**Minute No. 454**
**Report - Executive Policy Committee – June 11, 2008**

**Item No. 1** **Heritage Conservation Tax Credit - Bathgate Block, 242 Princess Street File G-3.1.5**

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That a Heritage Conservation Tax Credit to undertake conservation and rehabilitation work on the Bathgate Block at 242 Princess Street not be approved.

2. 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 – June 11, 2008**

DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,
That the recommendation of the Executive Policy Committee be adopted.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 12, 2008, the Executive Policy Committee referred the matter back to the Winnipeg Public Service for further discussion with the proponent regarding the assessment issue.

Further, on March 12, 2008, the Executive Policy Committee received a communication dated March 10, 2008, from Brian Pearson, Director, Nexus Loft Development Corporation, in support of a Heritage Conservation Tax Credit for the Bathgate Block at 242 Princess Street.

**RE: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE BATHGATE BLOCK, 242 PRINCESS STREET**

**FOR SUBMISSION TO:** Executive Policy Committee

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

**REPORT DATE:** February 28, 2008

**RECOMMENDATION:**

1. That City Council not approve a Heritage Conservation Tax Credit to undertake conservation and rehabilitation work on the Bathgate Block, 242 Princess Street;
2. That the Proper Officers of the City do all things necessary to affect the intent of the foregoing.

## Report Summary

**Key Issues:**

- The owner, Nexus Loft Development Corporation, wishes to rehabilitate this heritage building at an estimated cost of $101,354.
- The Public Service estimates that the owner will undertake $80,000 in eligible conservation and renovation work on the structure normally allowing for a Heritage Conservation Tax Credit (HCTC) up to a maximum $40,000 under the By-law.
- The assessed value and the municipal taxes of the property will not be positively influenced following conservation even though 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 does not recommend an HCTC because the proposed work will not have any effect upon the estimated future municipal portion of realty taxes.

**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 does not recommend a Heritage Conservation Tax Credit to the owner, Nexus Loft Development Corporation.
- Heritage Conservation Tax Credits may be allocated over a maximum ten-year period, or such other period as may be approved by Council.

**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):

## Report

**REASON FOR THE REPORT:**
In February 2008, Nexus Loft Development Corporation made an initial application to the Planning, Property and Development Department for a Heritage Conservation Tax Credit (HCTC) under By-law No. 7155/98 (as amended) for the Bathgate Block, 242 Princess 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 November 30th, 2004, the City of Winnipeg, recognizing the special significance of this structure, listed the Bathgate Block on the Buildings Conservation List under the provisions of the Historical Buildings By-law No. 1474/77 (as amended) as a Grade II structure.

**DISCUSSION:**

**Background:**
Nexus Loft Development Corporation was formed with the sole purpose of purchasing the historic warehouse at 242 Princess and developing the building into low cost condominiums shells. Unfortunately, it was determined that this is not a viable undertaking at this time.

Attempts to sell the unoccupied historic property failed. The owner suggests that the reasons are subjective, but a consensus among real estate agents was that the building was too large, too expensive to develop and too far out to the edge of, what is, the 'marketable' Exchange District.

**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 |
|---|---|---|---|
| 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 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 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; and/or
- 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 applicant advises that subject to the approval of an HCTC, the applicant will invest approximately $101,354 to upgrade the building.

The applicant proposes to restore the internal firewalls and thus create three separate buildings/titles. The idea is to take the 18,000 square foot building and break it down into developable proportions. The proposed properties were pre-sold with the condition that the construction work would be completed and new land titles be produced.

The idea to restore the internal character of the firewall actually brings the building closer to its original character than it has been in 75 years. (Having three separate and independent buildings, the Princess façade will again have three entrances along the block). The work proposed is a viable development for an important but vacant heritage property.

The current vacancy rate is 100%.

The work that the owner proposes will ensure that the property will be further developed into three residential condominium units. The new owners will then undertake to upgrade the building.

**Eligible Work**

The applicant proposes to undertake the work required to return the building into three separate units as it was when first built.

Construction is to start on or before March 1, 2008 and be completed by December 31, 2008.

