Minute No. 520
Report - Executive Policy Committee – July 23, 2003

Item No. 2 Request for a Heritage Conservation Tax Credit for the Victor Fox Foods Building, 130-132 James Avenue
File G-3.1.5

COUNCIL DECISION:

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

1. That, subject to the Buildings at 130 and 132 James Avenue being listed on the Buildings Conservation List, City Council:

    a) approve a Heritage Conservation Tax Credit of up to a maximum $250,000, to undertake conservation and rehabilitation work on 130-132 James Avenue, the Victor Fox Foods Building, for a maximum ten-year period following completion of the Project, to the conditional purchaser, Ira Micay, subject to the owner retaining and preserving original and significant material;
    b) approve the Heritage Investment Reserve as the source of funding;
    c) approve the Heritage Conservation Tax Credits subject to further approval by the Historic Winnipeg Advisory Committee and Downtown Design Board on the exact means for rehabilitating the building as outlined in the application to the CentreVenture Development Corporation's 2003 Heritage Tax Credit Program;
    d) require that no construction work may proceed without design / heritage approval and / or prior to the issuance of all relevant development and building permits; and,
    e) require conservation and rehabilitation work to proceed on or before February 1, 2004, and be substantially completed within the meaning of the Builders' Liens Act on or before December 31, 2004.

2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement these Recommendations.

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

Report - Executive Policy Committee – July 23, 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 July 23, 2003, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

Re: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE VICTOR FOX FOODS BUILDING, 130-132 JAMES AVENUE

For submission to: **Executive Policy Committee**

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

Report date: July 18, 2003

Recommendation(s):

1. That, subject to the Buildings at 130 and 132 James Avenue being listed on the Buildings Conservation List, City Council:
    a) approve a Heritage Conservation Tax Credit of up to a maximum $250,000, to undertake conservation and rehabilitation work on 130-132 James Avenue, the Victor Fox Foods Building, for a maximum ten-year period following completion of the Project, to the conditional purchaser, Ira Micay, subject to the owner retaining and preserving original and significant material; and,
    b) approve the Heritage Investment Reserve as the source of funding; and,
    c) approve the Heritage Conservation Tax Credits subject to further approval by the Historic Winnipeg Advisory Committee and Downtown Design Board on the exact means for rehabilitating the building as outlined in the application to the CentreVenture Development Corporation's 2003 Heritage Tax Credit Program; and,
    d) require that no construction work may proceed without design / heritage approval and / or prior to the issuance of all relevant development and building permits; and,
    e) require conservation and rehabilitation work to proceed on or before February 1, 2004, and be substantially completed within the meaning of the *Builders' Liens Act* on or before December 31, 2004.
2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement these Recommendations; and,
3. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- The conditional purchasers of the Victor Fox Foods Building wish to rehabilitate this building at an estimated cost of $4 million of which, the owner estimates that they will undertake approximately $1.9 million in eligible conservation and renovation expenses.

- The 50,000 sq. ft. Warehouse Building would be converted into a 31 unit "loft style" rental apartment building with a further 5 residential units developed within the 6,000 sq. ft. basement for a total 36 residential units.
- The owner had applied for a tax credit of $250,000 through the CentreVenture 2003 Heritage Tax Credit Program and was declined because the Program had allocated all of its funds.
- As the owners wish to proceed with this project immediately and the project is of significant merit, the administration is recommending a Heritage Conservation Tax Credit (HCTC) to a maximum of $250,000, based upon the applicant's request, as well as the estimated future municipal portion of realty taxes following restoration.
- Although both buildings have been evaluated by the Historic Buildings Committee, to date, the owner had not requested that they be listed on the Buildings Conservation List under By-law No. 1474/77 (as amended).
- To ensure that the tax credits awarded for this Project do not limit the capacity of the Heritage Investment Reserve for an extended period should the Project not be able to be completed, the administration is recommending that the HCTC be subject to the conservation and rehabilitation work proceeding on or before February 1, 2004, and being substantially completed within the meaning of the *Builders' Liens Act,* on or before December 31, 2004.

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):

- This Report recommends a Heritage Conservation Tax Credit to Ira Micay, conditional purchaser
- Heritage Conservation Tax Credits may be allocated over a maximum ten-year period following the completion of the Project.

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 Credit (HCTC) as shown within the Financial Impact Statement can be accommodated within the Heritage Investment Reserve.
- The HCTC would be available for use by the applicant over a ten-year period following the completion of the Project.
- In accordance with 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 has been restored.

