Agenda - Council - June 23, 2004

Report - Standing Policy Committee on Downtown Development - June 3, 2004

Item No. 1 Tax Sale Acquisition and Sale of 404 Qu'Appelle Avenue
File FI-2.4(32)

STANDING COMMITTEE RECOMMENDATION:

On June 16, 2004, the Executive Policy Committee concurred in the recommendation and submits the following to Council:

1. That, subject to receipt of a duly executed Option to Purchase by the CentreVenture Development Corporation, the Planning, Property and Development Department request the Legal Services Division to complete the tax sale acquisition of 404 Qu'Appelle Avenue, shown as "subject property" on Misc. Plan No. 11232/1.

2. That, subject to title of this property issuing in the name of the City of Winnipeg, pursuant to the tax sale acquisition, the subject property be declared surplus to the City's requirements.

3. That subject to Recommendation 1, and to Kinkora Developments Ltd. confirming to the satisfaction of the Director of Planning, Property and Development that all funding is approved for the proposed rehabilitation project, that the subject property (404 Qu'Appelle Avenue) as outlined on Misc. Plan No. 11232/1 be added to Category "A" of the CentreVenture Asset Agreement.

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

Agenda - Council - June 23, 2004

Report - Standing Policy Committee on Downtown Development - June 3, 2004

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 16, 2004, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On June 3, 2004, the Standing Policy Committee on Downtown Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: Proposed Tax Sale Acquisition and Sale of 404 Qu'Appelle Avenue
City Centre Community
Daniel McIntyre Ward

For submission to: **The Standing Policy Committee on Downtown Development**

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

Report date: June 1, 2004

Recommendation(s):

1. That the Standing Policy Committee on Downtown Development (SPCDD) be informed that, subject to receipt of a duly executed Option to Purchase by CentreVenture Development Corporation (CentreVenture), the Planning, Property and Development Department ("PP & D") will request the Legal Services Division to complete the tax sale acquisition of 404 Qu'Appelle Avenue, shown as "Subject Property" on the attached Misc. Plan No. 11232/1. That, subject to title of this property issuing in the name of the City of Winnipeg, pursuant to the tax sale acquisition, Council declare the Subject Property surplus to the City's requirements.

2. Subject to Recommendation 1, and to Kinkora Developments Ltd. ("Kinkora") confirming to the satisfaction of the Director of Planning, Property and Development that all funding is approved for the proposed rehabilitation project, that the Subject Property be added to Category "A" of the Asset Agreement.

3. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- CentreVenture expects to enter into a binding agreement with Kinkora and has requested the City to declare the Subject Property surplus to the City's requirements, and to add the Subject Property to the Asset Agreement, subject to completion of the tax sale acquisition and subject to confirmation that all the funding is in place for the proposed project development.

- The tax sale acquisition of 404 Qu'Appelle Avenue and its resale to CentreVenture will result in a charge to the Land Operating Reserve Account of approximately $223,000.00, with a recovery of $31,534.00 from CentreVenture (net charge to the Land Operating Reserve would be $198,156 net of GST).

- The potential conveyance of 404 Qu'Appelle Avenue to Kinkora, via CentreVenture, would result in the following:

    1. A $1.45 million renovation to an existing derelict apartment block resulting in an improved building which will generate approximately $20,000 per year in additional tax revenue.

    2. A project which is consistent with both CentreVenture's and Plan Winnipeg Policies, as follows:

        - Plan Winnipeg Policy 1A "Putting Downtown First" promotes downtown development and encourages downtown living

        - Plan Winnipeg Policy 1B "Creating Healthy Neighbourhoods" supports neighbourhood revitalization and promotes neighbourhood safety

        - Plan Winnipeg Policy 1C "Addressing Housing Needs" facilitates provision of safe and affordable housing and supports support integration of special needs housing

        - City / CentreVenture Housing Strategy (supported by senior levels of government) targets downtown and inner city neighbourhoods by offering a variety of incentive programs.

        - CentreVenture also has a role facilitating development that promotes putting properties such as 404 Qu'Appelle Avenue back into productive use and on the tax role.

IMPLICATIONS OF THE RECOMMENDATION(S):

GENERAL IMPLICATIONS:

X	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

- Comment(s):

POLICY IMPLICATIONS:

X	No
	Yes

- Comment(s):

ENVIRONMENTAL IMPLICATIONS:

[X] No
[ ] Yes

Comment(s):

- The Subject Property is not listed on the Manitoba Environmental Impacted Sites List. The Real Estate Division has not carried out an Environmental Site Assessment. CentreVenture has advised that its client will accept this property in its "as-is" condition.

