**Agenda - Executive Policy Committee - December 3, 2008**

## REPORTS

**Item No. 1 Heritage Conservation Tax Credit – 468 Main Street, the former Baker Block (Point Douglas Ward) File G-3.1.5**

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That City Council:

    a) approve a Heritage Conservation Tax Credit of up to a maximum of $ 86,000, to undertake conservation and rehabilitation work on the former Baker Block, 468 Main 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 November 17, 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 implement the intent of the foregoing.

**RE: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR 468 MAIN STREET, THE FORMER BAKER BLOCK**

**FOR SUBMISSION TO:** Executive Policy Committee

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

**REPORT DATE:** November 18, 2008

**RECOMMENDATION:**

1. That City Council:
   a) approve a Heritage Conservation Tax Credit of up to a maximum of $ 86,000, to undertake conservation and rehabilitation work on the former Baker Block, 468 Main 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 November 17, 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 implement the intent of the foregoing.

## Report Summary

**Key Issues:**

- The owner, Fishbowl Properties Inc., wishes to rehabilitate this heritage building at an estimated cost of over $186,400 and open up a hair salon and day spa.
- The Public Service estimates that the owner will undertake $172,000 in eligible conservation and renovation work on the structure normally allowing for a Heritage Conservation Tax Credit (HCTC) up to a maximum $86,000 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 $86,000 based upon the estimated future municipal realty taxes (estimated $6,666 annually) as well as the eligible portion of business taxes following conservation (estimated at a portion of the total estimated at $6,161.50).

**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 owner, Fish Bowl Properties Inc.
- 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):

- 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:**
On August 18, 2008, Fish Bowl Properties 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 former Baker Block, 468 Main Street.

On November 6, 2008, the applicant provided material to complete the application for a tax credit.

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 March 5, 1985, the City of Winnipeg, recognizing the special significance of this structure, listed the Baker Block, 468 Main Street, 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:**
In 1901, local entrepreneur W.R. Baker demolished the small hardware stores on the lot adjoining the Duffin Block, to the south on Main Street, and erected the Baker Block. The press hailed the new building as “attractive and solid,” describing it as “one of the most up-to-date store and office buildings in the City.” The Baker Block was built of solid brick with a façade of red pressed brick.

It was designed by architect Hugh S. Griffith, who had trained in Great Britain and had come to Winnipeg in 1887. He was first employed as a surveyor with the Northern Pacific Railroad and later with the Land Titles Office. In 1893 Griffith opened his own architectural practice, designing various warehouses and residences. Among his notable works are the Criterion Hotel (c. 1903) on McDermot Avenue and the Central Fire Hall (1898) in Market Square (now demolished).

The symmetrical façade of the building contained two large display windows, on the main level, that were separated by a central arched approach. The recessed entrance featured double doors leading to a stairway for the upper floors as well as separate entry doors to the two shops. The façade of the upper floors of the building was given a vertical emphasis through the use of projecting brick pilasters that were balanced by

stone sills and exaggerated stone lintels on the second floor. A simple metal cornice finished off the decoration of the building.

For its first two decades, the Baker Block contained the offices of dentists, doctors and real estate agents, while the Gundy Music Store and a jewelry shop were located on the main floor.

In 1921, the building was purchased and renamed the Home Investment Building. Founded in 1891 by Manlius Bull, the Home Investment and Savings Association loaned money and paid interest on regular savings deposits. Bull was typical of the businessmen that built up early Winnipeg, being Ontario born, aggressive and firmly entrenched in the web of interlocking directorships that typified the city's early business community.

As the new home of the financial service, alterations were made to the entranceway and windows on the main floor along with some interior renovations. Various tenants during this period included lawyers, manufacturer's agents, the Swedish consulate, Swedish-American travel lines and the Norwegian Glee Club.

In 1947, the Home Investment and Savings Company closed their doors. Birt Saddlery, an established retail outlet of tack, stock care supplies, western clothing and leather goods, took over the building in 1965.

Recently a number of retail businesses have located on the main floor with rental apartments on the upper floors. Currently the property is vacant.