REASON FOR THE REPORT:

On May 12, 2003, Ira Micay made an initial application to CentreVenture Development Corporation under the CentreVenture 2003 Heritage Tax Credit Program for the redevelopment of 130-132 James Avenue, the Victor Fox Foods Building.

Unfortunately, CentreVenture were unable to provide assistance at this time. A number of other proposals ranked higher in priority based on the evaluation criteria than did this proposal. The total tax credit fund available was $710,000. CentreVenture received 11 applications requesting in excess of $2,400,000.

On July 6, 2003, the President and CEO of the CentreVenture Development Corporation requested that the City consider having this project apply under Council's Heritage Conservation Tax Credit Program.

CentreVenture and the Administration recognize that this proposal has substantial merit and are therefore recommending that Council consider this project under their Heritage Conservation Tax Credit Program.

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

HISTORY:

On January 16, 2003, the Historical Buildings Committee evaluated the building located at 130 James Avenue and the building located at 132 James Avenue at the request of the owner, Bud Langtry of Victor Fox Foods. The owner was looking at selling the properties and wished to determine if they had any heritage status. These properties have <u>not</u> been placed on the

Buildings Conservation List under the terms of the Historical Buildings By-law No. 1474/77 (as amended).

On July 17, 2003, representatives of the Planning, Property, and Development Department and CentreVenture met with the conditional purchaser to establish mutually acceptable dates that the conservation and rehabilitation work must begin, and be substantially completed by.

DISCUSSION:
Background:
130 James Avenue

Modest in scale and ornamentation, 130 James Avenue, the Burrow, Stewart & Milne Warehouse, was one of the later additions to the part of Winnipeg's warehouse district that lay east of Main Street.

Commercial development began in the area in the 1880s and subsequently blossomed as the city developed into a major transportation and distribution hub, attracting firms from Ontario and Québec that wished to expand their western markets.

Among them was the Burrow, Stewart and Milne Co. of Hamilton, Ontario, which began in 1864 as a manufacturer of Jewel brand wood and coal stoves. The company expanded into other products, including a popular type of scale used in grain elevators. In 1910, the firm invested in a new, three-storey warehouse on the south side of James between Louise (now Lily) and Bertha streets, using plans prepared by Alfred W. Peene of Hamilton.

The warehouse is of mill construction with a brick, concrete and stone foundation, brick exterior walls with stone accents, and an interior frame of square timber beams and posts with heavy wooden flooring. It was built for $30,000 by Sveinn Brynjolfsson and Co. under the supervision of architect D.W. Bellhouse, both of Winnipeg.

The exterior design is utilitarian. Pilasters divide the symmetrical front (north) façade into three bays. The upper-storey pilasters are plain, but those on the main floor originally displayed alternating bands of brick and stone, a feature later obscured by paint. The ground level has a large display window in the middle bay, flanked to the east by a recessed driveway and to the west by an elevated entrance. A smooth stone belt course separates the main from the upper floors where each bay contains a trio of windows outlined by wooden frames and continuous stone sills and lintels. A cornice of corbelled brick and smooth-cut stone and a brick parapet top the façade. Party walls form the side elevations. The rear (south) facing contains large windows with rusticated stone sills and segmental-arched brick heads.

The original interior held offices and showrooms on the main floor. The space above was left open for storage.

By 1924, Burrow, Stewart and Milne had closed its Winnipeg operation, but continued to own 130 James, leasing the space to various tenants. The sole occupant as of 1935 was Victor Fox Foods Ltd., a manufacturer and distributor of animal feed. To accommodate this company's large steam-driven machinery, the building's interior was modified by opening up parts of the

second and third floors and the roof. Most of these physical changes were reversed during the 1990s after the equipment became obsolete and was removed. Victor Fox Foods acquired 130 James in 1943 and as of 2002 continued to be one of its occupants.

The warehouse is the only known Winnipeg building designed by architect Peene. Born in Hyde, Kent, England, Peene (?-1940) was raised by his family in Hamilton and took his architectural training in Cincinnati, Ohio. He taught at the Art School in Hamilton before opening a private practice. His local commissions included schools and industrial buildings, the Hamilton Public Library (1913) and Royal Connaught Hotel (1914-16). After retirement, he lived in Florida from the mid-1920s until his death.