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 tax sale acquisition of 404 Qu'Appelle Avenue and its resale to CentreVenture will result in a charge to the Land Operating Reserve Account of approximately $223,000.00, with a recovery of $31,534.00 from CentreVenture (net charge to the Land Operating Reserve would be $198,156 net of GST).

REASON FOR THE REPORT:

CentreVenture has indicated that it is close to finalizing its negotiations with Kinkora Developments Ltd. and has requested the Real Estate Division to undertake its preliminary work to facilitate this imminent potential conveyance. In order for this property to be made available to CentreVenture, it must first be secured by the City through the Tax Sale Process and declared surplus to the City's requirements by Council.

HISTORY:

The taxes for 404 Qu'Appelle Avenue were last paid in 1996, and the property was formally entered into the tax sale process in the fall of 1999.

On June 9, 2000, the Subject Property was ordered vacant by the Environmental Health Services Division due to disrepair, gross unsanitary conditions, lack of water and heat.

On June 9 and June 30, 2000, the Existing Buildings Division ordered the owner to secure the premises with plywood panels and to hire a structural engineer to either certify the building in its present condition or to identify a time frame for the repair of all defects. That Division indicated to the owner that failure to comply would cause the City to demolish the building. The owner did not comply and the Existing Buildings Division arranged for the boarding of the building.

In August 2001, the Legal Services Division advised the Real Estate Division to undertake such investigations and contacts as required prior to completion of the tax sale acquisition.

The Real Estate Division has examined the issues of tax status, building condition, estimated cost of demolition, historic interest, CentreVenture's interest and had arranged for entry onto the premises by various interested parties including the Province of Manitoba, other City Divisions, North Portage Development Corporation, University of Winnipeg and private individuals.

The Real Estate Division had previously delayed requesting the Legal Services Division to complete this tax sale acquisition because it first wanted to determine CentreVenture's interest in taking an option to this property with or without the building in place (so as to define the full extent of the financial liability to the City). To that end, the Real Estate Division, on June 21, October 31, and November 5, 2002, January 22 and November 26, 2003, and April 22, 2004, had asked CentreVenture to determine its position.

On November 26, 2003 CentreVenture advised the Planning, Property and Development Department that it had a developer (Kinkora) willing to restore/redevelop the building. The Developer's proposal had been accepted by the CentreVenture Board but still required approval by the Affordable Housing Initiative.

The Kinkora proposal involves the creation of 27 transitional housing units to accommodate men, women and children who are refugees and new immigrants to Winnipeg, and who are at risk of homelessness. This project will serve between 45 to 60 individuals annually. CentreVenture has agreed to provide financing to Kinkora in order to facilitate the rehabilitation of the apartment building.

The total cost of this project is approximately $1.45 million. Funding in the amount of $580,000 has been approved in principal through Human Resource Development Canada (HRDC) and $270,000 has been approved through the Province of Manitoba Neighborhood Housing Association.

The acquisition of this property through the tax sale process is required in order to enable this proposal to proceed.

CentreVenture has now advised that Kinkora has received the first stage of approval for funding of this project. Cabinet approval is still required before final funding approval can be in place. CentreVenture has given a timeline of anywhere from 2 weeks to 6 months for final funding approval to be attained.

Particulars of the Subject Property are as follows:

Location:	404 Qu'Appelle Avenue
Legal Description:	Lot 26, Block 4, Plan 24363
Certificate of Title:	1350529
Owner:	Mark Edward Harrison
Assessment:	$359,400
Zoning:	Rb NRa PL S-1 P/L1 BR-1
Site Size:	±561.3m² (±6,041.7 sq. ft.)
Building Description:	The property consists of a part 2/3/4 storey brick exterior apartment built in 1907 and 1927 and containing 27 suites. The building is in poor condition, comprising 16,740± sq. ft. on a full basement.

A structural engineer (hired by the Province of Manitoba) reported that the building is in poor structural and physical condition and has reached the end of its economic life. Virtually all building systems (i.e. foundation, basement, exterior envelope, roof, plumbing electrical, mechanical, interior walls, floors, etc.) are in need of major repair or replacement. The engineer's estimate of the cost of remedial work is approximately $1.7 million.

The Department has been advised that the building is on the Historical Building Inventory List and as a result, this may impact the potential for demolition. The estimated cost of demolition, if requested and permitted, is currently $110,000.00.

