Agenda – Executive Policy Committee – April 8, 2009

REPORTS

Item No. 5 Kelly House, 88 Adelaide Street – Memorandum of Understanding
File G-3.1.1

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That City Council endorse the attached Memorandum of Understanding and approve the expenditure of $250,000 out of the Heritage Investment Reserve Fund (HIR) as the City's share in the redevelopment of 88 Adelaide Street, with the HIR being replenished from the net lease proceeds from the occupied building of approximately $2,000 per month with annual percentage increases over 15 years.

2. That the Acting City Solicitor/Manager of Legal Services be requested to do all things necessary for implementation in accordance with the terms of The City of Winnipeg Charter.

ADMINISTRATIVE REPORT

RE: 88 Adelaide Street - Memorandum of Understanding, Heritage Conservation Initiative

REPORT DATE: March 12, 2009

AUTHORIZATION

Author	Department Head	CAO
Barry Thorgrimson Manager of Economic Development	Deepak Joshi Director of Planning, Property and Development	Phil Sheegl Deputy Chief Administrative Officer

RECOMMENDATION

1. That City Council endorse the attached Memorandum of Understanding and approve the expenditure of $250,000 out of the Heritage Investment Reserve Fund (HIR) as the City's share in the redevelopment of 88 Adelaide Street, with the HIR being replenished from the net lease proceeds from the occupied building of approximately $2,000 per month with annual percentage increases over 15 years.

2. That the City Solicitor/Manager of Legal Services be requested to do all things necessary for implementation in accordance with the terms of The City of Winnipeg Charter.

REASON FOR THE REPORT

On March 3, 2009 The Standing Policy Committee on Property and Development (SPCPD) received, as information, the attached Memorandum of Understanding from CentreVenture Development Corporation.

On November 25, 2008 The SPCPD laid over a demolition request from the owner of 88 Adelaide Street, a designated Grade III building, for 90 days to allow the building owner to meet with CentreVenture Development Corporation, Heritage Winnipeg and such other interests as may be deemed necessary, in order to arrive at an amicable solution with respect to the status of 88 Adelaide Street.

KEY ISSUES

- March /09 CentreVenture, Adelaide Investment Ltd and the Planning, Property and Development Department signed a Memorandum of Understanding. In general terms, Kelly House, located at 88 Adelaide Street will be re-developed for an estimated $450,000 and will maintain its Grade III historical designation.

- Adelaide Investment Ltd will contribute $100,000 (22.22%), CentreVenture $100,000 (22.22%) and the Public Service recommends that the City's contribute a maximum of ($250,000) (55.56%) from the Heritage Investment Reserve Fund.

- CentreVenture will lease the property from Adelaide Investment LTD for $1.00 for up to 15 years.

- Based on long term net leases with prospective tenants, CentreVenture shall forward payment of $24,085.57 each year, for 15 years to replenish the Heritage Investment Reserve Fund. (see attached amortization schedule)

The Historical Buildings Committee, at their October 16, 2008 meeting, reviewed a request from the owner of the property to have the building delisted in order for it to be demolished.

The owner is obliged under Order No. VDB 894890 under the Vacant and Derelict Buildings Bylaw No. 35/2004 to bring the property into compliance.

The owner has retained numerous consultants to prepare reports as evidence that the property is in need of extensive repair, that it has surpassed its useful life, and that the cost of rehabilitation would exceed the cost of new construction. The owner's estimates to restore the building are in excess of $380,000.

On January 25, 1982 the property was evaluated by the Historical Buildings Committee as a Grade III heritage structure. It was listed by the Committee on Environment in June 1982.

Historically, the house is connected to Thomas Kelly, the contractor for the Legislative Building, who was ultimately incarcerated for his role in the scandal regarding the construction of that building. As one of Western Canada's most prominent contractors, Mr. Kelly was involved in a significant number of projects from Winnipeg to Vancouver. His firm is also credited with laying down Winnipeg's first asphalt surface (on McDermot Avenue).

