Minutes - Executive Policy Committee - March 18, 2003

REPORTS

Minute No. 156 CentreVenture 2002 Heritage Tax Credit Program Amendments File EP-1.2.3 (Vol. 4)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the administrative recommendation and recommends to Council:

1. That Council approve the proposed amendments to the 2002 CentreVenture Heritage Tax Credit Program By-law 8058/2002.

2. That Council authorize the Chief Administrative Officer to develop procedures to administer the CentreVenture Heritage Tax Credit Program and to approve the final terms and conditions for the Program required to reflect the intent of Council.

3. That the City Solicitor/Manager of Legal Services be instructed to prepare the necessary by-law amendments in accordance with the above.

4. That the Proper Officers of the City be authorized do all things necessary to effect the intent of the foregoing.

DECISION MAKING HISTORY:

Moved by Councillor Eadie,

That the administrative recommendation be concurred in and forwarded to Council.

Carried

Re: CENTREVENTURE 2002 HERITAGE TAX CREDIT PROGRAM AMENDMENTS

For submission to: Executive Policy Committee

Original report signed by: Director of Planning, Property and Development

Report date: February 24, 2003

In camera item: no

Recommendation(s):

1. That Council approve the proposed amendments to the 2002 CentreVenture Heritage Tax Credit Program Bylaw 8058/2002;

2. That Council authorize the Chief Administrative Officer to develop procedures to administer the CentreVenture Heritage Tax Credit Program and to approve the final terms and conditions for the Program required to reflect the intent of Council;

3. That the City Solicitor/Manager of Legal Services be instructed to prepare the necessary by-law amendments in accordance with the above; and

4. That the Proper Officers of the City be authorized do all things necessary to effect the intent of the foregoing.

REPORT SUMMARY

KEY ISSUES:

- This Report recommends amendments to the 2002 CentreVenture Heritage Tax Credit Program Bylaw 8058/2002 in order to access previously approved incentives for heritage building rehabilitation into 2004, as well as to delegate to the CAO the ability to streamline procedures to administer the tax credit program as established by Council.

- $710,000 in tax credits of a previously approved $ 1,000,000 remains unallocated.

- The CentreVenture Development Corporation is confident that this program will lever significant private investment within the Downtown.

IMPLICATIONS

General implications

☐ None

	For the organization overall and/or for other departments
X	For the community and/or organizations external to the City of Winnipeg
X	Involves a multi-year contract

Comment:

- CentreVenture has identified the use of heritage conservation tax credits as an important tool in downtown revitalization.
- Tax credits may be utilized by the applicant over a maximum ten year period.

Policy implications

X	No (*There are no policy implications if the report is asking for a one-time decision.)*
	Yes *(There are policy implications if the recommendation(s) is/are asking for a decision that will be used to guide decisions over time.)*

Comment:

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Financial implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required
	No financial implications

Comment:

- On December 12, 2001 Council approved contributions in the amount of $1 million for the Heritage Investment Reserve.
- To date, only $290,000 of that amount has been allocated.

REPORT

RECOMMENDATIONS:

1. That Council approve the proposed amendments to the CentreVenture 2002 Heritage Tax Credit Program Bylaw 8058/2002;

2. That Council authorize the Chief Administrative Officer to develop procedures to administer the CentreVenture Heritage Tax Credit Program and to approve the final terms and conditions for the Program as required to reflect the intent of Council;

3. That the City Solicitor/Manager of Legal Services be instructed to prepare the necessary by-law amendments in accordance with the above; and

4. That the Proper Officers of the City be authorized do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT:

On January 17, 2003, the CentreVenture Development Corporation "CentreVenture" advised that their Board of Directors had approved the Administration's recommendations to amend the criteria for the $710,000 CentreVenture Tax Credit Program funds remaining unallocated in 2002 and requested that approval for the amendments be sought from City Council.

In keeping with CentreVenture's established reporting relationship with the City, the Executive Policy Committee is identified as the Designated Committee for the purposes of administering this by-law.

HISTORY:

On May 13, 1999, Council amended and adopted the CentreVenture- *Downtown Revitalization Report and its companion, CentreVenture: A New Approach to Downtown Revitalization Report*, dated May 5, 1999. City Council endorsed the creation of CentreVenture Development Corporation to provide leadership in creating and sustaining business opportunities and economic growth in downtown Winnipeg.

On July 9, 1999, CentreVenture Development Corporation was duly incorporated under the laws of the Province of Manitoba.

On September 24, 1999, the CentreVenture Board adopted its Start-Up Business Plan. On pages 35 and 37 of the Start-Up Business Plan, CentreVenture identified the Downtown Heritage Tax

Credit Program and the Gail Parvin Hammerquist Fund as programs that should be administered by CentreVenture under the Development Bank function.

On September 29, 1999 Council, "endorsed the spirit and intent of CentreVenture's Start-Up Business Plan."

On March 15, 2000, Council established the Heritage Investment Reserve in accordance with Section 338(1) of *The City of Winnipeg Act.*

On April 26, 2000, Council amended and adopted the creation of the CentreVenture Heritage Tax Credit Program as well as the CentreVenture Downtown Heritage Program.

On May 24, 2000, Council passed the CentreVenture Heritage Tax Credit By-law 7632/2000.

Also on May 24, 2000, Council passed the CentreVenture Heritage Program, under The Gail Parvin Hammerquist Fund By-law No. 7633/2000.

