Proposed Strategic Economic Development Grant - 345 (347/355 Donald Street) - The Northwest Company

Files FI-1.2 (Vol. 1) and EP.1.2.3 (Vol. 4)

6. The Executive Policy Committee has been advised that Council approval is required to use the Economic Development Investment Reserve to fund strategic economic development incentive and investment projects.

On May 7, 2002, the President and Chief Executive Officer of CentreVenture Development Corporation wrote to the Planning, Property, and Development Department providing details with regard to a proposed development at 345 (347 / 255) Donald Street. CentreVenture was advised that timely approval of some civic economic incentive was necessary in order to satisfy all of the conditions on the purchase of the building and to finalize a lease with The Northwest Company.

CentreVenture has been recruiting The Northwest Company for over one year. The building at the corner of Donald and Ellice is approximately 70 years old and is in very poor condition. The property, formerly known as the Horseshoe Cabaret, is currently vacant and has been recently used as a site for “raves”.

The Northwest Company is proposing to locate a Giant Tiger Family Discount Store at this location. The Northwest Company currently operates a Giant Tiger Store on McPhillips Street in Winnipeg. Giant Tiger Stores offer recognizable basic family / household products at low everyday prices.

The Northwest Company are proposing to completely renovate the building with a new roof, a new storefront / building façade, improved parking lot, an upgraded HVAC system, as well as significant leasehold improvements. The estimated cost of these improvements is approximately $750,000.00, not including the cost of purchasing the land and building, and leasing and development fees. However, Giant Tiger is only able to pay a certain rent given their Business Case, the condition of the building and the cost of the renovations and, therefore, asked CentreVenture about the feasibility of a property tax credit in order to assist them in bringing the project to reality.

Report of the Executive Policy Committee dated July 10, 2002

There are several positive attributes that would be achieved by this project. Plan Winnipeg 2020 Vision proposes a Downtown First Policy whereby:

> "the City shall promote downtown development to stimulate revitalization and capitalize on existing infrastructure by, among other things, encouraging the retention, recruitment, development, and incubation of unique and important business in the downtown…"

The Giant Tiger Family Discount Store will provide a welcome addition to the existing residential neighbourhood. Located near the A & B Sound store and the new Mountain Equipment Co-Op, it will support and strengthen the retail activity in the area. With two new residential projects and the Red River Downtown Campus project scheduled to open shortly, the Giant Tiger Store will provide a local source for food, family, and household products.

The request for a Strategic Economic Incentive Grant is relatively modest. Based upon estimates of future assessed values and realty taxes as provided by the Downtown Improvement Team, CentreVenture has negotiated an incentive package that would be based upon the incremental municipal portion of taxes attributed to the property as a result of redevelopment. The property owner will pay all taxes accruing to the property, including business taxes and Business Improvement Zone levies, but would receive an annual grant for five years that would be equal to the incremental value of the municipal portion of realty taxes.

The financial details of the Grant are as follows:

The property is currently assessed at $421,000. 00		
Existing municipal portion of realty tax (2002)		$ 8,123.57
Existing business tax (2002)		$ 6,550.23
Total existing municipal and business tax (2002)		$14,673.80
Following redevelopment, the property will be assessed at $750,000.00		
Estimated municipal portion of realty tax following redevelopment	$14,471.93	
Estimated business tax following redevelopment		$14,031.50
Total estimated municipal and business tax following redevelopment		$28,503.43

The estimated increase in municipal revenues would therefore be $13,829.63 (say $13,800.00) per year.

The Northwest Company has requested a Strategic Economic Incentive Grant based upon the incremental value of the municipal portion of the realty tax that the Giant Tiger Store would pay every year for a five-year period. The estimated annual grant payment would therefore be $14,471.93 - $8,123.57= $6,348.36 (say $6,400.00). The total estimated Strategic Economic Incentive Grant (over the five-year period) would therefore be $32,000.00.

Even with the payment of an annual Grant estimated at $6,400.00 per year for five years, as a result of this redevelopment, the City would accrue additional civic revenues from the property than are currently realized. The net estimated new municipal revenue over five years would be $7,400.00 per year. These net new municipal revenues are likely understated as the existing business (the Horseshoe Cabaret) has not been operating and would therefore not be paying any business taxes.

It is recommended that the entire estimated Strategic Economic Incentive Grant of $32,000.00 be sourced from the Economic Development Investment Reserve. It is further recommended that the Chief Administrative Officer be delegated the authority to finalize all necessary agreements with The Northwest Company in order to effect Council direction.

The Executive Policy Committee recommends:

I. That Council approve a total estimated $32,000.00 Strategic Economic Incentive Grant to be dispensed over the years 2003 to 2007, to The Northwest Company for the development of a Giant Tiger Family Discount Store to be located at 345 (347 / 355) Donald Street with details as follows:

   A. The Grant represents the incremental difference between the existing (2002) municipal portion of the realty tax, and the municipal portion of the realty tax following re-development for the stated years.

   B. The Grant, estimated at $6,400.00 per year, shall be paid to The Northwest Company annually for a period of five years.

   C. The Grant funds be sourced from the Economic Development Investment Reserve.

II. That the Chief Administrative Officer be delegated the authority to approve the final terms and conditions of all agreements necessary to facilitate the Strategic Economic Development Grant.

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