**Minute No. 138**
**Report – Executive Policy Committee – January 6, 2010**

**Item No. 5** **Heritage Conservation Tax Credit –**
**88 Adelaide Street, The Former Kelly House**
**(Point Douglas Ward)**
**eFile 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 of up to a maximum of $35,333.00 be approved 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.

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 may proceed without design/heritage approval and/or prior to the issuance of all relevant development permits.

6. 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.

7. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

**Report – Executive Policy Committee – January 6, 2010**

DECISION MAKING HISTORY:

Moved by His Worship Mayor Katz,

That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 6, 2010, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

## 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**

Winnipeg

**HCTC REQUEST FOR**

**Kelly House**

**88 Adelaide Street**

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**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 | 37,500 |
| Construction Manager | 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 | conservation & | $1,300,000 | work complete |

| Building Address and Name | Work | Amount of Incentive | Status |
|---|---|---|---|
| Cloak Bldg. (Fairchild Bldg.) | rehabilitation work | | |
| 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 |