applied for a demolition permit and received it because the Historical Buildings Committee found no architectural or historical significance attached to the site.

In 1990 the Winnipeg Core Area Initiative staff and the property owner explored the option for a parkade on the entire site that could result in the re-use of the two main façades of the Ryan Block. The property owner applied to the City to have the building evaluated in order to have guidance on whether to proceed with incorporating the two main façades into the new structure. The Ryan Block achieved a Grade II ranking and the Historical Buildings Committee recommended that the building be placed on the Buildings Conservation List in order that redevelopment discussions occur at the City Council level. The building was designated historic on March 11, 1991 as a Grade II structure.

During the process of being designated historic, the parkade development proposal collapsed. On August 16, 1991, five months after the building was declared historic, a fire damaged the third and fourth floors. Arson was suspected. Estimated damage to the property was $250,000.

In 1990 / 91, the Winnipeg Core Area Initiative had agreed to provide a $750,000 grant to the current owners towards the redevelopment of the King Building and adjacent site. However, no proposal was ever submitted by the current owners and the remaining funds were transferred to other programs.

In May 1992 the owners applied to the City to have the building de-listed. Council rejected the request to de-list.

On May 16, 2002, the Historical Buildings Committee reviewed an engineering report on the building that was paid for by the City and CentreVenture. The report confirmed that the building was structurally sound, but did require some stabilization work to be done. The report also indicated that with a reasonable expenditure, the building could be put into a condition where it would not pose an immediate health hazard.

On September 7, 2004 the Standing Policy Committee on Property and Development reviewed an application from the owners to remove the Ryan Block Building from the Buildings Conservation List. The City's Historical Buildings Committee recommended that the building not be de-listed since there had not been a change in its architectural or historical significance and that this property was one of a number of key sites in the Exchange District National Historic Site. Further, Council was asked to continue to examine methods to save the building from further deterioration because of the ever increasing role the District had in Winnipeg's expanding tourism and film industries. The Standing Policy Committee concurred with the recommendation of the Historical Buildings Committee. The recommendation not to de-list the building was adopted by City Council.

On April 26, 2005, the owner was served with an Order under the Vacant and Derelict Buildings By-law No. 35/2004.

On August 29, 2006, the City of Winnipeg received a copy of the Final Report prepared for Bedford Investments entitled: '*King and Bannatyne Redevelopment Feasibility Study'* dated July 12, 2006 as prepared by Read Jones Christofferson Ltd.

During the fall of 2006 and early 2007, the Public Service and CentreVenture negotiated potential public private partnerships based upon the July 12, 2006 Read Jones Christofferson Ltd. report with the owner of 104 King Street.

DISCUSSION:

- The 104 King Street building is currently on the Vacant Building Registry as per the Vacant and Derelict Buildings By-law 35/2004 (By-law). The aim of the By-law is to promote safety, curb urban blight, and lessen the impact that vacant buildings have on neighbourhood stability.
- On May 7, 2007 an Order was issued to the building owner (Reiss) requiring that a professional engineer inspect the building and provide a proposal for remedial repairs as well as for safety precautions for the public protection to address the unsafe building condition.
- On May 28, 2007 Reiss provided an engineer's report dated May 25, 2007 from Wolfrom Engineering Ltd. which concluded that the building should be demolished before this winter to avoid a potential collapse and danger to the public.

