Agenda - Council - December 17, 2003

Report - Standing Policy Committee on Property and Development - December 4, 2003

Item No. 6 Acquisition and Development of Land in North St. Boniface including Club Le Rendez-Vous Property
File FI-2(35)

STANDING COMMITTEE RECOMMENDATION:

On December 10, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, as amended, and submits the following to Council:

1. That the unsolicited expression of interest from Qualico Developments (Winnipeg) Ltd. be received as information and Qualico be advised the City is not currently able to entertain such a proposal.

2. That the Director of Planning, Property and Development be authorized to negotiate the acquisition of the Club Le Rendez-Vous property, at a price not to exceed market value, for the purposes of conversion into residential housing and that the Land Operating Reserve be utilized to fund the acquisition.

3. That, subject to community and Provincial approval, the Building Communities program be utilized to demolish the structures and prepare the site for residential conversion.

4. That a Request for Proposal Call for residential redevelopment of the Club Le Rendez-Vous site be prepared.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Property and Development - December 4, 2003

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 10, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, as amended, and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On December 4, 2003, the Standing Policy Committee on Property and Development concurred in administrative recommendation 1 namely:

1. That the unsolicited expression of interest from Qualico Developments (Winnipeg) Ltd. be received as information and Qualico be advised the City is not currently able to entertain such a proposal.

Further, the Standing Policy Committee on Property and Development moved the following, namely:

1. That the Director of Planning, Property and Development be authorized to negotiate the acquisition of the Club Le Rendez-Vous property, at a price not to exceed market value, for the purposes of conversion into residential housing and that the Land Operating Reserve be utilized to fund the acquisition.

2. That, subject to community and Provincial approval, the Building Communities program be utilized to demolish the structures and prepare the site for residential conversion.

3, That a Request for Proposal Call for residential redevelopment of the Club Le Rendez-Vous site be prepared.

and submitted the matter to the Executive Policy Committee and Council.

Re: Expression of Interest from Qualico Developments (Winnipeg) Ltd. to Acquire and Develop Land in North St. Boniface, including Club Rendezvous Property
Riel Community
St. Boniface Ward

For submission to: **Standing Policy Committee on Property and Development**

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

Report date: November 24, 2003

Recommendation(s):

1. That the unsolicited expression of interest from Qualico Developments (Winnipeg) Ltd. be received as information and Qualico be advised the City is not currently able to entertain such a proposal.
2. That the alternatives for the Festival du Voyager's Club Rendezvous property suggested within this report be considered for possible further direction.
3. That the Director of the Planning, Property and Development Department be provided with further instructions regarding the FNET Property shown on Misc. Plan No. 12091.

REPORT SUMMARY

Key Issues:

- Qualico Developments (Winnipeg) Ltd. has submitted to the City an expression of its interest to develop certain land in North St. Boniface that would have impacts in five general areas:
    1) An acquisition of the Festival du Voyager Inc.'s Club Rendezvous property, for which the City has an Option to Purchase, plus the cost to demolish the improvements thereon;
    2) An acquisition of the First Nations Education Trust, Inc. property, which riverbank property the City ultimately requires to complete the St. Boniface parkway, plus demolition of the improvements thereon, etc.;
    3) A direct sale of part of the City-owned land within the area of a proposed redevelopment of North St. Boniface (i.e. north of the CNR Highline), for which the administration is under certain instructions from Council;
    4) A proposed closing of part of Rue Tache, between Rue Aubert and La Verendrye;
    5) Removal of overhead hydroelectric lines adjacent to the Club Rendezvous properties, which is intended to be accomplished late in 2004 under a cost-sharing agreement with the Province of Manitoba.

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**
	Involves a multi-year contract

Comment(s):

Qualico's general idea, while having considerable merit in terms of creating new infill residential development is premature, thus, it should be set aside pending resolution of the associated issues.

Policy implications:

X	**No**
	Yes

Comment(s):

Environmental implications:

	No
X	**Yes**

Comment(s):

The riverbank property would require a Phase II Environmental Site Assessment before the terms and conditions of its acquisition could be established.

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):

Although the recommendations themselves have no direct financial implications, some of the alternatives suggested within the report would require new funding with which to achieve their intended results.

