Agenda – Executive Policy Committee – January 6, 2010

REPORTS

Item No. 5 Heritage Conservation Tax Credit – 88 Adelaide Street, The Former Kelly House (Point Douglas Ward) eFile 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 $35,333.00 to enable the owners to undertake conservation work on the former Kelly House, 88 Adelaide 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 December 1, 2009 and completing on or before February 28, 2010;

    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.

ADMINISTRATIVE REPORT

ISSUE: **TO CONSIDER A REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR 88 ADELAIDE STREET, THE FORMER KELLY HOUSE**

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Thorgrimson/ D. Himbeault	D. Joshi	M. Ruta	G. Laubenstein

RECOMMENDATIONS

1. That City Council :
    a. Approve a Heritage Conservation Tax Credit of up to a maximum of $35,333.00 to enable the owners to undertake conservation work on the former Kelly House, 88 Adelaide 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 December 1, 2009 and completing on or before February 28, 2010;
    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.

IMPLICATIONS OF THE RECOMMENDATIONS

- There are no financial, regulatory, environmental or human resource implications.
- 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.

HISTORY

- The current owners, Adelaide Investment Limited, had applied for a demolition permit in March 2008 for this heritage property which was placed on the Buildings Conservation List in June 1982, as a Grade III property by the Committee on Environment.
- The owners indicated that the vacant building was severely deteriorated and that to repair the structure would be more costly that new construction.
- On April 29,2009 City Council concurred in the recommendation from the Executive Policy Committee not to delist the house because of its special architectural and historical interest and adopted a motion that:

> The Memorandum of Understanding be endorsed and the expenditure of $250,000.00 be approved out of the Heritage Investment Reserve Fund as the City's share in the redevelopment of 88 Adelaide Street, with the Heritage Investment Reserve being replenished from the net lease proceeds from the occupied building of approximately $2,000.00 per month with annual percentage increases over 15 years.

DISCUSSION

The owners, with the support of the CentreVenture Development Corporation, have applied for a Heritage Conservation Tax Credit to undertake exterior repair and restoration work, stabilization of the foundations, replacing the roof and windows and repairing the door. On the interior, new heating, air conditioning and ventilation is proposed. A new electrical system will be installed and the interior will be fitted up to serve as a commercial office for a local health–care agency. This occupancy will bring new life to this block and extend the public activity beyond Main Street. The owners propose to spend about $486,000.00 to rehabilitate the property of which $394,000.00 are eligible costs. The maximum the Heritage Conservation Tax Credit program could offer is $197,000.00 in tax credits. Assessment & Taxation calculations indicate that the annual Municipal taxes on the property would rise from $214.00 to an estimated $3,533.00. The City would offer the applicant up to 10 years of tax credits giving a credit to the owner of $35,333.00.

FINANCIAL IMPACT

Financial Impact Statement **Date:** November 30, 2009

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

REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR 88 ADELAIDE STREET, THE FORMER KELLY HOUSE

	2010	2011	2012	2013	2014 to 2020
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	$ 3,533	$ 3,533	$ 3,533	$ 3,533	$ 21,198
Less: Incremental Revenue/Recovery	-	3,319	3,319	3,319	23,233
Net Cost/(Benefit)	$ 3,533	$ 214	$ 214	$ 214	$ (2,035)
Less: Existing Budget Amounts	3,533	214	214	214	(2,035)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs from 2010 to 2019 represent the estimated tax credit to be funded from the Heritage Investment Reserve. Incremental revenues from 2011 to 2020 represent the estimated incremental portion of municipal property taxes, which are to be credited to the Heritage Investment Reserve.

