Agenda - Council – March 19, 2008

Report "A" - Executive Policy Committee - February 27, 2008

Item No. 2 Heritage Conservation Tax Credit - Silpit Building, 54 Arthur Street and 70 Arthur Street (Point Douglas Ward) File G-3.1.5

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 27, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public and submits the following to Council:

1. That a Heritage Conservation Tax Credit of up to a maximum of $1.35 million, to undertake conservation and rehabilitation work on the Silpit Building, 54 Arthur Street and 70 Arthur Street, to be utilized by the owner over a maximum ten (10) year period following completion of the project, be approved subject to the owner beginning the work on or before February 29, 2008 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 Heritage Conservation Tax Credit.

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

4. That the Heritage Conservation Tax Credit 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 "A" - Executive Policy Committee - February 27, 2008

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 27, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

RE: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE SILPIT BUILDING, 54 ARTHUR STREET AND 70 ARTHUR STREET

FOR SUBMISSION TO: Executive Policy Committee

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

REPORT DATE: January 30, 2008

RECOMMENDATION:

1. That City Council:
   a) approve a Heritage Conservation Tax Credit of up to a maximum of $1.35 million, to undertake conservation and rehabilitation work on the Silpit Building, 54 Arthur Street and 70 Arthur Street, 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 February 29, 2008 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 Credit 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; and;
   e) require that no work may proceed without design/heritage approval and/or prior to the issuance of all relevant development permits.
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 owners, 54 Arthur Street Inc. and 70 Arthur Street Inc., wish to rehabilitate these heritage buildings at an estimated cost of $2.7 million.
- The Public Service estimates that the owner will undertake $2.7 million in eligible conservation and renovation work on the structure normally allowing for a Heritage Conservation Tax Credit (HCTC) up to a maximum $1.35 million under the By-law.

- The assessed value and the municipal taxes of the property will be positively influenced following conservation while there are other attribute policy benefits as a result of this project including the support for the re-use of underutilized buildings within the downtown, as well as the conservation of this heritage building.
- The Public Service recommends a HCTC of up to a maximum of $1.35 million based upon the estimated future municipal portion of realty taxes (estimated $135,000 annually).

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 the owners, 54 Arthur Street Inc. and 70 Arthur Street Inc.
- Heritage Conservation Tax Credits may be allocated over a maximum ten-year period.

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.

Report

REASON FOR THE REPORT:
In November 2007, 54 Arthur Street Inc. and 70 Arthur Street Inc., 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 Silpit Building, which is made up of two individual properties, 54 Arthur Street and 70 Arthur Street.

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 January 17, 2008 the City of Winnipeg's Historical Buildings Committee, recognizing the major significance of these two buildings, recommended that they be listed on the Buildings Conservation List under the terms of the Historical Buildings By-law No. 1474/77 as a Grade II structures.

DISCUSSION:
Background:

70 Arthur Street

The R.J. Whitla and Company Building, at 70 Arthur Street, is one of a handful of Winnipeg Exchange District warehouses that impacts three streetscapes. Built in 1899, by wholesale dry goods dealer R.J. Whitla, this was the third warehouse his company had built in less than two decades in the Exchange District, an indication of the growth of his business with the burgeoning markets of Western Canada.

This warehouse displays the familiar elements of the Romanesque Revival style – its use of arches, its sold brick superstructure resting on a raised stone foundation and its flat roofline. The resulting structures are known for the massiveness of their form. The internal support system of square timber beams and posts and heavy wood floors, known as mill construction, gave these warehouses the strength to withstand heavy loads and the ability to maintain integrity after fires.

The main façades (north, east and west) feature raised rough-cut stone foundations above which are the common clay brick walls of the superstructure. Windows are paired, square headed and feature delicate stone lug sills and heavier stone heads on the first to fourth floors and are arched on the fifth floor. Above these openings is a

band of corbelled brick (the original roofline of the 1899 warehouse) and the top two floors include square headed windows similar to the lower level openings. Several of the bays on the west side of the building are windowless on most of the storeys and open metal fire escapes are found on both the east and west façades. The entire structure is finished by a modest brick cornice.

The entrance of the original warehouse (facing McDermot Avenue) is stone framed and arched. A second square headed opening further west on the façade was added sometime after 1911. On the east side, the entrance has been modernized and now includes a metal marquee. The dray way at the south end of the building features a square-headed opening.