REASON FOR THE REPORT:

The Standing Policy Committee on Property and Development, at its meeting held on September 30, 2003, referred an expression of interest from Qualico Developments (Winnipeg) Ltd. as contained in a letter dated September 26, 2003 (attached as Schedule "A") to the Director of the Planning, Property and Development Department for review and report back.

DISCUSSION:

The Administration has conducted an initial review of Qualico's proposal and, as instructed, is hereby reporting on the results, for the information of, and consideration by, the Standing Policy Committee on Property and Development. The properties that are referred to in Qualico's letter are illustrated on the attached Misc. Plan No. 12091.

Qualico's General Proposal:

Qualico's general proposal was initially expressed in its September 26, 2003 letter (attached). On October 29, 2003, the Administration met with Qualico's representatives to obtain detail and clarification as follows:

1. Qualico proposes to construct one, five-storey (not two four-storey) terraced apartment condominium building on the north side of Rue Aubert, which would yield a proposed 59 dwelling units.
2. The proposed market value price would be for the vacant lands, i.e. cleared of structures, according to the multiple family residential uses proposed by Qualico and ultimately permitted by the City.
3. The proposed parking for the north side would be deficient (i.e. 63 spaces vs. 89 required), thus, would require either a Variance Order or lower density, which would lower the value. Note also, that the south side proposes to contain surplus parking spaces (29 spaces vs. 15 required).
4. The proposal would require demolition of the Club Rendezvous building and detached garage, for which Qualico has obtained from Rakowski Cartage & Wrecking, an estimate of $92,000 plus GST, presuming no basement and no environmental concerns, such as asbestos. No demolition estimate exists for the building located on the south side of Rue Aubert. Qualico does not expect to have to pay these demolition costs.
5. Qualico states that the proposed street closure is not essential.
6. Qualico's representatives are all of the opinion that the hydroelectric lines will in fact be buried underground very soon.
7. Qualico intends to employ architectural designs in its buildings that are consistent with the look of Old St. Boniface.
8. Qualico affirms that in order to benefit financially from the anticipated renewal sparked by its proposed initial development on the Festival du Voyager's Club Rendezvous properties, it requires an option to purchase the parcel of City-owned land located on the south side of Rue Messager.

9. Qualico confirms that it would wish to build an urban townhome development on the Rue Messager site. The City is currently considering single-family redevelopment for this area.

Festival du Voyageur Inc. (Club Rendezvous) property:

This property consists of two parcels: one located on the north-east, and the other on the south-east corner of Rue Aubert and Rue Tache, as shown on the attached Misc. Plan No. 12091. Qualico wishes to acquire this property at its market value in order to redevelop it with a five storey (Note: initially stated two four-storey) terraced condominium building(s) with underground parking.

The City has filed a Caveat No. 2778430 against the Titles to these two parcels in respect of its Option to Purchase them. This Option to Purchase was acquired by the City as a condition of Council's granting a Community Incentive Grant to the Festival du Voyager Inc.. The salient features of the City's Option to Purchase are as follows:

- The Option to Purchase may be exercised by giving notice to Festival du Voyageur at any time up until December 31, 2006.
- The purchase price to be market value, which shall be determined not later than July 1, 2006, by an independent accredited appraiser, who would be selected by mutual agreement.
- If an appraiser cannot be agreed upon by Jan. 1, 2006, the purchase price shall be determined by referral to one arbitrator or, if both parties cannot agree upon one arbitrator, three will then be hired.
- There is no obligation for Festival du Voyageur to obtain the City's consent prior to selling the properties.
- The Option to Purchase runs with the land until the expiry date or sooner if removed by consent of the City.
- Several mortgages held by La Caisse Populaire are registered in priority to the City's Caveat regarding this Option to Purchase; therefore, a foreclosure and sale by La Caisse Populaire would remove the City's Caveat.

The Zoning and Permits Branch advises that a Zoning Agreement DAZ 268/86 limits the use of the land located on the north side of Rue Aubert to a commercial club, which may include a banquet hall and amusement facilities as approved under Conditional Use and Variance orders DCU 15/82 and DAV 22/86 as well as uses accessory and incidental thereto, and that this Agreement runs with the land.