**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 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 |
| 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 |
| 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 complete |
| 40 Osborne Street, Roslyn Court Apts. | Rehabilitation and conservation | $252,000 | work underway |

| Building Name | Work | Amount of Incentive | Status |
|---|---|---|---|
| 54 Arthur Street, Silpit Building | Rehabilitation, conservation & stabilization | $1,350,000 | work underway |
| 250 McDermot Avenue, Merchant's Bldg. (G.D. Wood & Co. Warehouse) | Rehabilitation & conservation | $585,000 | work underway |
| 230 Princess Street, Frost and Wood Warehouse | Rehabilitation and conservation | $764,000 | Work underway |

**Scope of Work**

The program is intended to support work that:

- conserves significant architectural or other heritage elements;
- repairs and stabilizes City-designated structures;
- 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 Conservation Report, the applicant advises that subject to the approval of an HCTC that they will invest over $186,400 to upgrade the building.

The current vacancy rate is 100%. The HCTC is needed to upgrade portions of the infrastructure to current state-of-the-art standards. Currently there is no cooling system in the building.

It is the intent of the owner to develop the main floor of the property into a hair salon and day spa.

The upper floors will be developed into two artist studios. .

The work that the owner proposes 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 applicant proposes to undertake a major stabilization effort on the property. Work is to start on or before November 17, 2008 and be completed by December 31, 2009.

***Exterior Work:***

- Brick and stone repair
- New roof
- Replacement of some windows

***Interior Work:***

- New cooling and ventilation systems throughout
- New disabled washrooms and upgrade to all plumbing lines
- New electrical wiring for fixtures

**FINANCIAL IMPLICATIONS:**

- The owner proposes to invest approximately $186,400 to rehabilitate this building with eligible heritage work estimated at $172,000. The owner has requested an HCTC of $86,000 based upon the maximum allowable tax credits under the By-law (i.e. 50% of eligible costs). The Public Service recommends a HCTC of up to a maximum of $86,000 based upon the incremental portion of estimated future municipal realty taxes (estimated $3,264 annually) and business taxes following conservation (estimated at $5,193 annually).

***Existing 2008 Tax Year information***

| Total Assessment | | Municipal Realty Taxes |
|---|---|---|
| $205,700 | | $3,402.50 |
| Annual Rental Value | Business Tax Rate | Business Tax |
| $ 12,500 | 7.75 % | $ 968.75 |

***Tax Information following Redevelopment***

| Total Assessment Estimated | | Municipal Realty Taxes Estimated |
|---|---|---|
| $ 403,000 | | $6,666.10 |
| Annual Rental Value | Business Tax Rate | Business Tax |
| $ 79,500 | 7.75 % | $5,192.50 |

The Public Service would therefore recommend an HCTC for approximately the same value as the municipal portion of the realty taxes and business taxes over a ten-year

period. The proposed total heritage incentive package is up to a maximum of $86,000 which is approximately 46% of the total estimated value of the project ($186,400). The project provides a leverage of approximately 2.2:1 private investment to public support, which is within the reasonable range of support taking into consideration that only a small portion of the business tax will be credited. .

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. 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 13-month timeframe; that is, the work must be started on or before November 17, 2008 and be 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 (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:** November 13, 2008

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

REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR 468 MAIN STREET, BAKER BLOCK

| | 2010 | 2011 | 2012 | 2013 | 2014 to 2021 |
|---|---|---|---|---|---|
| **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 | $ 8,600 | $ 8,600 | $ 8,600 | $ 8,600 | $ 51,600 |
| Less: Incremental Revenue/Recovery | - | 8,457 | 8,457 | 8,457 | 60,629 |
| Net Cost/(Benefit) | $ 8,600 | $ 143 | $ 143 | $ 143 | $ (9,029) |
| Less: Existing Budget Amounts | 8,600 | 143 | 143 | 143 | (9,029) |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Direct costs beginning in 2010 represent the tax credits to be provided to the proponent, which will be funded from the Heritage Investment Reserve (HIR). Incremental revenues beginning in 2011 represent the incremental portion of municipal property taxes and business taxes, which will be credited back to the HIR.

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

**IN PREPARING THIS REPORT THERE WAS:**

**Internal Consultation With and Concurrence By:**
Assessment and Taxation Department
Corporate 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
Prepared by: Giles Bugailiskis \ Barry Thorgrimson
PPD File No. HTC 34-2008

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