Agenda – Council – January 26, 2005

Report - Executive Policy Committee – January 19, 2005

Item No. 4 Heritage Conservation Tax Credit - the former Oldfield, Kirby & Gardner Building, 234 Portage Avenue
File G-3.1.5

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 19, 2005, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That a Heritage Conservation Tax Credit of up to a maximum of $100,000.00, be approved to undertake conservation and rehabilitation work on the former Oldfield, Kirby & Gardner Building 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 July 1, 2005 and completing the work on or before January 1, 2007.

2. That the owner be required to retain and preserve original and significant material as a condition of the grant.

3. That the Heritage Investment Reserve be approved as the source of funding.

4. That the Heritage Conservation Tax Credits be approved pending further approval by the City's Historical Buildings Committee on the exact means for rehabilitating the building as outlined in the applicant's Conservation Report.

5. That no work proceed without design/heritage approval and/or prior to the issuance of all relevant development permits.

6. 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.

7. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Report - Executive Policy Committee – January 19, 2005

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 19, 2005, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

On January 19, 2005, the Executive Policy Committee considered a submission from Michel Fillion, owner, former Oldfield, Kirby & Gardner Building, 234 Portage Avenue, of the floor plan for the first floor of the former Oldfield, Kirby & Gardner Building.

Re: REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE FORMER OLDFIELD, KIRBY & GARDNER BUILDING, 234 PORTAGE AVENUE

For submission to: **Executive Policy Committee**

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

Report date: December 17, 2004

Recommendation(s):

1. That City Council:
   a) approve a Heritage Conservation Tax Credit of up to a maximum of $100,000, to undertake conservation and rehabilitation work on the former Oldfield, Kirby & Gardner Building 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 July 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 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 (White House on Portage LTD.) of the former Oldfield, Kirby & Gardner Building wish to rehabilitate this currently vacant major heritage landmark building at an estimated cost of $1 million.
- The administration estimates that the owner will undertake $657,800 in eligible conservation and renovation work on the structure normally allowing for a Heritage Conservation Tax Credit (HCTC) up to a maximum $328,900 under the By-law.
- While the total estimated assessed value of the property and the estimated municipal portion of realty taxes will not increase following the renovations (based upon the existing assessment), the project is being recommended for an HCTC based upon the fact that the building is currently vacant and the owner will likely be successful in appealing the assessed value of the property at the Municipal Board. Vacancy adjustments may

reduce the assessed value by as much as 50% following a prolonged period of full vacancy (i.e. 2 or more years).

- The assessed value of the property will be positively influenced following restoration while there are other attribute policy benefits as a result of this project including; the support for residential development within the downtown, as well as the preservation of this heritage building at a prominent location on Portage Avenue.
- Rather than recommend an HCTC based upon the 50% of eligible expenses ($328,900) as allowable under the By-law, the administration recommends a reduced HCTC of up to a maximum of $100,000, based upon the estimated future municipal portion of realty taxes (estimated at $6,263.00 annually) as well as the eligible portion of business taxes following restoration (estimated at a portion of the total estimated at $4,436.00).
- Allocating more HCTC's than may be utilized by an individual proponent ties up available funding within the Reserve which negatively affects its capacity. This recommendation is in keeping with our normal practice.

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 the White House on Portage LTD.
- 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):

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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 September 2004, The White House on Portage LTD. 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 234 Portage Avenue, the former Oldfield, Kirby & Gardner Building.

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:

In October 2004, the City of Winnipeg, recognizing the major significance of this structure, listed the former Oldfield, Kirby & Gardner Building on the Buildings Conservation List under the terms of the Historical Buildings By-law 1474/77 (as amended) as a Grade II structure.

DISCUSSION:

Background:

Retail uses sparked the development of downtown Portage Avenue in the early 1900s. When financial firms, office towers and the Post Office soon followed, they confirmed Portage as a major commercial corridor and a strong competitor to Winnipeg's original business district on Main Street.

One of the financial interests drawn to Portage from Main was Oldfield, Kirby and Gardner Ltd., an investment, real estate and general insurance firm whose operations extended across Western Canada and attracted British capital to the region.

The founders – John Henry Oldfield (1857-1924), William Hicks Gardner (1873-1951) and Walter T. Kirby (1858-c.1950) – had separate careers as local financial agents before they entered into their partnership. Oldfield, a British immigrant, began working as a realtor during Winnipeg's 1881 boom. Gardner, also of British origin, was with the realty firm of Nares and

Gardner in the 1890s before he joined Oldfield in 1899. Insurance agent Kirby became part of the company in 1906.

The three had occupied various Main Street offices, but in 1909 they opted to establish a new headquarters on the south side of Portage Avenue just west of Fort Street. Their two-storey structure was designed by Chicago-trained architect John Danley Atchison and built for approximately $41,000 by the Carter-Halls-Aldinger Company and Davidson Brothers.

The building had a stone foundation, frame of cast iron columns and steel I-beams, brick walls, and reinforced concrete slab floors. It was modest in scale, but featured an eye-catching, cream-coloured terra cotta front manufactured by the American Terra Cotta and Ceramic Company of Chicago, Illinois.

The façade's symmetry and detailing were typical of the Classical Revival (Neo-classical) style of architecture favoured by the period's banks and other financial institutions. Fluted columns flanked the main entrance, their Corinthian Order capitals enriched with acanthus leaves, caulicoli and other elements. The columns extended up to an elaborate entablature and pediment that displayed the firm's name and date of origin, accompanied by winged cherubs, sheaths of grain, garlands, a modillioned cornice, and cable and other mouldings.