The single-family dwelling at 88 Adelaide Street is the city's best 1880s example of the Queen Anne Revival style as applied to a residential structure. At its best, the style was known for its picturesqueness, a seemingly unconnected, unbalanced attempt to fill or cover all flat surfaces on every façade. Bay windows, towers, wrap-around porches, irregular rooflines, dormers, cross gables, ornamented chimneystacks, projecting wings, balconies and varied materials and colours were applied in combination to animate the structures. Queen Anne Revival was one of the most popular of all the residential architectural styles in North America from the 1880s until World War I.

In December 2001, Mr. Gavin Rich appeared before the Historical Buildings Committee advising he wished to either move the building or demolish it. It had been vacant for nearly two years. At

that time the property was outside of CentreVenture's mandated area and was therefore not eligible for grant monies. The Historical Buildings Committee made a site visit to the building and subsequently hired the engineering firm of Crosier Kilgour & Partners Ltd. to review its structural condition.

The resulting engineer's report advised that the structure was in relatively good condition, but shingle replacement and a rainwater management system were recommended. The owner then advised that he would not pursue demolition at that time.

Subsequent to the current application for delisting and demolition permit, the Historical Buildings Committee again retained Crosier Kilgour and Partners Ltd. to update the 2002 report. The updated report, dated October 8, 2008, indicates that the building is still structurally sound, but requires much work due to a leaking roof and water penetration to the interior.

IMPACT OF THE RECOMMENDATIONS

IMPACT	YES	NO	COMMENTS
Policy		**x**	
Regulatory		**x**	
Environmental		**x**	
Human Resources		**x**	
Financial		**x**	
Legal (Contracts)	**x**		
Communications		**x**	
Council Priorities Direction		**x**	
Other, e.g. Organizational, community, etc. (Specify)			

FINANCIAL IMPACT

Financial Impact Statement

Date: March 12, 2009

Project Name:

88 Adelaide Street- Memorandum of Understanding, Heritage Conservation Initiative

First Year of Program **2009**

	2009	2010	2011	2012	2013-2024
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	$ 250,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	24,086	24,086	24,086	289,137
Net Cost/(Benefit)	$ 250,000	$ (24,086)	$ (24,086)	$ (24,086)	$ (289,137)
Less: Existing Budget Amounts	250,000	(24,086)	(24,086)	(24,086)	(289,137)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs in 2009 represent the loan funded by the Heritage Investment Reserve. Revenues from 2010 to 2024 consist of payments to be received from CentreVenture to replenish the Reserve. These payments will total $361,394; the $250,000 principal amount and $111,394 in interest.

original signed by

Chief Financial Officer

CONSULTATION

In preparing this Report there was consultation with:
CentreVenture Development Corporation
Legal Services

SUBMITTED BY

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

O:\Reports Directive\Office of the Director\Downtown Manager\88 Adelaide Street-MOU


Amortization Schedule_City Loan.p


Final Memorandum of Understanding.doc

Amortization Schedule - 88 Adelaide - City Loan For Redevelopment

AMOUNT BORROWED: $250,000.00 advanced on 11/1/2009
ANNUAL INTEREST RATE: 5.00% (Simple Interest compounding) (365)
BLENDED PAYMENT: $24,085.57 payable 1 times annually
AMORTIZATION PERIOD: 15.0000 years or 15.00 payments