"Original signed by"

Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this Report there was consultation with:

Assessment and Taxation Department

SUBMITTED BY

Department: Planning, Property and Development
Division: Planning and Land Use
Prepared by: Giles Bugailiskis
Date: November 26, 2009

File No. HCTC 36-2009

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Appendix A

APPLICATION FORM FOR
HERITAGE CONSERVATION TAX CREDIT PROGRAM
By-law No. 7155/98



HCTC REQUEST FOR

Kelly House

88 Adelaide Street

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1.0 Owner's letter requesting HCTC and outlining the total project costs and level of assistance required

2.0 Basic Data

2.1 Basic Information
2.2 Occupancy History

3.0 Current Condition Assessment

3.1 Architectural
3.2 Structural
3.3 Mechanical
3.4 Electrical

4.0 Zoning/Proposed Uses

5.0 Proposed Scope of Work

6.0 Project Schedule

7.0 Costs

8.0 Maintenance Repair Strategy

9.0 Drawings and Specifications for proposed work

2.0 – BASIC DATA

Basic Information

Building Name and Address: 88 Adelaide Street

Owner Information:

Name: Ken Hunter
Title: Chief Financial Officer
Corporation Name: Adelaide Investments Limited
Street: 85 Adelaide Street R3A 0V9
E-mail address: khunter@richlu.com
Daytime Telephone Number: 204.942.3494
Fax Number: 204.943.5813

Applicant Information:

Name: Jeff Palmer
Title: Senior Development Officer
Corporation Name: CentreVenture Development Corporation
Street: 492 Main Street, Winnipeg Manitoba, R3B 1B7
E-mail address: palmer@centreventure.com
Daytime Telephone Number: 204.954.7735
Fax Number: (204) 954-7739

Legal Property Description: SP Lot 22 Plan 33144 WLTO in RL 5 and 6
Parish of St John
Certificate of Title Number: 1767568
Assessment Roll Number: 13061010000
Heritage Designation: Grade III

2.2 Occupancy History

Please provide a brief description of the building's recent occupancy history and vacancy rate over the past six months.

The building has been vacant and unheated for approximately 5-10 years.

3.0 – CURRENT CONDITION ASSESSMENT

Please provide a brief description of the condition of the structure and its site, and the need for the proposed conservation work. (If applicable, describe any outstanding regulatory orders attached to the property.)

3.1 Architectural/Exterior

Requires repair.
Please refer to drawings for additional information.

3.2 Structural

Requires repair.

3.3 Mechanical

New system required.

.1 Fire Protection

Internal.

.2 Building Heating System

New system required.

.3 Ventilation and Cooling System

New system required.

.4 Plumbing

Replace with new pipes, fixtures and water tank.

3.4 Electrical

Replace with new wiring and fixtures.

4.0 – ZONING/PROPOSED USES

4.1 Current Zoning

C: Character (Downtown Zoning By-Law 100/2004)

4.2 Proposed Uses

Office. Rent for five year term is $2300/month ($27,600 annually) including property taxes, but excluding utilities. Rent is estimated at $14.25 square foot net. The building is being designed to house a single commercial tenant. Parking is being provided through Adelaide Investments at market rates.

Floor	***Total Gross***	**Common Space**	**Office**	Retail	**Residential**	**Other**
1 Basement						
2 Main	**969**					
3 Second	**969**					
4 Third						
5						
6						
7						
8 TOTAL	**1938**					

Parking – Availability and type (i.e. covered, open). Total no. of spaces and if applicable, monthly rent per space.

5.0 – PROPOSED SCOPE OF WORK

5.1 Architectural Specifications

.1 Demolition

Complete internal demolition.

.2 Exterior Repair and Restoration

- **Terracotta/Brick/Stone**

  Repair.

- **Repointing**

  As necessary.

- **Cornice**

  Repair.

- **Cleaning (as gentle as possible)**

  Yes.

.3 Foundation and Structure

As per drawings.

.4 Roof

Replace.

.5 New Addition

.6 Universal Accessibility

As required.

.7 Safety Issues

As required.

.8 Windows

Replace.

.9 Doors

Repair.

.10 Floors

Repair and refinish.

.11 Interior Walls

Repair and replace.

.12 Ceiling

Repair and replace.

.13 Miscellaneous Specialties

.14 Elevators/Staircases

Refinish staircases, rebuild exterior front steps, replace basement stair.

5.2 Mechanical Specifications

.1 Heating

New residential unit.

.2 Air Conditioning

New residential unit.

.3 Ventilation

New HRV system.

.4 Controls

New.

.5 Plumbing

New

.6 Fire Protection

Internal.

5.3 Electrical Specifications

.1 Main Distribution

New.

.2 Lighting

New.

.3 Branch Power

N/A.

.4 Fire Alarm System

N/A.

