Agenda – Executive Policy Committee – June 13, 2012

REPORTS

Item No. 2 Heritage Conservation Tax Credit – 111 Lombard Avenue (Point Douglas Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That City Council:
   a. Approve a Heritage Conservation Tax Credit of up to a maximum of $1,181,702.00 to enable the owners to undertake conservation work on the former Kemp Building, 111 Lombard Avenue, and to be utilized by the owner over a maximum 10-year period, following completion of the project, subject to the owner completing work on or before December 31, 2014;
   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;
   e. Require that no work may proceed without design/heritage approval from the Planning, Property and Development Department, Urban Design Division 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 the intent of the foregoing;

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

ADMINISTRATIVE REPORT

Title: Application for a Heritage Conservation Tax Credit for 111 Lombard Avenue under the terms of the Heritage Conservation Tax Credit By-law No. 7155/98

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Kiernan	B. Thorgrimson	M Ruta	D Joshi COO

RECOMMENDATIONS

1. That City Council:
    a. Approve a Heritage Conservation Tax Credit of up to a maximum of $1,181,702.00 to enable the owners to undertake conservation work on the former Kemp Building, 111 Lombard Avenue, and to be utilized by the owner over a maximum 10-year period, following completion of the project, subject to the owner completing work on or before December 31, 2014;
    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;
    e. Require that no work may proceed without design/heritage approval from the Planning, Property and Development Department, Urban Design Division 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 the intent of the foregoing;

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

REASON FOR THE REPORT

The Public Service has received an application from the building owners that the building commonly known as the "Kemp Building", 111 Lombard Avenue, be considered for a Heritage Conservation Tax Credit under the terms of the Heritage Conservation Tax Credit By-law No. 7155/98.

Although the by-law provides a 10-year term on tax credits as a default value, the owner of the subject property has requested a 20-year term. The owner feels this request is warranted so as to assist in the significant upgrades being undertaken to rehabilitate this building, which was used as furniture retail outlet and warehouse in past. With the proposed redevelopment work, the owner has indicated the building will now be largely occupied by commercial tenants.

The Public Service can only recommend a standard 10-year term for tax credits under this program. Council may extend the tax credit term and stipulate conditions at their discretion.

Applications for tax credits require the approval of Council.

IMPLICATIONS OF THE RECOMMENDATIONS

- The intent of the Heritage Conservation Tax Credit (HCTC) program is to keep heritage structures viable and therefore considers all aspects of a building's redevelopment – including potential additional costs incurred conserving heritage elements, and those from upgrading aged and/or non-code compliant systems and components, etc.

- As per the Heritage Conservation Tax Credit By-law No. 7155/98, the tax credit may be used at the applicant's discretion for up to 10 years, or such other period as may be approved by Council.

- On a 10-year term, the value of the tax credit would be a maximum of $1,181,702.00 beginning in 2014 and ending in 2023.

- As per the owner's request, on a 20-year term the value of the tax credit would be a maximum of $2,363,404.00 beginning in 2014 and ending in 2033.

- A Heritage Conservation Tax Credit, (HCTC) for either term duration, as shown within the Financial Impact Statement, can be accommodated within the Heritage Investment Reserve.

- 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 building recently changed ownership after being purchased from long-time owner and occupant, Brick's Fine Furniture, which had existed there since the 1970s. The new owners have determined the building's capacity would be best served as a commercial facility. With the Canadian Museum of Human Rights being constructed, as well as significant developments along Waterfront Drive, the building is poised to maximize potential in the transitioning East Exchange neighbourhood.

- After recently securing two large tenants, and considering the funding provided by a tax credit, the decision was made to completely upgrade the building to provide modern amenities, accessibility, etc.

- The owner proposes to invest over $23.5 million in the building, including a new central entrance, enclosing a portion along the east boundary to create additional functional space, two new elevators, and a total interior renovation. In addition, structural reinforcing, and new heating/cooling, plumbing, fire suppression, and electrical systems will be provided.