DISCUSSION:

The City is in a position to acquire the Subject Property by tax sale and CentreVenture wishes to facilitate a sale to Kinkora Developments Ltd. However, the Department is reluctant to complete the tax sale acquisition until CentreVenture is committed to exercising its Option to Purchase the property pursuant to the CentreVenture Asset Agreement. CentreVenture has requested that this property be declared surplus to the City's requirements and that it be added to the Asset Agreement, all subject to completion of the tax sale acquisition by the City.

On May 6, 2004, the Department circulated notice of the proposed acquisition of this property by tax sale to determine whether there was any civic need for this property. No civic need was identified nor are any easements required.

The building is currently assessed at $359,400.00. The subject property through the cost to the City to acquire the tax sale process is approximately $223,000 made up as follows:

Total taxes owing, 1996-2004	$ 72,468.80
Unpaid Water Bills	$ 30,083.22
Premises Board-Up	$ 3,880.35

Weed treatment	$ 61.00
Advertising	$ 10.00
Interest and Penalties	$ 116,84.14

TOTAL	**$223,317.51**

Should Council concur with the Department recommendation to declare the Subject Property surplus to City requirements upon title issuing in the name of the City of Winnipeg, the Subject Property will be added to the Asset Agreement under Category "A" pursuant to Clause A. (b) wherein it states:

> "That, for the duration of the Asset Agreement, upon receipt of title and possession of future tax sale properties within the downtown, each property be processed through the City's normal procedure to declare properties surplus and that each property **be optioned to CentreVenture for the last three years of realty taxes**, prior to its having become a City-owned property, net of interest and penalties".

The City's Tax Branch has supplied the figures for the last 3 years of taxes, as follows:

Levy 2002	$10,473.33
Levy 2003	$10,486.75
Levy 2004	$10,573.92
	$31,534.00

(The aforementioned figures are based on the City taking title to the Subject Property effective July 1, 2004)

The tax sale acquisition of 404 Qu'Appelle Avenue and its resale to CentreVenture will result in a charge to the Land Operating Reserve Account of approximately $223,000.00, with a recovery of $31,534.00 from CentreVenture (net charge to the Land Operating Reserve would be $198,156 net of GST).

Based upon the Kinkora project proforma, the Property Assessment Department has advised that the projected project would have an assessed value of approximately $700,000. The additional municipal taxes accruing to the City as a result of the investment is estimated to be $4,550 per annum. The total municipal taxes for the years 2005-2008 are estimated to be $9,351 per annum, broken down as follows:

$4,801 current municipal taxes
$4,550 projected additional municipal taxes as a result of the investment
$9,351

(see attached Financial Impact Statement for detailed financial information)

CentreVenture does not yet want the City to initiate the tax sale acquisition, as it still needs to conclude a purchase agreement with the developer and confirm that all the funding is in place for the proposed project development.

In order to facilitate the future potential conveyance in a timely fashion, the Department, at CentreVenture's request, is arranging for Council's consideration of this matter in advance of CentreVenture entering into an agreement with Kinkora Developments Ltd.

The Department supports a sale of the property as a result of CentreVenture exercising its Option, as this will:

- Cause the property to be reinstated on the active realty tax roll,
- Remove the City's responsibility for on-going maintenance of the Subject Property, and
- Provide an additional opportunity for redevelopment and enhancement and rejuvenation of Winnipeg's downtown.

Financial Impact Statement

Date: May 28, 2004

Project Name:

Proposed Tax Sale Acquisition and Sale - 404 Qu'Appelle Avenue

First Year of Program 2004

	2004	2005	2006	2007	2008
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	$ 229,690	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	42,900	9,351	9,351	9,351	9,351
Net Cost/(Benefit)	$ 186,790	$ (9,351)	$ (9,351)	$ (9,351)	$ (9,351)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Should Council adopt the recommendation, the anticipated cost to the City (purchase cost of subject property less recovery of three years of back taxes and, assuming CentreVenture exercises its option to purchase the subject property effective July 1, 2004, Municipal realty taxes the City would receive) is $186,790 in 2004. Net charges to the LOR would be $198,156 (i.e. purchase price of $223,000 plus $6,690 GST component charged to the LOR and recovered by Corporate Finance less $31,534 in recovered back taxes plus 2004 municipal property taxes). In 2004, the estimated Muncipal component of realty tax reciepts is estmated at $4,676 for a six month period. Recoveries of $9,351 in years through 2005 through to 2008 represents Muncipal realty taxes the City would receive and assumes no increases in the assessed value of the Subject Property nor any change to the current Municipal Mill Rate. All of the above figures are based upon the 2004 mill rates. Annual cost savings to the City resulting from not having to maintain the property have not been taken into account.