Date	Days	Pmt #	Payment	Int %	Interest	Principal	Balance	Acc. Int
11/1/2010	365	1	24,085.57	5.0000	12,500.00	11,585.57	238,414.43	12,500.00
Totals for 2010			24,085.57		12,500.00	11,585.57	.00	
11/1/2011	365	2	24,085.57	5.0000	11,920.72	12,164.85	226,249.58	24,420.72
Totals for 2011			24,085.57		11,920.72	12,164.85	.00	
11/1/2012	366	3	24,085.57	5.0000	11,343.47	12,742.10	213,507.48	35,764.19
Totals for 2012			24,085.57		11,343.47	12,742.10	.00	
11/1/2013	365	4	24,085.57	5.0000	10,675.37	13,410.20	200,097.28	46,439.56
Totals for 2013			24,085.57		10,675.37	13,410.20	.00	
11/1/2014	365	5	24,085.57	5.0000	10,004.86	14,080.71	186,016.57	56,444.42
Totals for 2014			24,085.57		10,004.86	14,080.71	.00	
11/1/2015	365	6	24,085.57	5.0000	9,300.83	14,784.74	171,231.83	65,745.25
Totals for 2015			24,085.57		9,300.83	14,784.74	.00	
11/1/2016	366	7	24,085.57	5.0000	8,585.05	15,500.52	155,731.31	74,330.30
Totals for 2016			24,085.57		8,585.05	15,500.52	.00	
11/1/2017	365	8	24,085.57	5.0000	7,786.57	16,299.00	139,432.31	82,116.87
Totals for 2017			24,085.57		7,786.57	16,299.00	.00	
11/1/2018	365	9	24,085.57	5.0000	6,971.62	17,113.95	122,318.36	89,088.49
Totals for 2018			24,085.57		6,971.62	17,113.95	.00	
11/1/2019	365	10	24,085.57	5.0000	6,115.92	17,969.65	104,348.71	95,204.41
Totals for 2019			24,085.57		6,115.92	17,969.65	.00	
11/1/2020	366	11	24,085.57	5.0000	5,231.73	18,853.84	85,494.87	100,436.14
Totals for 2020			24,085.57		5,231.73	18,853.84	.00	
11/1/2021	365	12	24,085.57	5.0000	4,274.74	19,810.83	65,684.04	104,710.88
Totals for 2021			24,085.57		4,274.74	19,810.83	.00	
11/1/2022	365	13	24,085.57	5.0000	3,284.20	20,801.37	44,882.67	107,995.08

Amortization Schedule - 88 Adelaide - City Loan For Redevelopment

AMOUNT BORROWED: $250,000.00 advanced on 11/1/2009
ANNUAL INTEREST RATE: 5.00% (Simple Interest compounding) (365)
BLENDED PAYMENT: $24,085.57 payable 1 times annually
AMORTIZATION PERIOD: 15.0000 years or 15.00 payments

Date	Days	Pmt #	Payment	Int %	Interest	Principal	Balance		Acc. Int	Notes
Totals for 2022			**24,085.57**		**3,284.20**	**20,801.37**		**.00**		
11/1/2023	**365**	**14**	**24,085.57**	**5.0000**	**2,244.13**	**21,841.44**	**23,041.23**		**110,239.21**	
Totals for 2023			**24,085.57**		**2,244.13**	**21,841.44**		**.00**		
11/1/2024	**366**	**15**	**24,196.45**	**5.0000**	**1,155.22**	**23,041.23**	**.00**		**111,394.43**	
Totals for 2024			**24,196.45**		**1,155.22**	**23,041.23**		**.00**		
Totals for schedule			**361,394.43**		**111,394.43**	**250,000.00**		**.00**		

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING made as of the ____ day of February, 2009.

AMONG:

ADELAIDE INVESTMENTS LIMITED
("**Adelaide**")

OF THE FIRST PART,

- and -

CENTREVENTURE DEVELOPMENT CORPORATION
("**CentreVenture**")

OF THE SECOND PART,

- and -

THE CITY OF WINNIPEG
("**City**")

OF THE THIRD PART.

WHEREAS Adelaide is the registered and beneficial owner of the real property commonly known as 88 Adelaide Street, Winnipeg, Manitoba and legally described as SP Lot 22 Plan 33144 WLTO in RL 5 and 6 Parish of St John (the "**Property**");

AND WHEREAS on the Property is a house (the "**House**") and a parking area at the rear of the House (the "**Parking Area**");

AND WHEREAS the House has been designated by the City with a Grade III historical designation;

AND WHEREAS the House requires redevelopment and the parties have estimated the cost of redevelopment to be Four Hundred and Fifty Thousand ($450,000.00) Dollars;

NOW THEREFORE the parties are entering into this Memorandum for the purposes of identifying, to the extent possible, the issues and matters that must be dealt with and addressed in connection with the redevelopment of the House and the use of the Parking Area.

The issues and matters to be substantially settled and agreed upon prior to any party being obliged to proceed further, and prior to any party being obliged to enter into binding agreements are as follows:

1. The parties agreeing upon:

   (a) the details of the redevelopment of the House;

   (b) the cost of such redevelopment;

   (c) the funding of such cost; and

   (d) the party responsible for the management of the redevelopment including the tendering of the redevelopment, currently being proposed to be CentreVenture.

