Agenda - Executive Policy Committee - September 29, 2004

REPORTS

Item No. 1 Heritage Conservation Tax Credit - former Scott Fruit Company Warehouse, 319 Elgin Avenue
File G-3.1.5

ADMINISTRATIVE RECOMMENDATION:

1. That City Council:

   A. approve a Heritage Conservation Tax Credit of up to a maximum of $140,000.00 to undertake conservation and rehabilitation work on the Scott Fruit Company Warehouse and to be utilized by the owner over a maximum ten-year period following completion of the project, subject to the owner beginning the work on or before January 1, 2005 and completing the work on or before January 1, 2007;

   B. require the owner to retain and preserve original and significant material as a condition of the grant;

   C. approve the Heritage Investment Reserve as the source of funding;

   D. approve the Heritage Conservation Tax Credits pending further approval by the City's Historical Buildings Committee on the exact means for rehabilitating the building as outlined in the applicant's September 2004 Conservation Report; and;

   E. require that no work may proceed without design / heritage approval and / or prior to the issuance of all relevant development permits.

2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

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

Re: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE SCOTT FRUIT COMPANY WAREHOUSE, 319 ELGIN AVENUE

For submission to: **Executive Policy Committee**

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

Report date: September 28, 2004

Recommendation(s):

1. That City Council:
   a) approve a Heritage Conservation Tax Credit of up to a maximum of $140,000 to undertake conservation and rehabilitation work on the Scott Fruit Company Warehouse and to be utilized by the owner over a maximum ten-year period following completion of the project, subject to the owner beginning the work on or before January 1, 2005 and completing the work on or before January 1, 2007;
   b) require the owner to retain and preserve original and significant material as a condition of the grant;
   c) approve the Heritage Investment Reserve as the source of funding;
   d) approve the Heritage Conservation Tax Credits pending further approval by the City's Historical Buildings Committee on the exact means for rehabilitating the building as outlined in the applicant's September 2004 Conservation Report; and;
   e) require that no work may proceed without design / heritage approval and / or prior to the issuance of all relevant development permits.
2. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council; and,
3. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- The owners of the Scott Fruit Company Warehouse wish to rehabilitate this major heritage landmark building at an estimated cost of $1.35 million.
- The owner estimates that they will undertake $743,000 in eligible conservation and renovation work on the structure and have therefore requested a Heritage Conservation Tax Credit (HCTC) of $371,500 (based on the maximum 50% of eligible costs as allowed for under the HCTC Program).
- The administration is recommending a reduced HCTC to a maximum of $140,000 based upon the estimated future municipal portion of realty taxes following restoration.

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):

- This Report recommends a Heritage Conservation Tax Credit to Dr. Meredith Penner, new owner of 319 Elgin Ave.
- Heritage Conservation Tax Credits may be allocated over a maximum ten-year period.

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 (2005-2014).
- 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 the investment is repaid.

REASON FOR THE REPORT:

In August 2004, Corbett Cibinel Architects, acting on behalf of Dr. Meredith Penner, made an initial application to the Planning, Property and Development Department for a Heritage Conservation Tax Credit (HCTC) under By-law 7155/98 (as amended) for 319 Elgin Avenue, the Scott Fruit Company Warehouse.

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

HISTORY:
On June 8, 2004, the City of Winnipeg, recognizing the major significance of this structure, listed the Scott Fruit Company Warehouse, 319 Elgin Avenue on the Buildings Conservation List under the terms of the Historical Buildings By-law 1474/77 (as amended) as a Grade III structure.

DISCUSSION:
Background:

The early 1900s saw a sustained period of economic growth in Winnipeg, which led to the construction of dozens of commercial and industrial buildings resulting in much of the Exchange District National Historic Site that one sees today.

The expansion stalled with a recession in 1913 and the outbreak of World War I in 1914. Construction activity dropped sharply then remained at a fraction of its boom-time high for another three decades.