- On June 1, 2007 a second Order was issued by the Pubic Service to Reiss to repair all interior and exterior structural components to bring the building into a safe and stable condition, OR, to demolish the building.
- On June 4, 2007 Reiss made an application for historical buildings de-listing to proceed with demolition of the building.
- On June 6, 2007 an engineer's report from Crosier Kilgour & Partners Ltd. as commissioned by the Planning, Property and Development Department was received. The report indicated that "collapse is highly possible" and "restoration is unlikely to be possible". The report recommended that the building be demolished, but salvaging of the north and east facades would be possible with appropriate shoring / support installed prior to demolition.
- On June 17, 2007 Reiss and the Forks North Portage Development Corporation (the Forks) signed a Memorandum of Understanding that proposed the development of a multi-storey parking structure with first floor commercial that would see the retention of the two primary facades.
- On June 20, 2007 City Council concurred in the recommendations of the Standing Policy Committee on Property and Development and adopted the following:
    - That the King Building, 104 King Street, not be removed from the Buildings Conservation List as the Heritage values have not changed.
    - That, pursuant to Section 12(5) of the Historic Buildings By-Law No. 1474/77, the listing of the King Building on the Building Conservation List be changed to Grade III designation to accommodate the intention of, at a minimum, preserving the two significant facades facing King Street (east) and Bannatyne Avenue (north) as part of a redevelopment of the site.
    - That the proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.
- On August 28, 2007 the Forks advised the City that they did not intend to proceed with the proposed redevelopment of 104 King Street.
- On August 30, 2007 the Acting Director of Planning, Property and Development sent notice to Reiss that he has defaulted on the June 1, 2007 Order and the City of Winnipeg would take measures to stabilize the building and all costs associated with the stabilization would be added to the taxes of the property.
- As a result of the Forks not proceeding with the proposed development, CentreVenture Development Corporation initiated discussions with Reiss to look at other options which would facilitate the proposed development.
- The City's engineering consultant provided cost estimates associated with stabilization of the entire building and environmental issues associated with pigeon droppings and asbestos. The consultant confirmed that stabilizing the entire building for an interim period, approximately 10 years, would be financially substantially less (approximately $600,000) than saving just the two primary facades (approximately $1.5M.) The consultant was instructed to retain a contractor based on bids provided.
- On October 31, 2007 the Acting Director of Planning, Property and Development sent a notice to Reiss advising that a portion of the Right-of-Way on King and

Bannatyne along with a portion of his parking lot adjacent to 104 King would be barricaded and building stabilization would commence on or before November 6, 2007.

- On November 6, 2007 the Public Service send a letter to Reiss recommending, subject to Council approval, the City's participation in his proposed re-development of the site with a Heritage Incentive Package, including a Heritage Grant and a Heritage Conservation Tax Credit. (letter attached)

Reiss has recently agreed to a proposed redevelopment of the site with the following primary objectives:

a) Preserving the two principal facades

b) Develop a significant ground floor retail space with frontage along King Street and Bannatyne Avenue

c) Provide as much parking as practical. Given the limited area of the site, approximately 186 parking stalls are envisioned.

d) Limit the height of the proposed building to that of the existing King Building to retain its historical integrity.

Current Status:

- On November 7, 2007 the contractor (Gardon) was on site. Building stabilization including remediation is underway and it is expected that the building will be stabilized by the end of January/08. Additional works will continue throughout the winter with final façade works being completed in Spring /08.

The building owner, Bedford Investments, has commissioned an architectural design of the mixed-use development providing an attractive but sympathetic contrast between the historic masonry buildings at the north (King Building) and the south ends (Stobart Building) of the property and a much lighter, semi-transparent metal and glass building in between (refer to the attached architectural rendering).

A Feasibility Study for the redevelopment estimates the cost at approximately $7 million including design, construction, a parking pay system and legal fees.

Although the site will physically accommodate a workable parking facility, the estimated net income from operations will not be sufficient to service the debt from conventional project financing and the development would carry a significant annual loss. Based upon the Owner's consultant's analysis, this project is not financially viable without public support. CentreVenture and the Winnipeg Public Service have confirmed that conclusion.

In addition to encouraging and supporting the adaptive reuse of heritage buildings, the proposed redevelopment serves Council Policy as follows:

- The City will consider direct investment in additional off-street parking supply in downtown in special cases...

- *The civic investment in parking will cause or facilitate a significant net economic gain for the downtown, such as the recruitment of a major employer or the revitalization of a special character area.*

The City's financial participation for this proposed redevelopment will assist in enhancing the value of the Exchange District as a National Historic site by retaining and preserving the historic building facades. The at-grade commercial development will contribute to the revitalization of a special character area and the new public parking structure will replace the open undeveloped parking lot thereby maximizing densification while providing an attractive and desirable pedestrian edge. The additional public parking will also support downtown housing in the immediate area and may lever additional private investment.

Cautionary Notes

- If Council determines that a Heritage Incentive Package is not appropriate, or if a Development Agreement between Reiss, the City and CentreVenture is not executed, stabilization of the building will continue in accordance with the Compliance Order.
- Costs will be added to the Owner's Property Taxes. (Stabilizing existing Masonry Walls including consultant fees at a cost of approximately $ 700,000 is the most "reasonable" and "cost effective" approach).
- Preservation of the empty building shell at a significant cost does little for the Exchange District (future redevelopment costs will be even more substantial).
- Further significant cost will be required to re-point and secure facades from further deterioration.
- City may end up owning the property through tax sale.