.5 Communication System

intercom at door.

.6 Emergency Power System

N/A.

.7 Mechanical System

New.

6.0 – PROJECT SCHEDULE

Describe anticipated start dates and project completion timeframe.

Rehabilitation Starting Date (est.): _September 15, 2009_____

Rehabilitation Completion Date (est.): _December 1, 2009 (possible exterior work carried to Spring 2010)____

7.0 – COSTS (Tendered/Estimates)

You must provide a Class B estimate from a quantity surveyor or a qualified estimate from a construction manager for all materials and labour.

Eligible Costs:

Exterior Costs:	
Exterior walls/Masonry	$43,000
Foundation	40,000
Structural Support	20,000
Roof	17,170
Addition	
Universal Accessibility	
Safety Issues	33,000
Windows	18,000
New Entry Door, etc.	6,000
Interior Costs	
Doors	10,000
Floors	15,000
Interior Walls	60,000
Ceilings	
Mechanical	40,000
Electrical	21,000
Elevator	
Elevator	
Professional Services	
Architect and Engineer Construction Manager	37,500 33,000
Total	**$393,670**

Note: Costs must be net of sales taxes (PST, GST), licence and permit fees, other governmental charges, insurance premiums, interest on indebtedness, professional fees other than those deemed eligible costs, project management fees, and other administrative costs.

Ineligible Costs:

Construction Management	
Fees	$15,000
Site Costs	10,000
Miscellaneous	
Demolition Cleaning	5,000
Development Costs	
Signage and Lighting	
Painting	15,000
Flooring	5,000
Sandblasting	
Interior Finishing	
Finishing Materials	
Printing	
Tenant Improvements	
Flooring, wallpaper, paint, light fixtures	15,000
Taxes	
GST	25,000
RST	2,000
GST	
Total	**$92,000**

8.0 – MAINTENANCE REPAIR STRATEGY

The tenant will monitor and report all required repairs and maintenance of the building to the landlord. Minor repairs will be provided by the tenant.

9.0 - DECLARATION

I certify that the above information is correct, complete and a full disclosure of the facts.

(Original signature required)

JEFF PALMER **SEPTEMBER 20, 2009__**

Name (print) Date

_____

Signature

APPENDIX B

HERITAGE CONSERVATION TAX CREDIT

Building Address and 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., 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 complete
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, Scott Fruit Company Wholesale	conservation and rehabilitation work	$140,000	work complete
234 Portage Avenue, Former Oldfield, Kirby, & Gardner Bldg.	conservation and rehabilitation work	$100,000	work complete
276 Portage Avenue, Former Birks Building	rehabilitation work	$320,000	work complete
110 Princess Street, Sterling Cloak Bldg. (Fairchild Bldg.)	conservation & rehabilitation work	$1,300,000	work complete

Building Address and Name	Work	Amount of Incentive	Status
65 Rorie St./140 Bannatyne Ave., Northern Electric Bldg.	Phase I – 2-storey addition above existing heritage building	$1,900,000	work underway
332 Bannatyne Avenue, Henderson Bldg.	rehabilitation & conservation	$259,000	work complete
678 Main Street, former Dominion Bank Bldg.	rehabilitation & conservation	$110,000	work complete
352 Donald Street, Canada Bldg.	rehabilitation & conservation	$1,200,000	work pending
40 Osborne Street, Roslyn Court Apts.	Upgrading	$252,000	work complete
250 McDermot Avenue, Merchant's Bldg.	rehabilitation and conservation	$585,000	work underway
54/70 Arthur Street, Silpit Bldg.	rehabilitation and conservation	$1,350,000	work underway
230 Princess Street, Frost and Wood Warehouse	Rehabilitation and conservation	$764,000	work underway
468 Main Street, former Baker Block	Rehabilitation and conservation	$86,000	work underway
104 King Street, Ryan Block	Rehabilitation & preservation of 2 principal façades	$880,000	work underway
500/504 Main Street, Union Bank Tower and Annex	Culinary Arts Program & student housing	$1,885,000	work underway
88 Adelaide St., Kelly House	Rehabilitation and conservation		Application underway
15 Chester St., Sir Sam School	Rehabilitation and conservation		Application underway