First Nations Education Trust property:

Qualico's proposal is predicated on certain requirements, one of which is that the City acquire this riverbank property and redevelop it as parkland. This riverbank property, shown as "FNET Property" on the attached Misc. Plan No. 12091, is owned by the First Nations Education Trust,

Inc. (FNET Inc.) and is one of the few remaining properties required in order to complete the St. Boniface Parkway identified by Council as a top priority for parkway development.

The Standing Policy Committee on Property and Development, at its meeting held on February 27, 2002, approved a motion that the Director of the Planning, Property and Development Department be authorized to acquire the remaining Tache riverbank land and report back. However, no available funding has been identified for this particular property at this time.

Concurrently, this property had been included within a proposal being negotiated through the City's Aboriginal Affairs Coordinator in order to assist the Assembly of Manitoba Chiefs (which manages the FNET Inc.) with establishing an Institute of Trades and Technology on part of the former Public Markets site. This proposal involving "education" may be premature for the City to consider further pending a determination by the Province (which is responsible for "education") and liaison with the Federal Government as well. Accordingly, the City has postponed any consideration of providing land at the Public Markets or at any other site.

Redevelopment North St. Boniface, north of High-line:

Qualico's proposal requests a two-year option to purchase the "City-owned 'Messager' site" as shown on Misc. Plan No. 12091, in order to develop an urban townhome development (multiple family residential) overlooking the park on the bank of the Red River. An independent appraiser would determine the market-based price for the land.

This is contrary to the redevelopment concept approved by Council on July 17, 2002, to issue a proposal call for the redevelopment of North St. Boniface, north of the CNR High-line in accordance with certain principles, which included limiting density to principally single-family dwellings. Preparation of an administrative report dealing with the proposed parameters of an RFP is under way and will be submitted to the Standing Policy Committee on Property and Development before issuing the call for proposals.

Qualico's proposal raises a number of issues relating to this proposed redevelopment, some of which have been identified as follows:

1. Should the development occur by way of a proposal call to the public at large as instructed by Council (an RFP) or by way of (an) individual direct sale(s) of the City-owned properties? For reasons of maximizing revenue, affording the public with equal access to development opportunities and having transparency in civic government, the Administration considers a public proposal call to be the best method for achieving redevelopment of this enclave.
2. Do the objectives of the North St. Boniface area redevelopment plan support development other than single family residential for this parcel? Qualico's current position is that it would wish to construct townhouses, which would tend to be incompatible with the single family residential development that has been discussed for this enclave.

3. The City's pro forma for the proposed North St. Boniface redevelopment indicates a "break even" proposition, which includes receipt of a Building Communities Grant in the amount of $450,000.00. Will the detailed terms of Qualico's proposal, yet to be negotiated, place the projected financial implications at risk, thus, placing in jeopardy the viability of the entire redevelopment proposal? Under the terms of a two-year Option to Purchase, a purchaser would not necessarily exercise the option and pay the purchase money in full, which money is required to fund the needed services as they are installed.
4. Could a density greater than the single family residential development for the south Rue Messager site currently proposed by the City render the underground water and sewer facilities inadequate (i.e. a servicing capacity issue)? The City's engineers would need to review the capacities of the existing combined sewer (to be converted to a sanitary sewer) and water lines, plus the proposed new land drainage system. Any changes to the current scheme could potentially increase the cost of the overall redevelopment.
5. What would the City's covenants be relative to road openings: Rue Messager, Rue St. Joseph, a potential widening of the public lane; and relative to relocation of the overhead hydroelectric pole line on the north side of Rue Messager.

Proposed Closing of part of Rue Tache:

The Public Works Department will need to determine whether closing part of Rue Tache between Rue La Verendrye and Rue Aubert is acceptable or not from a transportation planning perspective (i.e. traffic circulation, including during Festival events) and what issues would result from that. The Public Works Department observes that the proposed closing would result in existing streets forming a "P" loop that existing residents would probably tend to find unacceptable due to additional traffic on their local residential streets as a result of the street closing and new residential development proposed for the area north of the CNR Highline; also, all traffic from the area north of the closure would be funneled through the intersection of Rue St. Joseph and Rue Aubert. The applicant should be required to submit a Traffic Impact Study carried out by a qualified transportation engineering consultant for review by the Public Works Department.

