**Minute No. 466**
**Report - Executive Policy Committee - June 25, 2003**

**Item No. 1 Proposed Heritage Conservation Tax Credit for the Lindsay Building, 228 Notre Dame Avenue**
**File G-3.1.5**

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. a) That a Heritage Conservation Tax Credit of up to a maximum $110,000 for rehabilitation work on a residential conversion, for the years 2004 through 2013, to the Public Capital Company be approved, subject to the owner retaining and preserving original and significant material; and,

   b) That the Heritage Investment Reserve be approved as the source of the project funding.

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.

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

**Report - Executive Policy Committee - June 25, 2003**

DECISION MAKING HISTORY:

Moved by His Worship Mayor Murray,
That the recommendation of the Executive Policy Committee be adopted.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 25, 2003, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

**Re: PROPOSED HERITAGE CONSERVATION TAX CREDIT FOR THE LINDSAY BUILDING, 228 NOTRE DAME AVENUE**

**For submission to: Executive Policy Committee**

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

**Report date:** June 19, 2003

**Recommendation(s):**

1. That City Council:
    a) approve a Heritage Conservation Tax Credit of up to a maximum $110,000 for rehabilitation work on a residential conversion, for the years 2004 through 2013, to the Public Capital Company, subject to the owner retaining and preserving original and significant material; and,
    b) approve the Heritage Investment Reserve as the source of the project funding; and,
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 effect the intent of the foregoing.

## REPORT SUMMARY

**Key Issues:**

- Work is currently underway on this significant $4 million project, the largest residential conversion project since the Ashdown Warehouse Condominium's on Bannatyne Avenue in 1991.
- The total project envisages 45 rental suites including one for an on-site resident manager.
- The Lindsay Building is the only known Winnipeg example of a terra cotta clad building with a reinforced concrete frame. Because concrete shrinks and expands at a different rate than terra cotta, the exterior of the building had severely deteriorated.
- The City of Winnipeg and the CentreVenture Development Corporation (CentreVenture) had previously awarded heritage grants and tax credits totalling $477,775 towards the restoration of the main through 5$^{th}$ floors of this 10 story building.
- In addition, the project has also been awarded a $300,000 grant from CentreVenture under the Downtown Housing Demonstration Project Program.
- During construction, the contractor discovered a methodology to complete the restoration of the entire project (including the 6$^{th}$ through 10$^{th}$ floors) before the first frost in 2003.
- The cost of the additional work necessary to fast track the completion of the project plus the cost of additional unanticipated work (including roof stabilization, sewer lines, and

cladding for exterior staircase) is $714,150. There are financial benefits to the project to complete the work this season.

- This additional work is eligible under the Heritage Conservation Tax Credit (HCTC) Program and CentreVenture and although technically eligible for 50% of the eligible expenditures ($357,075), the administration are recommending an additional HCTC of $110,000 on the basis of the existing allocation of tax credits as well as the estimated future annual realty taxes for the property.
- The building is currently vacant and paying less than $3,000 for the municipal portion of property taxes.
- Once the project has been completed, the City has estimated the municipal portion of realty taxes at $26,260 annually and business taxes at $4,095 annually.
- Based upon the estimates and assumptions identified within this report, the total $360,000 in heritage tax credits ($250,000 Downtown Heritage Tax Credit and $110,000 HCTC) allocated to this project would allow for this property to be free of the municipal portion of realty taxes for the period extending through 2013.
- Although the total heritage and housing incentives recommended for this project only manage to lever an approximate 4.5:1 private to public investment, it must be acknowledged that residential conversion projects require substantial public incentive in order to be economically viable.
- Based upon the estimated municipal portion of realty taxes, it is also anticipated that approximately $50,000 of the previously awarded Downtown Heritage Tax Credits will expire in 2009 (effective dates 2000 through 2009).
- The assessed value of the property has been estimated to increase by over 12 times while the municipal realty and business taxes will increase approximately tenfold following restoration.
- Plan Winnipeg contains considerable supportive policy for this project including Putting Downtown First, support for infill development, and conserving heritage assets.

Implications of the Recommendation(s):

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(s):**

- Heritage Conservation Tax Credits may be allocated over a maximum 10 year period (2004 through 2013)

Policy implications:

| | |
|---|---|
| X | **No** |
| | **Yes** |

| | |
|---|---|
| | **Comment(s):** |

- 

Environmental implications:

| | |
|---|---|
| X | **No** |
| | **Yes** |

**Comment(s):**

- 

Human resources implications:

| | |
|---|---|
| X | **No** |
| | **Yes** |

**Comment(s):**

- 

Financial implications:

| | |
|---|---|
| X | Within approved current and/or capital budget |
| | Current and/or capital budget adjustment required |

**Comment(s):**

- The Heritage Conservation Tax Credits as shown within the Financial Impact Statement can be accommodated within the Heritage Investment Reserve
- The Heritage Conservation Tax Credit recommended within this Report would be available for use by the applicant over a ten year period (2004 through 2013).
- 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 its capacity is restored.