On December 12, 2001 Council approved contributions in the amount of $1 million each to the Economic Development Investment Reserve, the Heritage Investment Reserve, and the Housing Rehabilitation Investment Reserve, to be funded from any further actual 2001 year-end surplus that may arise.

On March 6, 2002, the CentreVenture Development Corporation requested the City's Heritage Investment Reserve Fund Manager to provide $1 million towards the CentreVenture Heritage Tax Credit Program for 2002-2004.

On April 3, 2002, CentreVenture tabled their Report to the City at the Executive Policy Committee.

On May 22, 2002, Council passed The CentreVenture 2002 Heritage Tax Credit By-law No. 8058/2002.

DISCUSSION:
CentreVenture Development Corporation

Council created CentreVenture to facilitate private and public sector investment and development by, aggressively seeking new business, leveraging investment, and partnering with other levels of government.

Many designated structures within the downtown are currently underutilized or lie vacant thereby providing little in the way of municipal or business tax revenues to the City. The Tax Credit enables the renovation of these structures putting them back onto the tax rolls in productive use. Ultimately, the City receives policy, financial and social benefits far in excess of the tax credits utilized as incentives to motivate such development.

CentreVenture Heritage Tax Credit Program 2002

Council approved the CentreVenture 2002 Heritage Tax Credit Program on April 24, 2002 with a $1million budget. CentreVenture and the Administration approved three applications; $290,000 in tax credits was committed. Legal Services advises that in order for CentreVenture to have another proposal call the original bylaw must be amended since certain criteria are being revised. Thus CentreVenture and the Administration request Council to allow additional proposal calls with the following revisions to the previously approved criteria and procedure:

a) That all eligible work proposed be calculated on the basis of 50% of the net private investment;

b) Replacement windows in non-original materials are eligible; and

c) That applications will be evaluated based on the proposals that best meet the following criteria:

- Priority One: Buildings that bring new residential units onto the market.
- Priority Two: Eligible work in buildings that are more than 50% vacant.
- Priority Three: Projects that contain mixed use of buildings. Mixed use is defined as a building that includes a combination of residential uses with commercial or institutional uses, preferably on separate floors.
- Priority Four: Building conservation projects that includes significant exterior repair.

At present, there are 3 levels of tax credit available (50%, 15% and 10%) depending on the type of eligible work proposed:

- 50% of the net private investment in eligible work is eligible for a tax credit, for

  (i) repairs deemed essential to the stabilization and preservation of the physical integrity of a designated building, including repairs to the roof, drainage system, foundation, and exterior cladding;

  (ii) measures that protect significant original heritage elements, restore significant original elements, or reconstruct those that are missing;

  (iii) repair or replacement of electrical, mechanical/heating and plumbing systems (including fire sprinkling, air conditioning and repair of heritage elevators) to ensure compliance with the Manitoba Building Code.

- 15% of the net private investment in eligible work is eligible for a tax credit, for

  (i) new interior construction where the work is sympathetic to the original fabric of the building;

  (ii) measures to restore, upgrade or convert a designated building to a functional state

for contemporary occupancy such as sympathetically designed, improved accessibility for the disabled;

(iii) asbestos removal;

(iv) energy efficient upgrading provided the exterior appearance of the building is not affected.

- 10% of the net private investment in eligible work is eligible for a tax credit, for

(i) approved architectural, engineering and interior design fees.

CentreVenture and the Administration request Council to allow a revision to the previously approved criteria and procedure by providing that the tax credit for all eligible work proposed be calculated on the basis of 50% of the net private investment, rather than the present graduated 50%, 15% and 10% depending on the type of eligible work proposed."

The administration concurs with CentreVenture on the stated use of these funds and as such, has worked with CentreVenture to establish these amendments as recommended for approval.

It is recommended that the Chief Administrative Officer be authorized to streamline the procedures to administer the CentreVenture Heritage Tax Credit Program and to approve the final terms and conditions for the Program as required to reflect the intent of Council. Adoption of this recommendation would enable the Program to be administered more efficiently while allowing for a certain amount of flexibility in carrying out the intent of Council.

Financial Impact

The funding necessary to affect this Program is currently in place within the Heritage Investment Reserve.

Within their Report to the City dated March 2002, CentreVenture has advised that their CentreVenture Heritage Tax Credit Program is nearing the point at which it has achieved its purpose of priming development, but that the Program should continue for one more cycle and that a sunset clause should be introduced. CentreVenture and the administration are developing a workshop for City Council later this year to review the intent and benefits of all the various City heritage tax credit programs.

Financial Impact Statement

Date: February 12, 2003

Project Name:

2002 CentreVenture Heritage Tax Credit Program Amendments

First Year of Program 2003

	2003	2004	2005	2006	2007
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		$ 71,000	$ 71,000	$ 71,000	$ 71,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ 71,000	$ 71,000	$ 71,000	$ 71,000
Less: Existing Budget Amounts		71,000	71,000	71,000	71,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The above costs represent potential cash flow implications related to the remaining $710,000 impacted by the proposed by-law amendments. The amounts , based on past experience are estimated to be 1/10 of the total amount available to be allocated. This does not include the annual costs applicable to the $290,000 commited under the predecessor by-law.

Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

CentreVenture Development Corporation

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Office of the Director/Planning and Land Use
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Wolfgang Tiegs, Legal Services
PPD File #:

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