Agenda – Executive Policy Committee – May 12, 2010

REPORTS

Item No. 8 Downtown Economic Development Incentive Grant – Redevelopment of the Avenue Building – 265 Portage Avenue (Daniel McIntyre Ward) eFile G-8

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Executive Policy Committee recommends to Council:

    a. That a maximum of $800,000 Downtown Economic Development Incentive Grant to 6020640 Manitoba Ltd. (Mr. Mark Hoffer) for the redevelopment of 265 Portage Avenue, payable from the Economic Development Investment Reserve Fund, be approved;
    b. 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,
    c. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

ADMINISTRATIVE REPORT

Issue: Approval of a Downtown Economic Development Incentive Grant for the redevelopment of the Avenue Building – 265 Portage Avenue**.**

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

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

RECOMMENDATIONS

1. That Executive Policy Committee recommends to Council:

    a. That a maximum of $800,000 Downtown Economic Development Incentive Grant to 6020640 Manitoba Ltd. (Mr. Mark Hoffer) for the redevelopment of 265 Portage Avenue, payable from the Economic Development Investment Reserve Fund, be approved;
    b. 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,
    c. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to provide a grant to 6020640 Manitoba Ltd.

IMPLICATIONS OF THE RECOMMENDATIONS

- The sale of the Avenue Building from CentreVenture Development Corporation to 6020640 Manitoba Ltd. is contingent on the approval of the Grant;

- An independent appraisal was done for the Avenue Building and determined the post redevelopment value at $6,400,000; the project budget is $8,507,000 resulting in a gap of $2,107,000;
- Fiscal Implications:
    - CentreVenture Development Corporation's contribution of $650,000 in land value and closing costs with the sale of the Avenue Building for $1.00;
    - The combined Provincial and Municipal incremental tax credits that may be available under the Downtown Residential Development Grant Program is estimated at $69,362.64 per year, totaling $1,040,439 over 15 years, before Net Present Value and based on the project description;
    - The Net Present Value of the proposed tax credit is estimated at $676,000 and will be gap financed by CentreVenture;
    - The Province of Manitoba has committed an additional $575,000 grant towards the project. (Pending approval)
- CentreVenture will administer and direct all credits and grants to the developer, using the traditional and accepted practice of progress payments throughout the redevelopment phase of the project, to the maximum of $2,050,000 at which point any additional tax credits that are eligible over the 15 year period will be directed back to the Economic Development Investment Reserve Fund.
- The City's $ 800,000 Grant together with the proposed tax credits and Provincial Grant will permit the development to proceed while leveraging $6.5 Million in private capital investment;
- The conversion of the Avenue Building into a mixed use commercial / residential building will bring additional housing options to the Downtown, while preserving a building that has a historical and commanding presence on our City's main image route, Portage Avenue.
- Based on significant building up-grades and its prime location on Portage Avenue, the Winnipeg Public Service recommends that the $800,000 Grant from the Economic Development Investment Reserve be approved to help reduce the financial gap to ensure this exciting mixed use development proceeds.

- Mr. Hoffer is an established and successful developer/contractor. His company was responsible for rehabilitating 230 Princess Street into a successful mixed use residential development. Mr. Hoffer has presented an offer to CentreVenture Development Corporation to purchase and redevelop the Avenue Building into 59 residential rental units, together with 6,500 sq. ft. main floor commercial uses.

- The Economic Development Investment Reserve Fund has capacity to fund the $800,000 Grant for this important redevelopment.

HISTORY

The Avenue Block constructed in 1904 was a speculative retail/office investment by Fortune and McMillan. As such, the structure initially was limited to three storeys in height and was utilitarian in design with minimal Neo-classical adornment.

After fire struck in February 1913, the Avenue Block was rebuilt and extended upward by three storeys having a total floor area of 67,098 sq. ft. The addition continued the rhythmic window pattern originally established for the main façade. The project's $70,000 cost was more than double the owners' initial investment – an indication of the building's success as a business venture.

Fire-related reconstruction was again required in 1917 and 1931. These developments, coupled with numerous tenant improvements over the years, resulted in a much-altered interior. The main-floor exterior also was changed significantly by a succession of storefront occupants.

The property continued to be owned until the early 1940's by the estates and/or immediate families of Fortune and McMillan. It subsequently was registered to Avenue Investments Ltd., followed by other parties.

The Avenue Building has remained vacant for approximately 10 years and is a visual blight on Portage Avenue; our primary image route. Several attempts to rehabilitate the Avenue Building have not materialized, based on significant up-grades that are required under the Manitoba Building Code; thereby making most project opportunities financially unfeasible. Based on the current condition of the Building, significant public funding is required for any proposed development.

FINANCIAL IMPACT

Financial Impact Statement **Date:** April 30, 2010

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

Avenue Building - Economic Development Incentive Grant

	2010	2011	2012	2013	2014
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	$ 800,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 800,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	800,000	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs in 2010 represent the recommended grant amount. The grant is to be funded from the Economic Development Investment Reserve Fund (EDIR). For the purposes of this analysis, it is assumed that there will be no incremental tax revenues from a potential Downtown Residential Development Grant Program to redirect to the EDIR.

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

CONSULTATION

In preparing this report there was consultation with:

CentreVenture Development Corporation

SUBMITTED BY

Department: Planning, Property and Development
Division: Office of the Director
Prepared by: Barry Thorgrimson
Date: April 30, 2010

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