2. Based upon a current estimate of the cost of the redevelopment being Four Hundred and Fifty Thousand ($450,000.00) Dollars, the parties agreeing upon the funding of such cost, such funding being proposed to be:

   Adelaide or a nominee of Adelaide contributing One Hundred Thousand ($100,000.00) Dollars (22.22%);

   CentreVenture contributing One Hundred Thousand ($100,000.00) Dollars (22.22%); and

   City contributing Two Hundred and Fifty Thousand ($250,000.00) Dollars (55.56%).

3. The parties agreeing upon the arrangement in the event the cost of the redevelopment is less than Four Hundred and Fifty Thousand ($450,000.00) Dollars, it being currently proposed that the benefit be to the City, reducing its contribution by the amount equal to the difference between Four Hundred and Fifty Thousand ($450,000.00) Dollars and the actual cost.

4. The parties agreeing upon the order of the payments required to be made during the course of construction and thereafter, it being currently proposed that the funding be equal until such time as Adelaide and CentreVenture have fully contributed their contributions (expected to be when Three Hundred Thousand ($300,000.00) Dollars of the cost has been paid) and thereafter to be solely contributed by the City.

5. Adelaide, as landlord, and CentreVenture, as tenant, agreeing upon the terms and conditions of the leasing of the House, it being currently proposed that as and from the 1st day of April, 2009 CentreVenture will lease from Adelaide the House at an absolute net rent of One ($1.00) Dollar per year, and make available to CentreVenture's subtenant two (2) parking stalls within the Parking Area at a gross rent of Seventy-Five ($75.00) Dollars per month per stall (to be adjusted based on the current market rates for comparable

parking stalls every five (5) years from the commencement date of the lease), for, the lesser of, a term of fifteen (15) years or thirteen (13) years and six (6) months from the date the House is suitable for occupancy with the right to sublet and with the obligations related to the House only to pay the insurance, the realty taxes, the utilities, the repairs and maintenance including repairs and replacements of a capital nature and upon such other rights and obligations as the parties must agree.

6. The maintaining of the Grade III historical designation throughout the term of the lease referred to in Paragraph 5 hereof.

7. CentreVenture will make every reasonable effort to commence the redevelopment within six (6) months of entering into the lease with Adelaide and make every reasonable effort to substantially complete the redevelopment within eighteen (18) months of entering into the lease. If CentreVenture fails to commence the redevelopment within six (6) months of the effective date of the lease or fails to continuously proceed with the redevelopment Adelaide will have the right to terminate the lease. Due to unforeseen circumstances there may be unavoidable delays that occur during the pre-development work and the redevelopment construction that will cause CentreVenture to be unable to meet the target dates. Adelaide will not unreasonably withhold approval for such extension requests.

8. In the event that, during the term of the lease, the House becomes damaged so that it is no longer able to be occupied and CentreVenture chooses not to remedy the damage within a reasonable period of time, Adelaide will have the right to terminate the lease.

9. In the eventuality that the lease is terminated prior to the end of the lease term due to the circumstances referred to in Paragraphs 7 and 8 hereof, Adelaide may apply to the City to have the heritage designation removed and apply for a demolition permit. CentreVenture will not oppose these applications.

10. CentreVenture may register a caveat giving notice of its leasehold interest in the Property but will not register any other encumbrances on the title to the Property. The City of Winnipeg will not register any encumbrances on the title to the Property.

11. The Parties agree that this Memorandum of Understanding does not constitute a binding agreement nor impose any legal obligation on any party.

IN WITNESS WHEREOF Adelaide has executed this Memorandum of Understanding this ____ day of _____, 2009.

ADELAIDE INVESTMENTS LIMITED

Per: _____
Authorized Signatory

I have been authorized to bind the Corporation.

IN WITNESS WHEREOF CentreVenture has executed this Memorandum of Understanding this ____ day of _____, 2009.

CENTREVENTURE DEVELOPMENT CORPORATION

Per: _____
Authorized Signatory

I have been authorized to bind the Corporation.

IN WITNESS WHEREOF City has executed this Memorandum of Understanding this ____ day of _____, 2009.

THE CITY OF WINNIPEG

Per: _____
Director, Planning, Property and Development