**REASON FOR THE REPORT:**

City Council retains sole responsibility for accepting or rejecting applications for Heritage Conservation Tax Credits and for approving the amount of tax credit to be allocated to each authorized project.

**HISTORY:**

The Public Capital Company has previously received the following Incentives for this project:

a) $150,000 Grant under the Winnipeg Development Agreement Program 13A- Phase II.
b) $250,000 Downtown Heritage Tax Credit for building code and leasehold improvements.
c) $10,000 Grant from the Heritage Economic Development Initiative for an Engineering Study on the exterior façade and terra-cotta
d) $67,775 under the CentreVenture Downtown Heritage Capital Grants Program for terra-cotta cladding, electrical distribution, and exterior lighting.
e) $300,000 Grant from CentreVenture under the Downtown Housing Demonstration Project Program.

On June 2, 2003 the Public Capital Company applied to the CentreVenture 2003 Tax Credit Program for an additional incentive of $357,075 in tax credits to complete the redevelopment of the Lindsey Building, 228 Notre Dame Avenue. Since the owners have already received a previous Tax Credit incentive for the Lindsay Building from CentreVenture, the Public Capital Company is not eligible to apply to this program.

**DISCUSSION:**

**Background**

The Public Capital Company is in the process of redeveloping this significant vacant heritage building into 45 rental unit apartments with a commercial use at grade. The total cost of the project is over $4,000,000 and has been underway for the previous three years. The projects first phase was for the restoration of the main through 5th floors with the 5th through 10th floors being planned for Phase II.

There is some urgency for Council to consider an additional heritage tax credit incentive before the end of June 2003. As work was progressing on the first phase of the project, a series of unexpected challenges and opportunities have been realized. Additional work that was unanticipated includes roof stabilization, sewer lines, and cladding for an exterior staircase totalling $413,350. However, while repairing the first five floors, the contractor now believes that by utilizing a new construction methodology, that they can finish the entire exterior of the building before the first frost in 2003, at an additional cost of $300,800. This fast tracking of the construction including Phase II will ultimately save the project the additional costs of contractor re-mobilization.

Should Council concur with the Administration's recommendation, a steel superstructure and the necessary materials can be in place to complete the repair of the exterior of this building before mid September 2003 (prior to first frost). Work on the stabilization of the terra cotta cannot be done in cold weather. Because a swing stage cannot be used over the cornice to complete the repair of the upper floors, a superstructure can be installed on the interior through the 10th floor windows and a swing stage can then be attached while that floor is under construction. There would not be any disruption to the residential conversion underway.

The Lindsay Building was built in 1911 as an office building for Frank Lindsay, a successful local stagecoach driver. This is the only known Winnipeg example of a terra cotta clad building with a reinforced concrete frame. Because concrete shrinks and expands at a different rate than terra cotta, the exterior of the building had severely deteriorated. Last year a portion of the exterior cladding fell to the sidewalk requiring scaffolding be placed around the base of the building in order to protect pedestrians. After a thorough review by a local engineering firm, the owners have a stabilization plan in place and have been undertaking the repair of the terra cotta for the first 5 floors this summer.

This is the largest residential conversion project within the downtown since the Ashdown Warehouse condominium project on Bannatyne Avenue in1985.

Plan Winnipeg contains considerable supportive policy for this project including Putting Downtown First, support for infill development, and conserving heritage assets.

**Heritage Conservation Tax Credit (HCTC) Program**
The HCTC incentive strategy was adopted by City Council in 1998 on a pilot basis for three years with a review during the third year. The purpose of the program was to assist a limited number of projects selected for their ability to:

- increase property assessment values; and
- fulfill functions not likely to be displaced from other parts of the city.

Council retains sole responsibility for accepting or rejecting applications and for setting the amount of tax credit to be allocated to each authorized project. To date, Council has approved the following tax incentives under this program:

| Building Name | Work | Amount of Incentive | Status |
|---|---|---|---|
| Former Free Press Building, 300 Carlton St. | exterior restoration | up to $400,000 | work underway |
| Marshall Wells Building, 136 Market Avenue | interior upgrade | up to $3 million | work complete |
| Portage Village Inn, 311 Portage Ave. (A&B Sound) | interior upgrade | up to $835,000 | work complete |
| 146-164 Princess Street (Red River College) | downtown technical campus | up to $15 million | work underway |
| 476 Main Street, J.H. Ashdown Hardware Store | commercial offices, studios, and artists live / work spaces | up to $1.715 million | work underway |
| 222 Broadway, Hotel Fort Garry | interior upgrade | $2.68 million | work pending |
| 500/504 Main Street, Union Bank Tower and Annex | restoration & rehabilitation | $2 million | work pending |
| 167 Lombard Avenue, Grain Exchange Building | restoration and rehabilitation | $765,000 | work underway |
| 365 Hargrave St., New Hargrave Building (Former Film Exchange Building) | restoration and rehabilitation | $800,000 | Work complete |

The value of an approved tax credit may be up to 50% of the net private investment made in eligible work. This credit may be used at a recipient's discretion over a maximum 10-year period to reduce the property, business and, in specific circumstances, the entertainment funding tax (former amusement tax) levied by the City on the structure and its site.