The present building was completed in stages; originally it was a four storey structure fronting McDermot Avenue and Arthur Street. In 1904, a seven-storey addition was built on the south end of the warehouse and included a 3.4-metre wide dray way or covered drive. At the same time, three more storeys were added to the original warehouse. In 1911, the final phase of construction was completed, adding a large seven-storey addition to the west side and extending the building to King Street. Because care was taken with the design of the subsequent additions, the architectural language of the 1899 warehouse has been continued on all three sides.

The interior is a mixture of old and new materials, conversion to offices and fire protection upgrading was completed in the 1960s and 1970s and has considerably altered the layout of the interior – the actual warehouse space has been divided into small offices on every floor. Some of the original finishes, tin ceilings for example, are still present. Because of its ownership and use as a combined facility, exterior walls have been cut and doorways created to allow interior access to both buildings (54 Arthur Street and 70 Arthur Street).

The structure was designed by James H. Cadham, one of pre-World War I Winnipeg's most prolific designers who was responsible for dozens of similarly designed warehouse throughout the Exchange District. The addition/extension in 1904 was also designed by Cadham but the 1911 western addition was designed by J.H.G. Russell, another well-known local architect.

Irish-born dry goods merchant R.J. Whitla arrived in Winnipeg in 1878 and established a retail shop on Main Street. As with others in the sector, Whitla soon realized the wholesale trade was more lucrative and was soon operating out of a small warehouse on McDermot Avenue. Business success meant the need for large premises and the 1899 structure saw several enlargements. Whitla utilized a network of travelling salesmen and an annual catalogue to provide "British and Foreign" dry goods to retailers in cities and towns as far west as the Rocky Mountains and saw slow and steady growth. Despite the death of its founder in 1905, the company continued to prosper under former partner D.K. Elliott. It ceased operations in 1931.

The building stood vacant for several years after 1931, but during the mid-1930s, several Building Permits were taken out to renovate the interior space into various sized offices. As with other warehouses in the Exchange District in the 1940s and beyond, the garment trade was at the forefront of the new occupancy. Representative of R.J. Whitla continued to own the warehouse at 70 Arthur Street until 1946, although the company had long since vacated the building. In 1947, the building was purchased by Harry Silverberg, manufacturer and president of Silpit Industries Limited, Canadian Sportswear Limited and Gunn Garment Limited. Recently the property has been purchased and is managed by Allied Properties Management.

54 Arthur Street

This massive brick and stone warehouse, although it looks very similar to the neighbouring structure to the north, was built four year after, borrowing the design and materials from the older building to give a more consistent appearance to the streetscape of two of the Exchange District's main thoroughfares, Arthur and King streets.

Built in 1903, it was designed by Ontario-born architect James H. Cadham, this warehouse was designed in the Romanesque Revival style – observable by its use of arches, its solid brick superstructure resting on a raised stone foundation and its flat roofline – combined with other ornamental detailing to create a massive and sturdy structure. The internal support system of square timber beams and posts and heavy wood floors, known as mill construction, gave these warehouses the strength to withstand heavy loads and the ability to maintain integrity after fires.

Both the west (King) and east (Arthur) elevations of the six-storey building are similarly designed, with square headed windows with heavy stone sills and heads on the first five floors and arched openings connected by delicate brick drip moulding on the top floor. A modest brick cornice completes both rooflines and an arched, centrally located entrance graces both façades. The north façade abuts the neighbouring building and the south side features painted signage, an open metal fire escape and several raised loading doors. The building appears to be in excellent condition and little alteration has occurred to its exterior elements.

The interior is a mixture of old and new materials, conversion to offices and fire protection upgrading was completed in the 1960s and 1970s and has considerably altered the layout of the interior – the actual warehouse space has been divided into small offices on every floor. Some of the original finishes, tin ceilings for example, are still present. Because of its ownership and use as a combined facility, exterior walls have been cut and doorways created to allow interior access to both buildings.

The original owner/tenant of the building was Greenshields Western Merchants, wholesale dry goods dealers. This ownership was short lived; Robinson, Little & Company, wholesale dry goods and floor coverings purchased the building and

occupied much of the space. Founded in 1875 in London, Ontario the company prospered, moving its headquarters to Winnipeg and it began opening department stores throughout the West. Ultimately known as the 'big chain of little department stores,' the company operated over 180 "Robinson Stores" in Western Canada by the 1970s. Competition forced its bankruptcy in 1985.

The company's connection to the building continued until the 1960s when it became associated with the Silpit Industries Company Limited, clothing manufacturer and distributor, headquartered in the building immediately north but occupying much of the upper floor space at 54 Arthur Street.