Overhead Hydroelectric Lines:

The Administration understands that the overhead 66kV hydroelectric line near the Club Rendezvous property will be relocated through Whittier Park with an overhead transmission line, and buried through the residential area along Rue St. Joseph and Rue Messager late in the year 2004. This work is to be funded under the terms of a cost-sharing agreement with Manitoba Hydro and is subject to further consideration of issues such as the most desirable routing in the vicinity of the Amy Street substation and deciding which part shall be buried.

Summary and Potential alternatives:

The initial decision may be whether to accept or to reject Qualico's expression of interest. After careful review, the Administration considers that Qualico's expression of interest has merit, but is premature and not recommended. Accordingly, the Administration recommends that Qualico

be thanked for its expression of interest and be so advised. Qualico could also be reminded to participate in a public proposal call, if/when issued, for redevelopment of North St. Boniface (the subject of a separate report).

Should the Standing Policy Committee on Property and Development concur with the Administration and reject Qualico's expression of interest, then the Administration considers there to be three potential alternatives regarding the Festival du Voyager Inc.'s Club Rendezvous property, as follows:

1. Instruct the Administration to proceed to negotiate a proposed acquisition of the Club Rendezvous property, subject to an additional appropriation in an amount yet to be determined in order to fund this acquisition, and then arrange for a redevelopment to a use that is acceptable to the community.
   Comment: Several mortgages held by La Caisse Populaire are registered in priority to the City's Caveat regarding its Option to Purchase; therefore, a foreclosure by La Caisse Populaire, which appears imminent, would remove the City's Caveat. The City would then need to negotiate to acquire this property before there was a sale to another potentially interested party. Although the Planning, Property and Development Department is in the process of preparing preliminary estimates, the market value of the property has not been estimated pending further instructions. An appropriate source of adequate funding would be required. The Land Operating Reserve Account would only be the appropriate funding source if there were a reasonable expectation of making a profit on the initiative.

2. Instruct the administration to work collaboratively with the Festival du Voyager and the Caisse Populaire in an effort to facilitate a redevelopment of the property in a manner that would be acceptable to the community.
   Comment: In order to control future land use, the City could consider making an offer to contribute towards the demolition costs, or even to cover all demolition costs, subject to the owner agreeing to a rezoning of these two sites to an appropriate multiple family residential designation. If such an incentive were necessary and the resulting benefits to the City were deemed to be sufficiently positive to warrant the expenditure, then funding of up to an amount that could potentially exceed $100,000.00 would be required. This alternative could potentially achieve the same result as Alternative No. 1., yet at less cost to the City and with fewer staff resources. The Administration has heard informally that La Caisse Populaire has been in a position to foreclose due to default on its loans to the Festival du Voyager Inc.. Perhaps this community-based credit union would delay foreclosure if it were aware of a viable proposal that would either ensure repayment of the outstanding loans and any accrued interest or at least recover more of the outstanding indebtedness than would any other alternative.

3. Leave the Festival du Voyager and the Caisse Populaire to deal with the property independent of any involvement from the City.
   Comment: The current facility is closed to business and a Zoning Agreement limits its use to a commercial club. It is possible, therefore, that a future owner may want to redevelop the

land to, say, a multiple family residential use. If the market value of the vacant lands under such a highest and best use should prove to be greater than the current market value of these two sites "as is" plus the demolition cost, then such an event would be feasible. This is not, however, necessarily the case and so an analysis, and perhaps discussion with the Festival and with the Caisse Populaire, would be required.