Much of the building's original design still survives, although the interior has been altered over time, as have some exterior elements.

Oldfield, Kirby and Gardner continued as the principal occupant through to 1963-64 when a new facility was built on Donald Street near the Midtown Bridge and emerging Broadway financial district. Various parts of the firm's business subsequently were sold and/or merged with other companies. Its main successors at 234 Portage were the North West Trust Company (to the mid-1990s) and Canadian Western Bank (to December 2003).

The property is now vacant.

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
319 Elgin Avenue, former Scott Fruit Company Warehouse	conservation and rehabilitation work	$140,000	work underway

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 Conservation Report, the applicants advise that subject to an HCTC and a lead tenant, that they will invest approximately $1 million to upgrade the former Oldfield, Kirby & Gardner Building.

The current vacancy rate is 100%. The HCTC is needed to redevelop the existing premises to current state-of-the-art standards.

The work that the owners propose will ensure that the exterior architectural elements are repaired and have a long-term life expectancy while having minimal impact on the historical integrity of the building.

Eligible Work
The applicants propose to rehabilitate the former Oldfield, Kirby & Gardner Building to provide a completed base building for tenant improvement by individual users. Work is to start on or before July 1, 2005 and be complete by January 1, 2007.

Exterior Work:
- repair of the front façade
- roof replacement
- repair and re-pointing of brickwork
- skylight

Interior Work:
- basement development into commercial, retail space and 2 residential suites
- main floor conversion into a nightclub with a dance floor and stage
- 2nd floor conversion into offices and a residential unit

FINANCIAL IMPLICATIONS:
The owners propose to invest approximately $1 million to restore this building with eligible heritage work estimated at $657,800. The owner has requested an HCTC of $328,900 based upon the maximum allowable tax credits under the By-law (i.e. 50% of eligible costs). The administration recommends a lesser HCTC of $100,000, based upon our estimates of the future municipal portion of property taxes and eligible business taxes for the restored and fully occupied building.

Existing 2004 Tax Year information

Total Assessment	Portioned Assessment	Municipal Portion Realty Taxes
$ 514,400[1]	$ 334,360	$ 9926

Tax Information following Redevelopment

Total Assessment Estimated	Portioned Assessment Estimated	Municipal Portion Realty Taxes Estimated
$ 360,000[2]	$ 210,960	$ 6,263

Business Taxes following Redevelopment

Annual Rental Value	Business Tax Rate	Business Tax

[1] The 2004 Assessment has been appealed as the building is currently vacant. The Canadian Western Bank was occupying the property prior to December 2003.
[2] The Estimated Assessment following the conservation and rehabilitation work will be less than the 2004 Assessment as it was based on a commercial use while the proposed use will be a combination of commercial and residential use. Residential use is portioned at a lesser rate.

$ 45,500	9.75%	$ 4,436

While the total estimated assessed value of the property and the estimated municipal portion of realty taxes will not increase following the renovations (based upon the existing assessment), the project is being recommended for an HCTC based upon:

- The likelihood of a successful assessment appeal on the assessed value of the building at the Municipal Board as the property is currently vacant.
- Vacancy adjustments may reduce the assessed value by as much as 50% following a prolonged period of full vacancy (i.e. 2 or more years).
- It is anticipated that the assessed value of the property will be positively influenced following restoration.
- The building's significance as a historical structure
- The project's value toward the development of a stronger downtown (i.e. Plan Winnipeg support especially with regard to the residential portion of the project as well as the prominent Portage Avenue presence).

The Administration would therefore recommend an HCTC for approximately the same value of the municipal portion of realty and a portion of the eligible business taxes over a ten-year period. The proposed total heritage incentive package is up to a maximum of $100,000, which is approximately 10% of the total estimated value of the project ($1.0 million). The project provides a leverage of approximately 10:1 private investment to public support, which is within the more favorable range of support.

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 an eighteen (18) month timeframe; that is, the work must be started on or before July 1, 2005 and completed on or before January 1, 2007. In the event of nonperformance by the Applicant, the HCTC would expire.

The future property taxes as estimated will provide for some new incremental revenues to the City of Winnipeg (assumed as a result of a successful appeal). 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.

Financial Impact Statement

Date: December 13, 2004

Project Name:

REQUEST FOR A HERITAGE CONSERVATION TAX CREDIT FOR THE FORMER OLDFIELD, KIRBY & GARDNER BUILDING, 234 PORTAGE AVENUE

First Year of Program 2005

	2005	2006	2007	2008	2009-2014
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	$ -	$ 10,699	$ 10,699	$ 10,699	$ 67,902
Less: Incremental Revenue/Recovery	10,699	10,699	10,699	10,699	57,203
Net Cost/(Benefit)	$ (10,699)	$ -	$ -	$ -	$ 10,699
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (10,699)	$ -	$ -	$ -	$ 10,699

Additional Comments:

It is assumed that revenues will begin accruing to the City in 2005 and corresponding expense in 2006. Direct costs are realty and business taxes foregone by the City. It is assumed that the portioned assessment, annual rental value (ARV), and mill rate are constant for the 10-year timeframe of this analysis. The business tax levy is assumed to be constant at 9.75% of the ARV. Revenues represent realty and business tax revenues based on the same assumptions. Over the course of the 10-year period, net revenues are equally offset by net expenditures so there is no impact on the current budget. The tax credit of up to $100,000 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



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WhiteHouse.jpg

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 20-2004

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