Despite the gloomy outlook, a number of major projects proceeded in 1914, including a new building for the Scott Fruit Company Ltd. at 319 Elgin Avenue on the northwestern edge of the warehouse district. This firm was led by Robert Ross Scott (1857-1924), an Ontarian who came to Winnipeg in the early 1880s with the Macpherson Fruit Company and eventually managed its western Canadian operations. In 1912, Scott and four partners incorporated their own wholesale enterprise, opening branches in Saskatchewan, Alberta and Minnesota. Scott's son, Stewart M., became vice-president and later president.

The company's three-storey brick warehouse was designed and built for about $40,000 by The J. McDiarmid Company Ltd., which also erected Scott's home at 29 Ruskin Row in 1914.

The Scott Fruit project featured newer technology and materials than were commonly found in the city's warehouses, including a reinforced concrete foundation instead of stone, and a steel beam-and-girder frame in place of a wooden beam-and-post superstructure.

Few changes have been made to the warehouse since its development. The symmetrical front (south) façade displays a dark-hued brick finish. Pilasters extend from the raised foundation to a modestly detailed entablature and parapet, dividing bays of large windows with transoms. Accents include concrete sills and lintels, a continuous concrete belt course above the first-floor openings, corbelled brickwork, and brick panels.

The finished façade wraps around to form one bay of the east wall. The rest of this elevation consists of common clay brick with minimal concrete and brick detailing. Paired multi-pane rectangular windows light the two upper storeys. Fewer windows, as well as entrance and loading doors, appear along the first floor. The west elevation has a window well and a one-storey annex (321-25 Elgin) that was added in 1945.

Scott Fruit rented the top floor of its warehouse in the latter 1910s to the Butterick Publishing Company, Standard Fashion Company and New Idea Pattern Company. The fruit wholesaler moved to Ross Avenue in the mid-1920s and was succeeded at 319 Elgin by Mid West Paper Sales Ltd. The latter remained until the mid-1950s. Subsequent occupants included Perfecfit Glove Manufacturers Inc., other clothing manufacturers/wholesalers, a food broker, printer, and Fantasy Theatre for Children. Metro Motors acquired the annex in 1975.

The Heritage Conservation Tax Credit Program (HCTC)

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	$400,000	work complete
Marshall Wells Building, 136 Market Avenue	interior upgrade	$3 million	work complete
Portage Village Inn, 311 Portage Ave. (A&B Sound)	interior upgrade	$835,000	work complete
146-164 Princess Street (Red River College)	downtown technical campus	$15 million	work complete
211 Bannatyne Avenue (formerly 476 Main Street, J.H. Ashdown Hardware Store	commercial offices, studios, and artists live / work spaces	$1.715 million	work complete
222 Broadway, Hotel Fort Garry	interior upgrade	$2.68 million	work underway
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 complete

167 Lombard Avenue, Grain Exchange Building	rehabilitation & restoration	$765,000	work complete
228 Notre Dame, The Lindsay Building	rehabilitation and restoration	$110,000	work complete
283 Bannatyne Avenue, Travellers Building	conservation and rehabilitation work	$250,000	work underway
130-132 James Avenue, Victor Fox Foods Building	conservation and rehabilitation work	$250,000	work pending
331 Smith Street, Ramada Marlborough Hotel	renovations and redevelopment	$405,300	work underway
275-281 McDermot Avenue, Bedford Building	conservation and rehabilitation work	$500,000	work pending

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 the submitted Conservation Report (attached), the applicants advise that subject to an HCTC and a lead tenant, that they will invest approximately $1.35 million to upgrade the Scott Fruit Company Warehouse.

The current vacancy rate is 100%. The HCTC is required to make the business case to redevelop the existing premises to current state-of-the-art standards.

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 applicants propose to rehabilitate the Scott Fruit Company Warehouse to provide a completed base building for tenant improvement by individual users, ranging from office space, recording studio and residential. Work is to start before January 1, 2005 and be complete by January 1, 2007.