- Heritage conservation work proposed in the redevelopment includes façade repairs and rehabilitation, installation of new sympathetic windows, and cleaning and exposure of masonry walls and wood structural members on the interior.

- Of the total investment, the eligible costs under the HCTC program total $15,017,294.00.

- Assessment and Taxation Department calculations indicate that the annual municipal taxes on the property would rise from $17,450.52 to $118,170.20 after the proposed work is completed.

- Council has chosen to extend the standard 10-year tax credit term on landmark projects, including Red River College's Princess and Main Street campuses, as well as the Bedford Parkade on King Street.

FINANCIAL IMPACT

Financial Impact Statement **Date:** May 14, 2012

Project Name: **First Year of Program** **2014**

Heritage Conservation Tax Credit for 111 Lombard Avenue

	2014	2015	2016	2017	2018 to 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	$ 118,170	$ 118,170	$ 118,170	$ 118,170	$ 709,021
Less: Incremental Revenue/Recovery	-	100,720	100,720	100,720	705,038
Net Cost/(Benefit)	$ 118,170	$ 17,451	$ 17,451	$ 17,451	$ 3,983
Less: Existing Budget Amounts	118,170	17,451	17,451	17,451	3,983
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2014 consist of tax credits in the amount of estimated municipal taxes after redevelopment, which are to be paid out from 2014 to 2023. Incremental revenues consist of incremental municipal taxes (i.e. taxes in excess of the base line amount of $17,451), which are to be credited to the Heritage Investment Reserve from 2015 to 2024. The net impact on the Reserve over the 11-year period will be nil.

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

***See Appendix A for a History of this building.*

CONSULTATION

In preparing this report there was consultation with:

Assessment and Taxation Department
Strategic Support Services, PP&D

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Planning and Land Use
Prepared by:	Jennifer Hansell
Date:	June 7, 2012
File No.:	O:\Reports Directive\Planning and Land Use\Heritage\2012 Reports\HCTC for 111 Lombard.doc

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APPENDIX A – HISTORY

111 Lombard Avenue, Former Kemp Building



Built of solid brick, this large warehouse has been part of the east Exchange District since its construction in 1903. It was originally the home of Kemp Manufacturing Company, a metal goods manufacturer founded in Toronto in 1885. In the late 1920s it amalgamated with two other large firms to create General Steel Wares Limited, which occupied this warehouse into the 1950s.

The warehouse was built in three sections, highlighting the success of the business in the region and its need to expand its headquarters to keep up with the growing demand for its products. The northeastern portion (facing McDermot Avenue) was built first, designed by prominent local architect James H. Cadham. The raised stone basement and six storeys of solid brick superstructure with regularly placed, arched windows with stone lug sills and entrance and loading doors remains largely intact today.

The first addition to the building occurred in 1906 to the southeast corner of the original, again as per Cadham's designs. Facing Lombard Avenue, it includes recessed square-headed windows with stone lug sills, arched brickwork above the top floor windows and corbelled brick at the roofline. The final addition came in 1911, again along Lombard, extending the building to the east and effectively doubling its width as per plans by architect James McDiarmid.

The rough textures, flat roofline, stone accenting and arched openings of this building are typical of the Romanesque Revival style, popular in warehouse districts throughout North America from the 1880s well into the 20th century. The building employs the most common construction method of the time – the mill system – comprised of a timber post and beam network where beams are attached to the solid brick exterior and covered by wood plank flooring. This technique gained prominence due to its sturdiness, ease of adding additional storeys and ability to withstand fire damage. An unusual aspect of the Kemp Building's construction is the use of steel I-beams in some of the newer areas.

Most of the interior of the building has remained unaltered and open warehouse space can be found throughout. Because of the numerous additions, large doors have been created to give access to all parts of the building; these openings utilize steel fire doors to protect against the spread of fire.