Agenda – Executive Policy Committee – June 13, 2012

REPORTS

Item No. 3 Heritage Conservation Tax Credit – 352 Donald Street (Daniel McIntyre Ward)

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That City Council:
   a. Approve a Heritage Conservation Tax Credit to a maximum of $1.23m, with the tax credit time period not to exceed 15 years, as previously approved by Council, subject to the works being completed on or before August 1, 2013;
   b. Not approve the request for additional direct grants for heritage restoration of the entrance on the subject property;
   c. Require the owner to retain and preserve original and significant material as a condition of the Heritage Conservation Tax Credit;
   d. Approve the Heritage Investment Reserve as the source of funding;
   e. 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;
   f. 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 352 Donald Street 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 to a maximum of $1.23m, with the tax credit time period not to exceed 15 years, as previously approved by Council, subject to the works being completed on or before August 1, 2013;
    b. Not approve the request for additional direct grants for heritage restoration of the entrance on the subject property;
    c. Require the owner to retain and preserve original and significant material as a condition of the Heritage Conservation Tax Credit;
    d. 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 "Canada Building", 352 Donald Street, be considered for a Heritage Conservation Tax Credit under the terms of the Heritage Conservation Tax Credit By-law No. 7155/98.

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.

- 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, as well as a $300,000 grant to be dedicated to the rehabilitation of the original decorative entrance. The owner feels this request is warranted so as to assist in the significant upgrades being undertaken to rehabilitate this building which has struggled with a significant vacancy rate over the past two decades. With the proposed redevelopment work, the owner has indicated the building will now be 100% occupied.

- On November 21, 2007 Council approved a Heritage Conservation Tax Credit of up to a maximum of $1.2 million for the Canada Building to be utilized over a maximum fifteen (15) year period following completion of the project; however the project did not proceed.

- On a 10-year term, the value of the tax credit would be a maximum of $822,680 beginning in 2013 and ending in 2022.

- On a 15-year term, the value of the tax credit would be a maximum of $1,234,019 beginning in 2013 and ending in 2027.

- As per the owner's request, on a 20-year term the value of the tax credit would be a maximum of $1,573,611 beginning in 2013 and ending in 2032.

- A Heritage Conservation Tax Credit, for any 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

- On November 21, 2007 Council approved a Heritage Conservation Tax Credit of up to a maximum of $1.2 million for the Canada Building to be utilized by the owner over a maximum fifteen (15) year period following completion of the project slated for December 31, 2009. Following this approval, the project did not proceed.

- Subsequently, Public Capitol Company re-examined redevelopment strategies, considering commercial, residential, or a mix of both uses for the site. After securing a significant tenant and taking into account the funding provided by a tax credit, it was decided to upgrade the building to accommodate office tenancies.

- Public Capitol Company proposes to invest over $8.5 million in the building, including significant structural reinforcing, upgraded elevators and accessibility ramp, and a total interior renovation. In addition, a new central heating system, plumbing, fire suppression system, and electrical upgrades will be provided.

- Heritage conservation work proposed in the redevelopment includes façade repairs and rehabilitation (recreation of the original arched stone entrance, removal of non-original metal panelling to re-expose brick, reinstallation of the building name on the cornice, repointing, etc.), installation of new sympathetic windows, and repairs to the rooftop flag pole.

- Of the total investment, the eligible costs under the HCTC program total $6.2 million.

- Assessment and Taxation Department calculations indicate that the annual municipal taxes on the property would rise from $ 9,146 to $82,268 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.

- Council has approved grants from the Heritage Investment Reserve for conservation of buildings in special circumstances on landmark projects including the retention and integration of the Mitchell Copp façade for the upcoming Centre Point project, and the Metropolitan Theatre.

FINANCIAL IMPACT

Financial Impact Statement **Date:** June 8, 2012

Project Name: **First Year of Program** **2013**

Heritage Conservation Tax Credit for 352 Donald Street

	2013	2014	2015	2016	2017 to 2028
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	$ 82,268	$ 82,268	$ 82,268	$ 82,268	$ 904,948
Less: Incremental Revenue/Recovery	-	73,122	73,122	73,122	877,464
Net Cost/(Benefit)	$ 82,268	$ 9,146	$ 9,146	$ 9,146	$ 27,484
Less: Existing Budget Amounts	82,268	9,146	9,146	9,146	27,484
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2013 consist of tax credits in the amount of estimated municipal taxes after redevelopment, which are to be paid out from 2013 to 2027. Incremental revenues consist of incremental municipal taxes (i.e. taxes in excess of the base line amount of $9,146), which are to be credited to the Heritage Investment Reserve from 2014 to 2028. The net impact on the Reserve over the 16-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 8, 2012
File No.:	O:\Reports Directive\Planning and Land Use\Heritage\2012 Reports\HCTC for 352 Donald.doc

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APPENDIX A – HISTORY
352 Donald Street – Canada Building





In 1910, the J. McDiarmid Co. Ltd., a local significant contracting business, engaged in another facet of their industry by becoming the owner-developers, as well as designers and builders, of an office block on the west side of Donald Street between Ellice and Cumberland Avenues – a transitional site between the Exchange District and downtown commercial core.

The seven-storey, $80,000 structure rose from a reinforced concrete foundation to a reinforced concrete frame enclosed by brick walls with Tyndall stone and concrete accents. To enhance safety, a central interior wall was clad by tile and brick firewalls.

The main-floor interior held an entrance lobby and retail shops, the occupants of which included watchmakers, tailors, barbers, and a photographic store. Upper floors were divided into offices that ran off central hallways. Over the years in addition to various small and medium-sized companies, tenants included the Manitoba Power Commission, James Richardson and Sons, Dominion Bridge Co., Air Canada, Manitoba Housing and Renewal Corp., and Manitoba Heart Foundation.

The J. McDiarmid Co. sold the Canada Building in 1924 to Winnipeg barrister Allan Bronfman. Brian Investments Ltd. succeeded him as owner a quarter-century later. In 2005, Public Capitol Company purchased the property that was largely vacant and underutilized.