Lastly, the FNET property shown on Misc. Plan No.12091 is currently two years in arrears of its realty taxes (slightly in excess of $24,000.00 owing to date). The FNET Inc. had also owned the adjoining property to the north, which the City acquired by tax sale in August of 2001. A negotiation to acquire the remaining property presently would require a source of adequate funding. In order to fund the following cost implications of this proposed acquisition, an additional appropriation would be required in the minimum amount of $235,000 plus the market price, yet to be determined, and any environmental site remediation that may be required:

Phase one Environmental Site Assessment (records searches)	$ 2,800
Phase two ESA (drilling, and soils and ground water analysis)	20,000
Geotechnical investigation (riverbank stability)	30,000
Appraisal of the market value (subject to the site investigations)	5,000
Building inspection for contaminants (e.g. asbestos)	2,000
Demolitions at the Subject (riverbank) Property	98,000
Plus: potential asbestos removal	20,000
Unpaid taxes and penalties for Subject (riverbank) Property	25,000
Net GST on Subject (riverbank) Property @ 3%	6,978
Land Transfer Tax on Subject (riverbank) Property	2,169
Contingencies @ 5%	10,597
Net GST on other costs @ 3%	5,717
Finance and administration charges @ 3%	6,848
Total	$ 235,109*

* plus the market price yet to be determined and any environmental site remediation that may be required.

The Administration had been previously instructed by the Standing Policy Committee on Property and Development to acquire the remaining Tache riverbank land, which includes this FNET Property. The Administration recognizes that redevelopment of this area could be better effected if this property were acquired and cleared by the City. However, the Administration requires direction from the said Committee as to the timing for this proposed acquisition. No funding exists currently, thus, an additional appropriation would be required as stated above.

Financial Impact Statement

Date: 20-Nov-03

COMMENTS:

There are no direct financial implications associated with the recommendations of this report.

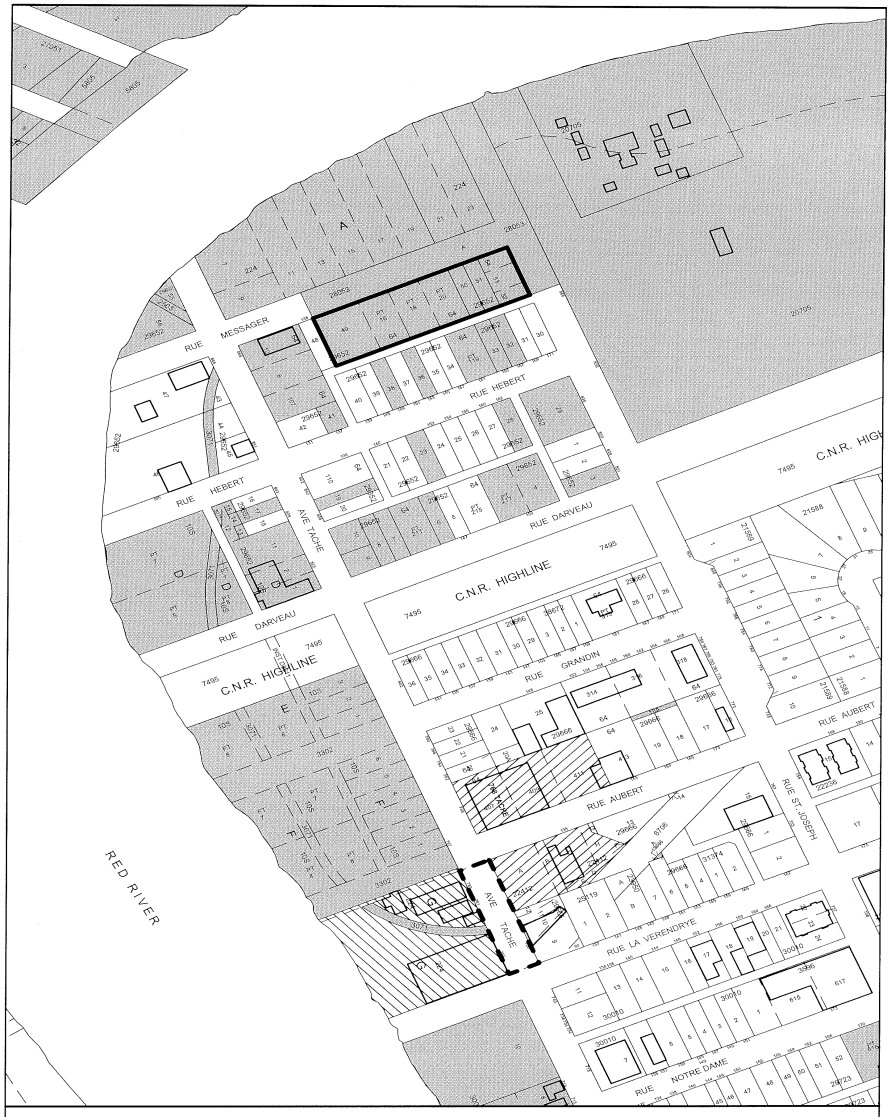
Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Real Estate
Prepared by: Vic Mikolayenko
PPD File #: 5975/C/11; 8234(II); 5413/AA (III)