132 James Avenue

Built in 1912, the Richards and Brown Warehouse was one of many smaller-scale Winnipeg wholesalers that operated alongside giants such as James Ashdown, Thomas Ryan, Gault Brothers, Marshall-Wells, and Great West Saddlery to supply an ever-expanding prairie population in the early 1900s.

Stanley Crawford Richards had been employed by the Dominion Bank and Bole Drug Co. after arriving in Winnipeg in c.1904. Arthur H. Brown was a commercial traveller. The two began working in c.1909 as commercial agents and wholesale grocers on Ross Avenue. They later (1911) employed George W. Northwood to design a new warehouse on the south side of James Avenue east of Louise (now Lily) Street. The following year, Northwood planned an addition for the west side of the building, nearly doubling its capacity.

The resulting three-storey complex is a modestly ornamented, two-part building of mill construction. It has a brick and stone foundation, brick exterior walls, and an interior frame of square timber posts and beams with heavy wooden floors. It was built by the Carter-Halls-Aldinger Co. (1911) and Wallace and Akins Ltd. (1912) for about $57,000.

The front (north) façade is complementary in design and finish to the adjacent Burrow, Stewart and Milne Warehouse (1910) at 130 James. Main-floor openings, including an off-centre entrance and sheltered east-end loading dock, are set in broad segmental brick arches on a stone base. Above is a stone belt course that separates the ground floor from the upper storeys. The latter contain five bays of paired and single rectangular windows set between common clay brick pilasters. Detailing is provided by stone sills, stone pilaster bases, corbelled brickwork, and a stone-capped brick parapet.

The east side of the warehouse is a party wall with 130 James. Some small windows and a partially covered loading platform are on the exposed west side. The rear (south) elevation has large windows (now mostly enclosed) and double loading doors.

The original interior was divided on the main floor into offices, a sample room, and receiving and storage areas. Two freight elevators provided access to the open warehouse space above.

The structure was sold in the early 1920s upon dissolution of the Richards and Brown partnership. Richards remained in the trade as manager of Western Grocers Ltd., but Brown's fate after 1925 is unknown.

Tenants such as the Brownstone Brothers (egg grading), Eden Washing Machine Co., Wylie-Simpson Co. (wholesale grocers), and Merchants Consolidated Ltd. were housed in the building, followed by Brewery Products Ltd., a beer distributor. After acquiring the property in 1940, Brewery Products altered the first and second floors to accommodate a large cold storage area, additional offices, staff lunch room, boardroom, and Directors' Room outfitted with a birch and marble fireplace, oak parquet floor, birch dado and leaded glass windows. Some of these changes, designed by architect E. Fitz Munn, were later removed.

Brewery Products Ltd. remained on site for some 20 years. Victor Fox Foods Ltd., owner-occupant of 130 James, subsequently purchased the warehouse and leased the space to various tenants. As of 2002, part of the complex was used for storage and the remainder was vacant.

Architect Northwood (1876-1959) was a graduate of McGill University who opened a Winnipeg office in 1905 in association with W.E. Noffke of Ottawa. Northwood later formed a brief partnership with W.W. Blair (1906), then had a solo practice until he was sent overseas with the military during World War I. Among his early projects were the Finnie Murray (Western Glove Works) Block, C.W. Gordon (Ralph Connor) House, and Fontana and Lancaster apartment blocks in Fort Rouge. After the war, Northwood joined with R.M.E. Carey to design the Union Bank Annex, among other commercial and residential structures. He again worked alone from c.1923 to c.1928 when he and fellow war veteran, Cyril W.U. Chivers (1879-1969), began a long-standing partnership. They produced several notable buildings, including the second Assiniboine Park Pavilion, the Wheat Pool, Canadian General Electric and Dominion Public (Federal) buildings, Civic Auditorium (with other architects), and Women's Tribute Memorial Lodge.

The 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.

Another criteria that has been established previously by Council is that heritage incentives should be used primarily for vacant or underutilized heritage buildings.

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 complete
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
211 Bannatyne Avenue (formerly 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
361 Hargrave Street, former Film Exchange Building	rehabilitation & construction of addition	$800,000	work underway
167 Lombard Avenue, Grain Exchange Building	rehabilitation & restoration	$765,000	work underway
228 Notre Dame, The Lindsay Building	rehabilitation and restoration	$110,000	work underway

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 amusement taxes 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.

Based on a submitted application to CentreVenture, the applicant advises that they will invest approximately $4 million to acquire and upgrade the Victor Fox Foods Building. The current vacancy rate is 80%.

