Minute No. 521
Report - Executive Policy Committee – July 23, 2003

Item No. 3 Request for a Heritage Conservation Tax Credit for the Travellers Building, 283 Bannatyne Avenue
File G-3.1.5

COUNCIL DECISION:

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

1. That:
   a) a Heritage Conservation Tax Credit of up to a maximum $250,000, to undertake conservation and rehabilitation work on the Travellers Building for a maximum ten-year period following completion of the Project, to BCWB Management & Consulting Ltd., subject to the owner retaining and preserving original and significant material, be approved;
   b) the Heritage Investment Reserve as the source of funding be approved;
   c) 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's exterior windows, cornice and roof; be approved;
   d) no work may proceed without design/heritage approval and/or prior to the issuance of all relevant development and building permits; and,
   e) conservation and rehabilitation work be substantially completed within the meaning of the Builder's Liens Act on or before June 30, 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 TRAVELLERS BUILDING, 283 BANNATYNE 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 City Council:
    a) approve a Heritage Conservation Tax Credit of up to a maximum $250,000, to undertake conservation and rehabilitation work on the Travellers Building for a maximum ten-year period following completion of the Project, to BCWB Management & Consulting Ltd., 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's exterior windows, cornice and roof; and,
    d) require that no work may proceed without design/heritage approval and/or prior to the issuance of all relevant development and building permits; and,
    e) require that conservation and rehabilitation work be substantially completed within the meaning of the *Builder's Liens Act* on or before June 30, 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 owners of the Travellers Building wish to rehabilitate this major heritage landmark building at an estimated cost of approximately $1 million. All of these costs are eligible heritage expenses.
- The owner proposes to convert the existing 5th and 6th floors into 8 higher end loft style condominiums. Future Phases of the project will see further loft conversion on the 3rd and 4th floors and a complete re-presentation of the main floor.
- The building had previously been provided with $50,950 in heritage tax credits under the Downtown Heritage Tax Credit Program in 1998.

- The owner had applied for a multi-phased tax credit of $250,000 under 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 and business taxes following restoration.
- 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 the rehabilitation work being substantially completed within the meaning of the *Builder's Liens Act*, on or before June 30, 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 BCWB Management & Consulting Ltd.

Heritage Conservation Tax Credits may be allocated over a maximum and consecutive ten-year period following 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 (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 has been restored.

REASON FOR THE REPORT:

On April 28, 2003, BCWB Management & Consulting Ltd. made an initial application to CentreVenture Development Corporation for a CentreVenture 2003 Heritage Tax Credit for 283 Bannatyne Avenue, the Travellers 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 the 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 November 19, 1979, the City of Winnipeg, recognizing the major significance of this structure, listed the Travellers Building on the Buildings Conservation List under the terms of the Historical Buildings By-law 1474/77 (as amended) as a Grade II structure.

In 1998, the City awarded this building $50,950 for heritage interior upgrades from the Downtown Heritage Tax Credit Program.

DISCUSSION:

Background:

Located at the corner of Bannatyne Avenue and King Streets, this prominent building was erected in 1906 as the Northwest Commercial Building. This was a national organization, founded in Winnipeg in 1882. It acted as a protective union for its members who were traveling salesmen. At that time Winnipeg was the center of a huge supply area that extended from the Great Lakes to the Pacific Ocean. The head offices and warehouses of dozens of supply industries located in Winnipeg's warehouse district and an army of traveling salesmen peddled their wares to the towns and villages of the north-west. This Northwest Commercial Travellers Association grew to include 2,000 members by 1906 and provided accident policies, insurance and reduced train and hotel rates for its members.

The Travellers Building is six storeys high, built of reinforced concrete with an exterior of deep red brick. Darling and Pearson, a prestigious firm of Toronto architects, designed the structure which was built at a cost of $115,000. In the basement were Turkish baths and a barber shop, a restaurant on the main floor, and a dining room, club room, smoking and reading rooms and the Association offices on the second floor: in short, everything for the weary salesmen. Third and fourth storeys were rented office space, taken by manufacturers' agents and there were show rooms on the sixth floor. The building was finished with a handsome stone archway at the entrance, marble finishing and dark oak woodwork.

In 1954, the federal government made some alterations to the building to house the office of the Unemployment Insurance Commission and the Health and Welfare Department. In 1976, it was redeveloped to become a vertical shopping center with a series of specialty shops, galleries and restaurants. In 1983, Kona Properties Ltd. redeveloped the property into offices at a cost of $900,000. In 1996 the building was purchased and became the home base of the Butler Financial Group. The property is now 46% vacant.