***Interior Work:***

The applicant will undertake the:

- Removal of all piping, conduit and HVAC penetrating the existing masonry walls;
- Removal and repair of all materials framing openings which require infill of masonry;
- The disconnection of all electrical power and gas services;
- Demolition of objects and materials impeding two means of safe egress of all new properties;
- Installation of new large scale masonry bearing walls to infill existing openings on main floor;
- Infill of openings in parapet with masonry. Allowance for continuation of the existing roof drainage to remain through 3" black metal piping; and
- Cladding of elevator penthouse with appropriate fire resistant materials.

**FINANCIAL IMPLICATIONS:**

The owner proposes to invest approximately $101,354 to stabilize this building with eligible heritage work estimated at $80,000. The owner has requested an HCTC of $40,000 based upon the maximum allowable tax credits under the By-law (i.e. 50% of eligible costs). The Public Service does not recommend an HCTC since there will not be an increase in the assessed value of the property based on the work currently proposed. Future condominium owners at this property will be eligible to apply for and receive an HCTC based upon our estimates of the future municipal portion of property taxes for the restored and fully occupied building.

***Existing 2007 Tax Year information***

| Total Assessment | Portioned Assessment | Municipal Realty Taxes |
|---|---|---|
| $118,000 | $76,700 | $1,951.86 |

***Tax Information following Redevelopment***

| Total Assessment Estimated | Portioned Assessment Estimated | Municipal Realty Taxes Estimated |
|---|---|---|
| $118,000 | $76,700 | $1,951.86 |

Therefore the Public Service does not recommend an HCTC. The purpose of the program is to assist a limited number of projects selected for their ability to increase property assessment values.

The Heritage Conservation Tax Credit Bylaw No. 7155/98 requires that the Public Service review and make recommendations to the Designated Committee on the application, including an economic analysis. Executive Policy Committee shall make a recommendation to City Council whether or not a project should receive a Heritage Conservation Tax Credit.

## Financial Impact Statement Date: February 20, 2008

## Project Name:

**REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE BATHGATE BLOCK, 242 PRINCESS STREET**

**COMMENTS:**

The recommendations in this report are that City Council not approve a Heritage Conservation Tax Credit to undertake conservation and rehabilitation work on the Bathgate Block, 242 Princess Street and that the Proper Officers of the City do all things necessary to affect the intent of the foregoing.

There are no financial implications resulting from these recommendations.

"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, Legal Services

**External Consultation With:**

N/A

**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 31-2008

Document name: O:\Reports Directive\Planning and Land Use\Heritage\2008 reports\HCTC request-242 PrincessR1.doc

**From:** Brian Pearson
**Sent:** Monday, March 10, 2008 4:08 PM
**To:** Park, Jo-Ann
**Subject:** Fwd: 242, 244 & 246 Princess Street HCTC
Begin forwarded message:

**From:** Brian Pearson
**Date:** March 10, 2008 3:52:20 PM CDT (CA)
**To:** Giles Bugailiskis
**Subject: 242, 244 & 246 Princess Street HCTC**

Giles,
Thanks for taking my call today. As per our discussion I have read the report to be submitted to the Executive Policy Committee on March 12, 2008 in regards to the Heritage Conservation Tax Credit for the Bathgate Block at 242 Princess Street. I would like to outline my concerns about the financial assessment of the property in that report. I further request that that this item be pulled from the agenda until such a time in which this issue can be resolved.

On page 8 of the report there is an existing breakdown of the current taxes on the property as a whole. Subsequent to this there is a new assessment of the property following the completion of the work underway. This assessment is a projected total of the three properties tax information. The projection states that there will be no change in the value of the property.

I wish to challenge this statement and will do so by either assuming that each property's tax is 1/3 of the total projected, or by requiring the City's Tax Assessment department to perform the due diligence necessary for a comparison of the new lots with existing precedents in the area.

Each new building / lot has distinct quantifiable qualities. Certainly one would not assume that the value of these building / lots will be identical. The recent sale of the properties is clear evidence of this.

The construction work underway is being performed under the City of Winnipeg requirements for the subdivision of this property. All work is specific to this task. Once the work is complete there will be three titles. If the assessment is one that is evaluating the properties once the work is complete than we must have three separate assessments in order to fully understand if the HCTC is applicable.

Thanks much,

**Brian Pearson**
**Director, Nexus Loft Development Corporation**