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 criteria 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
300 Carlton St, Former Free Press Building	exterior restoration	$400,000	work complete
136 Market Avenue, Marshall Wells Building	interior upgrade	$3 million	work complete
311 Portage Ave., (A&B Sound) Portage Village Inn	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	rehabilitation and	$110,000	work complete

Building Name	Work	Amount of Incentive	Status
Building	restoration		
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 complete
65 Rorie Street/140 Bannatyne Avenue, Northern Electric Building	Phase I – 2-storey addition above existing heritage building; Phase II – adjoining 8-storey addition	$1,900,000	work underway
332 Bannatyne Avenue, Henderson Building	Rehabilitation and conservation	$259,000	work underway
352 Donald Street, Canada Building	Rehabilitation for commercial/residential	$1,200,000	work not started
678 Main Street, Dominion Bank Building	Rehabilitation for commercial	$110,000	work underway
40 Osborne Street, Roslyn Court Apts.	Rehabilitation and conservation	$252,000	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 Conservation Report, the applicants advise that subject to the approval of an HCTC that they will invest approximately $2.7 million to upgrade both buildings.

The current vacancy rate is about 10%. The HCTC is needed to upgrade the infrastructure and stabilize the exterior masonry of the existing premises to current state-of-the-art 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.

Eligible Work

The applicants propose to undertake a major stabilization effort on the property that is made up of 54 Arthur Street and 70 Arthur Street. Work is to start on or before February 29, 2008 and be completed by December 31, 2009.

Exterior Work:

The owners have already started emergency stabilization of window columns at the 6th and 7th floors to prevent further water penetration. A major part of the cornice area and flashing along the parapet will be stabilized. Major undertaking this spring will be grout injection adjacent to the joint between 54 and 70 Arthur Street. All four façades will be selectively repointed and stabilized after many years of deterioration. The exterior will be washed using low pressure warm water and hand scrubbing with natural bristles so that the brick surface will not be damaged.

Interior Work:

- Wood columns in the basement will be stabilized.
- Interior stone foundation will be repaired.
- Structural bracing will be installed for a new elevator.
- Existing wood window frames and sashes will be repaired and painted.
- New passenger elevator will be installed.
- A new heat pump system will be installed to provide air conditioning in the building.
- The electrical distribution system will be upgraded.

FINANCIAL IMPLICATIONS:

The owners propose to invest approximately $2.7 million to restore this building with eligible heritage work estimated at the same amount. The owner has requested an HCTC of $1.35 million based upon the maximum allowable tax credits under the By-law (i.e. 50% of eligible costs). The Public Service recommends an HCTC of $1.35 million, based upon our estimates of the future municipal portion of property taxes for the restored and fully occupied building.

Existing 2007 Tax Year information

54 Arthur Street

Total Assessment	Portioned Assessment	Municipal Realty Taxes
$467,000	$303,550	$7,724.74

70 Arthur Street

Total Assessment	Portioned Assessment	Municipal Realty Taxes
$1,340,000	$871,000	$22,165.21

Tax Information following Redevelopment

Total Assessment Estimated	Portioned Assessment Estimated	Municipal Realty Taxes Estimated
$8,139,000	$5,290,000	$134,629

The Public Service would therefore recommend an HCTC for approximately the same value of the municipal portion of realty over a ten-year period. The proposed total heritage incentive package is up to a maximum of $1.35 million, which is approximately 50% of the total estimated value of the project ($2.7 million). The project provides a leverage of approximately 2:1 private investment to public 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 a 2 year timeframe; that is, the work must be started on or before February 29, 2008 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 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: January 18, 2008

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

REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE SILPIT BUILDING, 54 ARTHUR STREET AND 70 ARTHUR STREET

	2010	2011	2012	2013	2014 to 2024
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	$ 134,629	$ 134,629	$ 134,629	$ 134,629	$ 807,774
Less: Incremental Revenue/Recovery	-	104,739	104,739	104,739	1,032,073
Net Cost/(Benefit)	$ 134,629	$ 29,890	$ 29,890	$ 29,890	$ (224,299)
Less: Existing Budget Amounts	134,629	29,890	29,890	29,890	(224,299)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2010 consist of tax credits in the amount of estimated municipal taxes after redevelopment, which are to be paid out from 2010 to 2019. Incremental revenues consist of incremental municipal taxes (i.e. taxes in excess of the base line amount of $29,890), which are to be credited to the Heritage Investment Reserve from 2011 to 2024. The net impact on the Reserve over the 15-year period will be nil.

"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:

N/A

THIS REPORT SUBMITTED BY:

Department: Planning, Property and Development
Division: Planning and Land Use/Office of the Director
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PPD File No. HTC 28-2007

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