The work that they propose to do will ensure that the exterior architectural elements are repaired and have a long-term life expectancy. The work proposed will make minimal impact on the historical integrity of the building.

Eligible Work
The applicant is proposing to redevelop the entire building for use as residential rental apartments. It is their intent to redevelop the lower basement level of 6000 sq. ft into 5 residential units with the upper three other floors developed into 31 loft-style units for a total of 36 units. The scope of work for this stage involves the following components:

1. New insulation, roof membrane and drainage systems on existing roof.
2. New windows to match original heritage units for all levels.
3. Upgrading for building code compliance for the upper levels (new exit signs, sprinkler system, smoke alarms, etc.)
4. New heating, plumbing and electrical systems to all levels. Each residence is to have basic kitchen millwork, washroom vanity, etc.
5. The exterior brick surface of the entire building is to be cleaned and repointed. Upgrading of the stone is also included.
6. New accessible front to the building is provided from the parking area to the west into a residential lobby.
7. Upgrade existing service elevator to all levels.
8. Refinish hardwood floors on all levels.
9. Fit-up all four residential levels, including all room partitions, exterior insulation, floor coverings, painting, millwork, sandblasting of interior demising brick walls, etc.

Construction work is to start on or before February 1, 2004 and be substantially completed on or before December 31, 2004.

The conditional purchaser has also discussed the next phase of this project being a possible 180 vehicle structured parkade to be located on the surface parking lot on the corner of James Avenue at Lily Street.

FINANCIAL IMPLICATIONS:
The owners propose to invest approximately $4 million to acquire and restore this building with proposed eligible heritage work estimated at greater than $1.9 million. The owner had earlier requested a CentreVenture 2003 Heritage Tax Credit of $250,000. The administration recommends an HCTC of $250,000 based upon the applicant's request and our estimates of the future municipal portion of property taxes for the restored and fully occupied building and property.

Existing 2003 Tax Year information

Total Assessment	Portioned Assessment	Municipal Portion Realty Taxes
$440,000	$286,000	$8,490
Business Taxes	$2,492	

Tax Information following Redevelopment

Total Assessment Estimated	Portioned Assessment Estimated	Municipal Portion Realty Taxes Estimated
$1,029,000	$463,050	$13,746
Business Taxes (estimated)	N/ Applicable	

The estimated assessed value of the property will therefore increase by approximately 2.3 times while the estimated municipal portion of realty and business taxes will increase approximately 1.25 times.

The Administration recommends an HCTC for $250,000. The proposed total heritage incentive package of $250,000 is approximately 6.25 % of the total value of the project. The heritage incentives would therefore lever an approximate 16: 1 private to public investment, which is within the more favorable range for these types of projects.

Approximately a third of the property taxes 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 its capacity is restored. As such, the HCTC recommended within this Report can be accommodated within the Heritage Investment Reserve.

To ensure that the tax credits awarded for this Project do not limit the capacity of the Heritage Investment Reserve for an extended period should the Project not be able to be completed, the administration is recommending that the HCTC be subject to the conservation and rehabilitation work proceeding on or before February 1, 2004, and being substantially completed within the meaning of the *Builders' Liens Act,* on or before December 31, 2004. The applicant is aware of, and has agreed to this condition. With this in mind, the Administration also recommend that the Chief Administrative Office be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

Financial Impact Statement

Date: July 18, 2003

Project Name:

Request for a Heritage Conservation Tax Credit for the Victor Fox Foods Building, 130/132 James Avenue

First Year of Program 2005

	2005	2006	2007	2008	2009
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	$ 13,746	$ 13,746	$ 13,746	$ 13,746	$ 13,746
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 13,746	$ 13,746	$ 13,746	$ 13,746	$ 13,746
Less: Existing Budget Amounts	13,746	13,746	13,746	13,746	13,746
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Assumptions with respect to the above are that are that work will be completed by 2005 and will generate total annual municipal realty taxes of $13,746. It is likely that of the total municipal taxes, over $5,000 will be incremental and thus will be returned to the Heritage Investment Reserve on an annual basis.

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

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY: LEGAL SERVICES, CORPORATE FINANCE (TAXATION), PROPERTY ASSESSMENT, AND CENTREVENTURE

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Office of the Director / Planning and Land Use
Prepared by: Jim Paterson / Giles Bugailiskis

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