FINANCIAL IMPACT

Current 104 King Street & 281 McDermot Avenue Tax Information (2006)

Total Assessment	Municipal Portion Realty Taxes	Business Taxes	Total Taxes
$706,000	$11,678	$3,905	$37,261

Tax information (2007) following site redevelopment

Total Assessment (Estimated)	Municipal Portion Reality Taxes (Estimated)	Business Taxes (Estimated)	Total Taxes (Estimated)
$ 2,358,000	$39,000	$19,840	$106,204

Financial Impact Statement **Date:** December 10, 2007

Project Name: **First Year of Program** **2008**

104 KING STREET- OPTIONS FOR CONSIDERATION

	2008	2009	2010	2011	2012 to 2029
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	$ 1,568,943	$ 68,943	$ 68,943	$ 68,943	$ 1,172,031
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 1,568,943	$ 68,943	$ 68,943	$ 68,943	$ 1,172,031
Less: Existing Budget Amounts	1,568,943	68,943	68,943	68,943	1,172,031
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs in 2008 consist of the $1.5 million proposed grant + $68,943 in tax credits (i.e. estimated incremental municipal taxes). The grant is to be funded from the Heritage Investment Reserve Fund. Direct costs from 2009 to 2029 represent tax credits over the remaining 20-years of the proposed 21-year tax credit period. Over the course of the 21-year period, tax credits are to be offset by incremental taxes credited to the reserve. This analysis assumes all determinants of municpal tax amounts remain constant.

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

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Legal Services

External Consultation With:
CentreVenture Development Corporation

THIS REPORT SUBMITTED BY:

Department – Planning, Property and Development
Division – Office of the Director
Prepared by: Barry Thorgrimson
PPD File No.


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November 5, 2007

Harry Reiss and Samuel Reiss
281 McDermot Avenue
Winnipeg, Manitoba
R3B 0S9

Dear Sirs:

RE: HERITAGE INCENTIVE PACKAGE – 104 KING STREET (FORMER RYAN BLOCK)

On behalf of the City of Winnipeg, I welcome the opportunity to support the development of a large mixed-use building on your land located at the corner of King Street and Bannatyne Avenue within the Exchange District.

It is understood that the project will provide among other things for the construction of an approximate 186 parking stall parkade and approximately 8,000 sq. ft. of retail space (the "project"). Capital costs for the project are estimated to be approximately $7 million. I understand that a key component of the project is the preservation of the two primary facades on the existing building at 104 King Street (the Ryan Block).

This is to confirm the Public Service would be prepared to recommend support of the project by way of a Heritage Incentive Package made up as follows:

(a) A $1.5 M Heritage Grant from the Heritage Investment Reserve; and
(b) A Heritage Conservation Tax Credit (HCTC) estimated at approximately $800,000 over a 20 year period (approximately $40,000/yr.). For greater certainty, the City would agree to provide an HCTC based upon the municipal portion of property tax only,

subject to:

(i) Approval by City Council; and
(ii) Completion of a funding and development agreement satisfactory to the City; and
(iii) Substantial completion of the project not later than January 1, 2009.

It should be noted that the construction, occupancy and use of the development must comply with the usual regulatory requirements applicable to this project.

If you are in agreement with this proposal and wish to proceed, please sign the confirmation portion of this letter and return it to us at your earliest convenience.

Should you accept this proposal, the matter could be considered by the City's Executive Policy Committee at its meeting scheduled for November 14, 2007 or November 28,

2007 and by City Council at its meeting scheduled for November 21, 2007 or December 19, 2007.

We look forward to further detailed discussions regarding your proposal project and will continue to assist in your efforts to insure its complete success. Should you have any questions, please do not hesitate to contact me at the above referenced number.