Exterior Work:

- window refurbishment and repair
- doors refurbished and repaired
- new access and loading doors
- masonry repair and repointing

Interior Work:

- interior refurbishment of original glass/wood partitions
- installation of new elevator
- new fire stairs and universal access to the main entry
- new mechanical and electrical upgrade

FINANCIAL IMPLICATIONS:

The owners propose to invest approximately $1.35 million to restore this building with proposed eligible work estimated at $743,000. The owner has requested an HCTC of $371,500 (50% of eligible costs). The Administration recommends a lesser HCTC of $140,000, based upon our estimates of the future municipal portion of property taxes for the restored and fully occupied building and property.

Existing 2004 Tax Year information

Total Assessment	Portioned Assessment	Municipal Portion Realty Taxes
$ 109,000	$ 70,850	$ 2,103

Business Taxes

Tax Information following Redevelopment

Total Assessment Estimated	Portioned Assessment Estimated	Municipal Portion Realty Taxes Estimated
$ 700,000	$ 455,000	$ 13,507

Business Assessment (ARV)= $ 140,000

Business Taxes (estimated)= $ 13,650

BIZ Levy (estimated)= $ 2,037

The estimated assessed value of the property will therefore increase by approximately 6.4 times while the estimated municipal portion of realty and business taxes will increase approximately 12.9 times.

The administration would therefore recommend an HCTC for approximately the same value of the municipal portion of realty taxes over a ten-year period. The proposed total heritage incentive package of $140,000 is approximately 10.37 % of the total value of the project ($1.35 million).

The heritage incentives would therefore lever an approximate 10:1 private to public investment, which is within the more favourable range for these types of projects.

The Administration also recommends 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. This project is being proposed without a future tenant in place. The Administration wishes to ensure that the restoration work begins and ends in a timely manner so that the Tax Credit authority within the Heritage Investment Reserve is not held indefinitely. In this regard, the Administration will prepare a Heritage Agreement that requires the Applicant to begin and complete the work within a two-year timeframe, that is, the work must be started on or

before January 1, 2005 and completed on or before January 1, 2007. In the event of nonperformance by the Applicant, the HCTC would expire.

The future municipal property and business taxes as estimated will largely be new (incremental) revenues to the City of Winnipeg. Council policy requires that incremental taxes attributable to this project to 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.

Financial Impact Statement

Date: September 28, 2004

Project Name:

REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE SCOTT FRUIT COMPANY WAREHOUSE, 319 ELGIN AVENUE

First Year of Program 2007

	2007	2008	2009	2010	2011
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	$ -	$ 25,054	$ 25,054	$ 25,054	$ 64,838
Less: Incremental Revenue/Recovery	25,054	25,054	25,054	25,054	39,784
Net Cost/(Benefit)	$ (25,054)	$ -	$ -	$ -	$ 25,054
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (25,054)	$ -	$ -	$ -	$ 25,054

Additional Comments:

It is assumed that incremental revenues will begin accruing to the City in 2007 and corresponding expense in 2008. Direct costs are realty and business taxes foregone by the City. It is assumed that the portioned assessment, annual rental value, mill rate and business tax levy are constant for the 6-year timeframe of this analysis. Revenues represent incremental realty and business tax revenues based on the same assumptions. Over the course of the 6-year period, net revenues are equally offset by net expenditures so there is no impact on the current budget. The $140,000 credit will be financed by the Heritage Investment Reserve Fund.

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

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:
Legal Services
Corporate Finance (Taxation)
Property Assessment
CentreVenture Development Corporation

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Planning and Land Use / Office of the Director
Prepared by: Giles Bugailiskis / Jim Paterson
PPD File #: HTC 19-2004

Document name: O:\Reports Directive\Office of the Director\Downtown Manager\HCTC request-319 Elgin.doc



Tax Application 04 08 27 low.p...