**Scope of Work**
The program is intended to support work that:

- conserves significant architectural or other heritage elements; and / or
- repairs and stabilizes City-designated structures;
- extends the life of such structures;

- rehabilitates space to meet contemporary requirements, but in the process makes minimal changes to a structure's historical integrity, including its defining design characteristics, site and environment.

**FINANCIAL IMPLICATIONS:**

The owners propose to invest approximately $4 million in this project and due to the new information at hand, had requested an additional HCTC of $357,075 over a ten year period. The administration is recommending a lesser $110,000 HCTC based upon our estimates of future municipal portion of property and eligible business taxes for the building and property.

The owners have previously applied to the City for funding to undertake the rehabilitation of the property and have received a total of $477,775 in tax credit and grant incentives under the Winnipeg Development Agreement Heritage Program, the Downtown Heritage Tax Credit Grant the CentreVenture Heritage Capital Grant Program. In addition, the project has also been awarded a $300,000 grant from CentreVenture under the Downtown Housing Demonstration Project Program.

Presently, the municipal portion of realty taxes for this property are $2,990 annually (2003). There are no business taxes currently being assessed on this property. The current assessed value of this property is $155,000 for 2002.

The Administration has estimated that following completion of the project, the Property will be assessed at $1,884,000 and that the municipal portion of realty taxes will be $26,260. The estimate of the business taxes for the commercial space on the main floor are $4,095 annually. The estimated assessed value of the property will therefore increase by over 12 times while the estimated municipal realty and business taxes will increase approximately tenfold.

The Administration is therefore recommending an HCTC for marginally more than the projected taxes over a ten year period (2004 through 2013) to allow for any adjustments required following the completion of the project and subsequent assessment. The proposed total incentive package ($887,775) is approximately 22% of the total value of the project ($4 million). Although the total heritage and housing incentives recommended for this project only manage to lever an approximate 4.5:1 private to public investment, it must be acknowledged that residential conversion projects require substantial public incentive in order to be economically viable. Based upon the estimated municipal portion of realty taxes, it is also anticipated that approximately $50,000 of the previously awarded Downtown Heritage Tax Credits will expire in 2009 (effective dates 2000 through 2009).

In order for the project to proceed on the fast track schedule for completion in the fall of 2003, the owner of 228 Notre Dame has requested that the project remain free from the municipal portion of realty tax until the end of 2014. The Administration has calculated the additional $110,000 HCTC based upon this request as well as on our estimates of future realty tax.

The property taxes attributable to this project will largely be new (incremental) revenues to the City of Winnipeg. Council policy requires that incremental taxes attributable to this project be redirected to the Heritage Investment Reserve until it's capacity is restored. As such, the HCTC recommended within this Report can be accommodated within the Heritage Investment Reserve.

## Financial Impact Statement

**Date:** June 20, 2003

**Project Name:**

**First Year of Program** 2010

Proposed Heritage Conservation Tax Credit For The Lindsay Building, 228 Notre Dame Avenue

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ - | $ - | $ - | $ - | $ - |
| External | - | - | - | - | - |
| Grants (Identify) | - | - | - | - | - |
| Reserves, Equity, Surplus, Other | - | - | - | - | - |
| Total Funding | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ 26,000 | $ 26,000 | $ 26,000 | $ 26,000 | $ - |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 26,000 | $ 26,000 | $ 26,000 | $ 26,000 | $ - |
| Less: Existing Budget Amounts | 26,000 | 26,000 | 26,000 | 26,000 | - |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:**

The tax credit cash flow implications of of the recommended approval will not take place until the year 2110, as it will take until the year 2009 to absorb the maximum eligible amount flowing from the previous $250,000 approval under the Downtown Heritage Tax Credit Program. This will allow only approximately $171,500 of the original approval to be absorbed in the form of tax credits because of the expiration of the maximum 10 year period in 2009. This assumes that the total municipal realty taxes for 228 Notre Dame will remain at the $26,000 level throughout all years.

"Original signed by"
Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY: Heritage Resources, centreventure development corporation, property assessment, and corporate finance

**THIS REPORT SUBMITTED BY:**

Planning, Property and Development Department
Division: Office of the Director
Prepared by: Jim Paterson
PPD File #:

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