Yours truly,

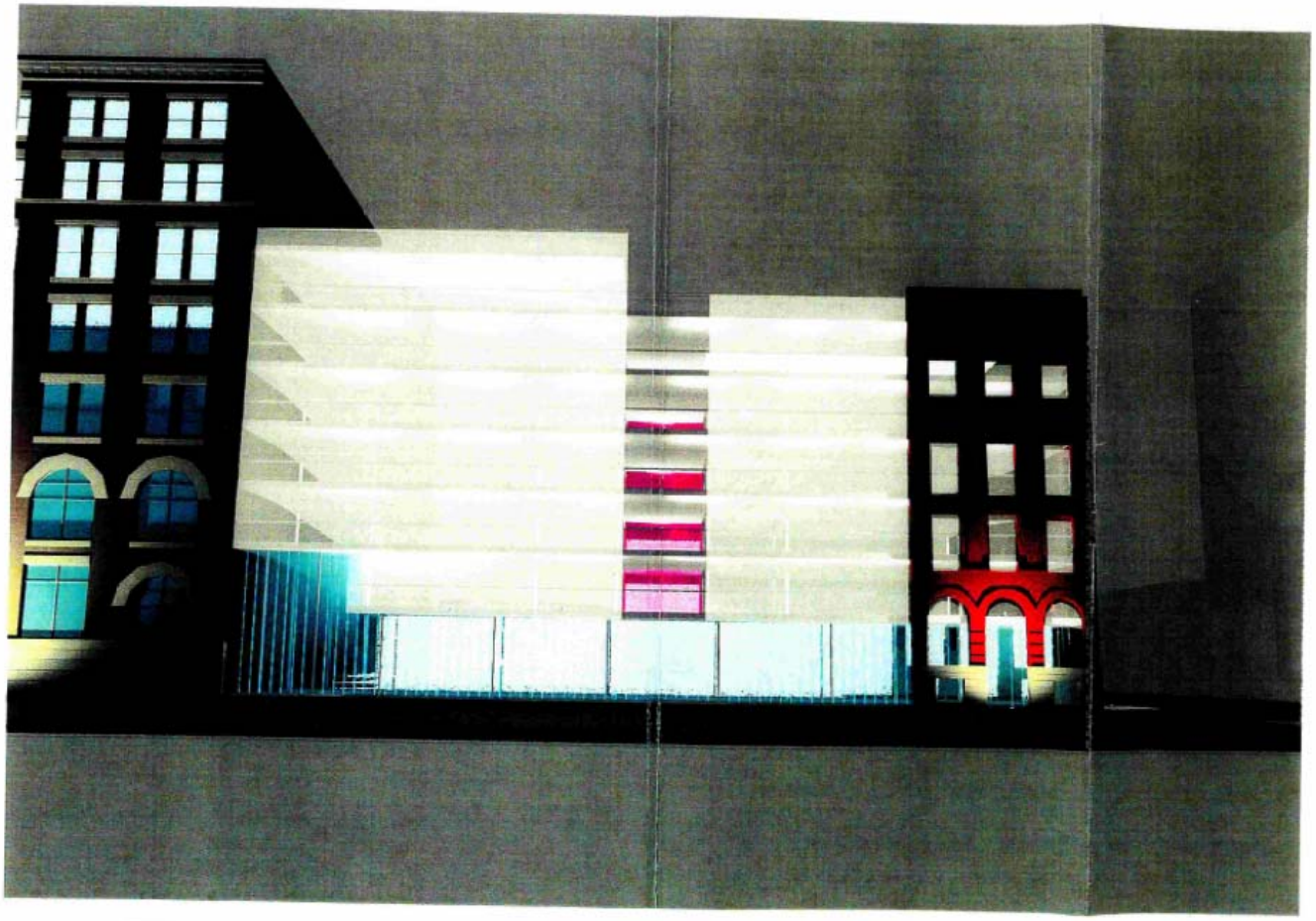
Alex Robinson,
A/Chief Administrative Officer

We request that the City of Winnipeg proceed with the formal Recommendation to EPC and Council of our Heritage Incentive Package based upon the above stated terms and conditions

_____ _____
Harry Reiss Samuel Reiss

Date:_____

cc: Jim Paterson, A/Director, Planning, Property and Development
Barry Thorgrimson, A/Manager of Economic Development
Linda Black, Manager of the CAO Secretariat
Ross McGowan, President and CEO, CentreVenture Development Corporation



numberTEN architectural group

Bedford Investments

Read Jones Christoffersen Consulting Engineers

king+bannatyne redevelopment



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Bedford Investments

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