Document name: o:\reports directive\real estate\acquisition\(vm)qualicotache.doc



Date: 2003-NOV-04
District: RIEL
File: 5975/C/II
Scale: 1:3000

METRIC

NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only.
No warranty is expressed or implied regarding the accuracy of such information.

CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES

MISC. PLAN NO. 12091

SCHEDULE "A"

QUALICO®

September 26, 2003

City of Winnipeg
Council Building, 510 Main Street
Winnipeg, Manitoba
R3B 1B9

Attention: Daniel Vandal
City Councillor, St. Boniface

Dear Sir:

RE: Le Rendez-Vous
Re-Development Proposal

We are pleased to confirm our interest in redeveloping the lands currently occupied by Le Rendez-Vous at the north east and south east corners of Tache and Rue Aubert.

We understand that Le Rendez-Vous is currently owned by Festival Du Voyageur Inc. and that the City of Winnipeg has an option to purchase the property. It is in that context that our proposal is directed to the City.

In our opinion, the area north of Provencher represents the best residential re-development opportunity in the City of Winnipeg. The completion of the Provencher Bridge and Pedestrian Walkway solidifies the link between Old St. Boniface, Downtown and The Forks recreation and shopping areas. Old St. Boniface is also one of Winnipeg's oldest communities with well established amenities and services and a strong cultural heritage. Old St. Boniface also suffers from a lack of housing options. We believe that new housing development would meet the needs of existing St. Boniface residents and be attractive to former St. Boniface residents who want to return to the neighbourhood of their youth. A wide range of new residents would also be attracted to this beautiful and culturally rich community.

The development we are proposing consists of two four storey terraced apartment condominium buildings with underground parking on the north side of Rue Aubert and urban style townhome clusters with a rear parking court on the south side of Rue Aubert A preliminary site plan is enclosed for your review. We have had the opportunity to discuss the creation of a new secondary plan for North St. Boniface with the City Administration as well as representatives from Enterprise Riel Inc. and the Old St. Boniface Residents Association. A consistent objective of these groups has been to

30 SPEERS ROAD WINNIPEG MANITOBA R2J 1L9 TELEPHONE (204) 233-2451 FACSIMILE 233-2965

provide for mixed use residential. We believe our proposal directly addresses this need by providing density in a manner that will not be offensive to existing single family development or preclude new single family development. We are in the process of completing a more detailed site plan and perspective drawings to better illustrate our proposal. The drawings will be available for your review in mid-October.

In order to proceed with our proposal, we would first want to enter into an Agreement of Purchase and Sale for the property at fair market value. The fair market value of the property would be determined by an independent appraiser agreed upon by both parties. The appraisal would determine the value of the land based on its intended use and would also consider the cost to demolish the current structure.

The Agreement of Purchase and Sale would also provide for a six month condition period during which we would conduct community consultations, complete our design concepts and apply to the City of Winnipeg for the necessary development approvals.

Our proposal is also predicated on the following requirements:

1. The river front lands to the south west are to be acquired by the City and redeveloped as park lands;

2. The Hydro lines which currently run adjacent to the property are to be buried;

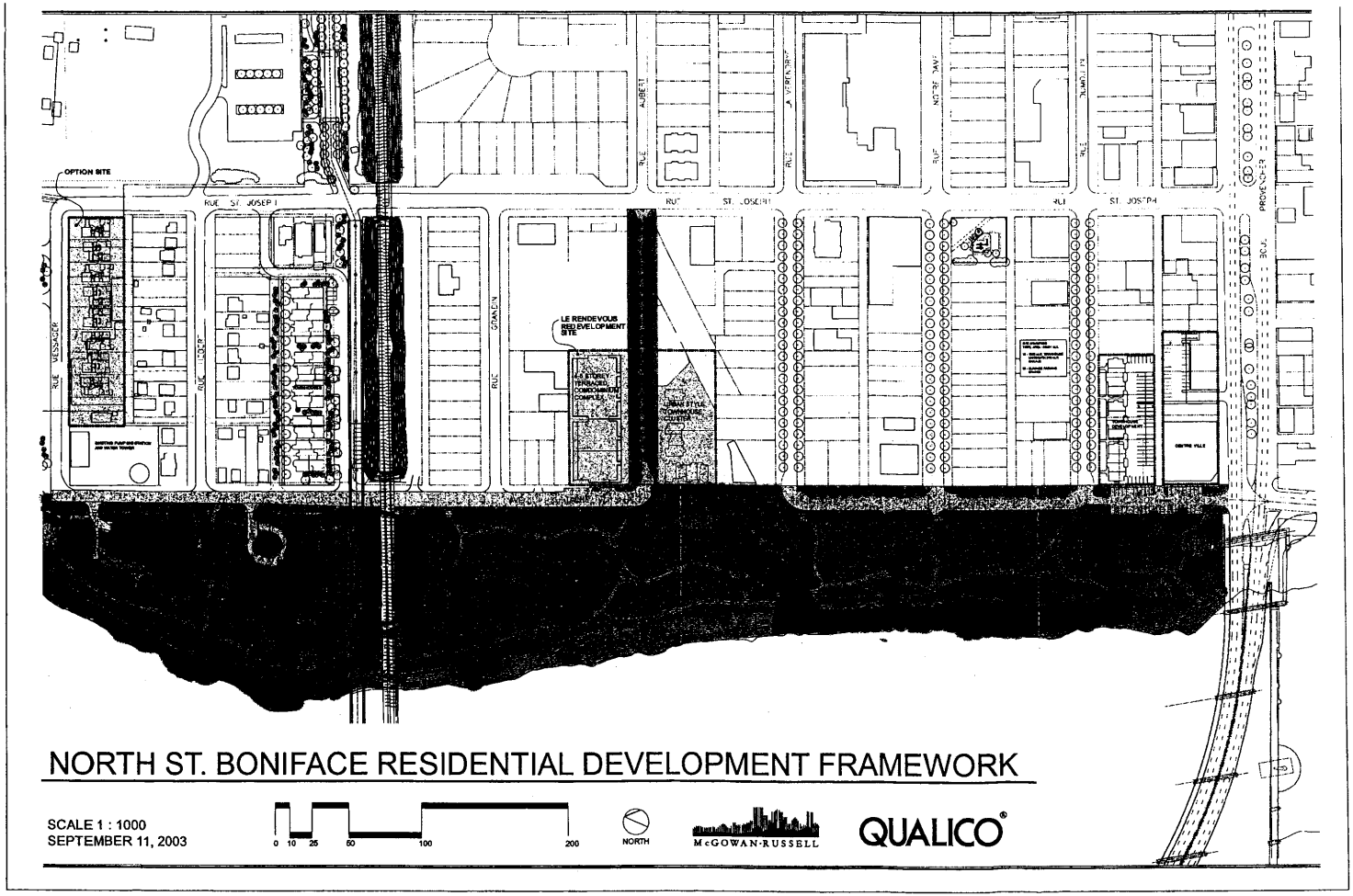
3. Qualico will receive a two year option on the vacant site fronting on Rue Messager to do an urban townhome development. The option price will be based on the fair market value of the site, again determined by an independent appraiser. We note that the redevelopment of Le Rendez-Vous site is a pioneering effort and we want to ensure that we can participate in the future benefits that will flow to the community.

It is our preference of an Agreement of Purchase and Sale with the City of Winnipeg be executed not later than October 31, 2003. If you are interested in pursuing this matter, we would be pleased to meet with you to discuss our development plans in greater detail. In the interim, we request that our proposal remain confidential.

Yours truly,
Qualico Developments (Winnipeg) Ltd.

John Daniels
Branch Manager

Enclosure



NORTH ST. BONIFACE RESIDENTIAL DEVELOPMENT FRAMEWORK

SCALE 1 : 1000
SEPTEMBER 11, 2003

0 10 25 50 100 200