"Original signed by"
Mike McGinn, CA
Manager of Finance

3024

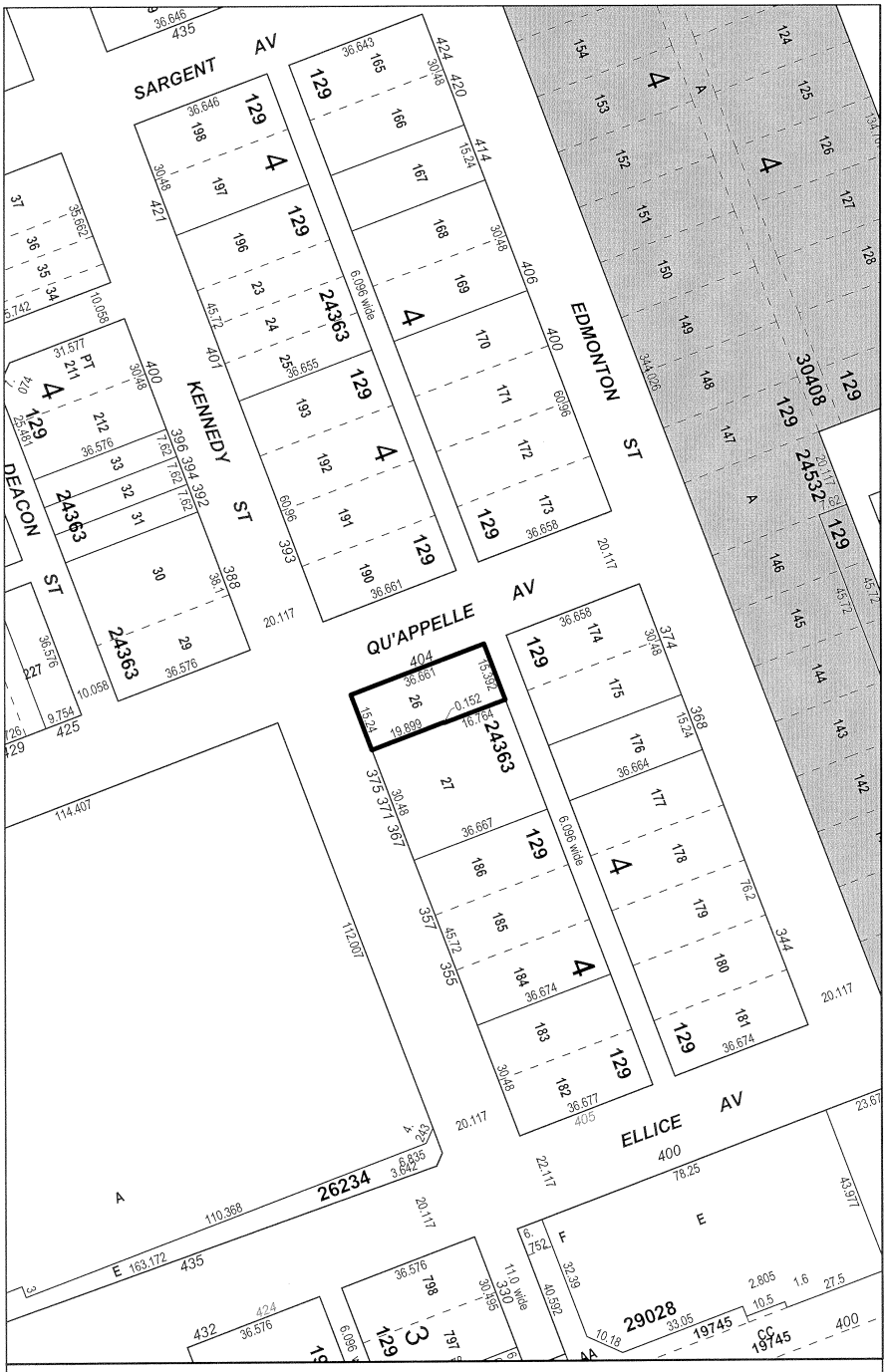
IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

No consultation and concurrence was required in the preparation of this report.

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Real Estate
Prepared by: Joedi Pruden and Bob Senyk
PPD File #: 32/7266

Document name: O:\Reports Directive\Real Estate\Sales\(jp)May 28 404Qu'Appelle.doc


SARGENT AV
KENNEDY ST
EDMONTON ST
DEACON ST
QU'APPELLE AV
ELLICE AV
City Property
Subject Property - 404 Qu'appelle Avenue
Area: ±560.9 m² (±6038 ft²)
Date: 2004-JAN-08
District: CC
File: 32/7266
Scale: 1:1250
METRIC
N
NOTE:
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CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
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MISC. PLAN NO. 11232/1