Previous Heritage Incentives

The Travellers Building has previously received one Heritage Incentive Grant as follows:

Downtown Heritage Tax Credit Program – 1998

- interior upgrade - approved funding $50,950

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 Development Corporation, the applicants advise that the project consists of a number of phases to be implemented over the next few years:

Phase 1**:**

a) the top two floors will be converted into residential condominiums. (The 3rd and 4th floors are to be converted at a later date due to existing office leases for tenants on that floor).
b) The building's entire mechanical and utility supply will be upgraded during this phase of development; this will include the roof and cornice.
c) Parking, if approved by the City will commence in January 2004 and is expected to be completed in April 2004.
d) The windows from the 2nd floor to the 6th floor are to be replaced with casement windows similar to that originally installed in 1907.

The objective of the work is to provide an outstanding property with exceptional condominiums that will enhance the Exchange District for years to come. The building owner will retain the entire 2nd floor for its own office space and main floor for restaurant and other type of business.

- Phase 2 of the proposed upgrading will involve the completion of the condominiums on the 3rd and 4th floors of the building.
- Phase 3 will involve a complete re-presentation of the main floor. Initial designs are being implemented but will not be announced until late spring of 2004.

The owner will invest approximately $1,000,000 million to upgrade the Travellers Building. The current vacancy rate is 46%. The HCTC is needed to redevelop the existing premises into outstanding loft style condominiums.

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 is sensitive to the architecture and will have minimal impact on the historical integrity of the building.

Eligible Work

The applicants propose to rehabilitate the Travellers Building to provide eight condominiums. Work is to start immediately and be substantially completed by June 30, 2004.

Exterior Work:

- ramp and overhead canopy
- new windows
- structural works
- new roof and cornice upgrade
- exterior repairs

Interior Work:

- mechanical upgrade
- electrical upgrade
- handicap elevator

FINANCIAL IMPLICATIONS:
The owners propose to invest approximately $1 million to rehabilitate this building with proposed eligible work estimated at the same amount. Although eligible for an estimated $500,000 in HCTC based upon the eligible heritage work, the owner had requested a 2003 CentreVenture Heritage Tax Credit of $250,000. The administration recommend an HCTC of $250,000 based upon the applicant's request as well as our estimates of the future municipal portion of property and eligible business taxes for the restored and fully occupied building and property.

In 1998, the owners had previously been awarded a $50,950 Downtown Heritage Tax Credit of which approximately $12,900 has been allocated to date.

Existing 2003 Tax Year information

Total Assessment	Portioned Assessment	Municipal Portion Realty Taxes
$677,000	$440,050	$13,063
Business Taxes	$7,787	

Tax Information following Redevelopment (Phase One)

Total Assessment Estimated	Portioned Assessment Estimated	Municipal Portion Realty Taxes Estimated
$1,370,000	$718,550	$21,331
Business Taxes (estimated)	$5,400	

Tax Information following Redevelopment (Phase Two)

Total Assessment Estimated	Portioned Assessment Estimated	Municipal Portion Realty Taxes Estimated
$2,130,000	$1,031,100	$30,609
Business Taxes (estimated)	$3,150	

Once completed, the estimated assessed value of the property will therefore increase by approximately threefold while the estimated municipal portion of realty and business taxes will increase by approximately 1.6 times.

The Administration would therefore recommend the $250,000 HCTC as it, combined with the existing Downtown Heritage Tax Credit is for approximately the same value as the estimated municipal portion of realty taxes over a ten-year period (2004 through 2013). The proposed total heritage incentive package of $300,950 is approximately 30% of the total value of the project. The heritage incentives would therefore lever an approximate 3.3: 1 private to public investment, which although not in the more favorable range of leverage (preferred is greater than 8 : 1), is acceptable due to the nature of the conversion to residential condo use. Residential development within the downtown will have the greatest impact on downtown enhancement.

Approximately half 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.

In the event that the project is unable to proceed following approval of the tax credits, the Administration wish to ensure that the tax credits do not limit the capacity of the Heritage Investment Reserve for an extended period. The administration therefore recommend that the HCTC be subject to substantial completion of the project as defined by the *Builder's Liens Act*, on or before June 30, 2004. The applicant is aware of, and has agreed to this condition. With this in mind, the Administration also recommend 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.

Financial Impact Statement **Date:** July 18, 2003

Project Name: **First Year of Program** 2005

Request for a Heritage Conservation Tax Credit for the Travellers Building, 283 Bannatyne Avenue.

	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	$ 21,331	$ 30,609	$ 30,609	$ 30,609	$ 30,609
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 21,331	$ 30,609	$ 30,609	$ 30,609	$ 30,609
Less: Existing Budget Amounts	21,331	$ 30,609	30,609	30,609	30,609
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Assumptions with respect to the above are that 2005 municipal realty taxes will reflect the completion of phase I work, and that the 2006 realty taxes will reflect the completion of phase II work. This analysis ignores the potential impacts of tax credits applicable to previously approved tax credits under the Downtown Heritage Conservation Tax Credit Program. As existing realty taxes are $13,063, all new taxes generated by the renovation projects will be deemed incremental and therefore will be retuned on an annual basis to the Heritage Investment Reserve..

"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

Document name: O:\Reports Directive\Office of the Director\Downtown Manager\Tax credit request -283 Bannatyne.doc