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It's broke; here's how to fix it

Downtown needs better incentives, developers say

By: Murray McNeill

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WAYNE GLOWACKI / WINNIPEG FREE PRESS Developer Hart Mallin in front of his building at 89 Princess St., which he converted into residential and commercial condos.

One of the city's key incentive programs for stimulating new downtown housing development is "useless" and need to be quadrupled to make such projects financially attractive, according to one downtown developer.

"Property-tax refunds are useless," Hart Mallin said, referring to the property-tax rebates and upfront grants in lieu of rebates offered under the city's Multi-family Mixed-Use Dwelling Grants Program.

"It never adds up to more than five or six per cent of your capital costs," Mallin said. "And in order to make downtown developments work and be competitive with greenfield (suburban) development, you need 22 to 24 per cent. That's the sad fact."

Mallin, who was involved earlier this decade in the conversions of a warehouse at 89 Princess St. and the former Supreme Racquet Courts building at 520 Portage Ave. into residential and commercial condos, isn't the only one who thinks the incentives don't cut it.

"I think everyone would say they'd love to see more housing in the downtown -- more options and great choice," Bill Thiessen, a real estate agent with RE/MAX Professional

Realty and a former development officer with CentreVenture Development Corp., said in an interview.

"But if what they're providing now was sufficient, don't you think we'd be seeing more new housing coming into the downtown than what we're seeing? I still think it could be much better than it is."

He and Mallin said while development is taking place, it's not happening fast enough to create the kind of vibrant downtown -- with a broad selection of housing options and the retail development needed to support it -- that Winnipeggers want.

Rudy Friesen, a partner in the architectural firm that developed The Strand condo development on Waterfront Drive -- Friesen Tokar Architects, Landscape and Interior Designers -- said their project ended up being costlier than expected. And the tax rebates offered by the city do little to ease the financial pain.

"I feel... we really need to create some new incentives -- more than what currently exists -- to spur more development downtown," Friesen said.

Barry Thorgrimson, the city's economic development manager, said city officials are always looking for ways to improve the city's incentive programs. In addition to the tax rebate program, it also offers tax credits for heritage building conversions and a 10 per cent discount on permit and development fees for downtown development projects.

"But I think we do a pretty good job now. We're seeing results," he said, citing the new condo developments along Waterfront and the conversion of the former Sheraton Winnipeg hotel at Donald Street and York Avenue into apartments.

"Ten years ago we weren't seeing this many (residential) buildings being developed," he said. "Can it move faster? Sure, we would all love to see it move faster. But I think it's pretty good."

Mallin said he's been lobbying for several years for the province to pass enabling legislation that would allow for the creation of tax incentive financing (TIF) zones as a way of stimulating new housing development in the downtown.

And he may soon get his wish. Last November the provincial government introduced legislation -- the Community Revitalization Tax Increment Financing Act -- that allows for the creation of TIF zones.

Upfront grants would be made available to developers to help offset some of the costs of new construction or building conversions in distressed or under-developed areas. The grants would gradually be paid back with the property tax revenues the building owners pay after their projects are complete.

A government spokesperson said the legislation is at second-reading stage and the government hopes to get it passed before the end of the current session.

She said the act is an expanded version of the legislation that was introduced near the end of the previous session. That one ended before the legislation could be approved.

Mallin noted the city is already using the property taxes it collects on new downtown development to fund its tax rebate program. So it's encouraging to see the province is prepared to do the same.

He and Thiessen said it could be the kind of additional stimulus that's needed to spur more downtown development.

"If the door opens and the province ends up partnering with the city on a lot of new downtown revitalization efforts, that's a huge step forward," Thiessen said. "It could definitely have an impact and be the tipping factor."

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Bolder steps

Local real estate industry officials say the City of Winnipeg's incentive programs aren't rich enough to spur the kind of new downtown housing development that Winnipeggers want to see. Here are some of the measures they're calling for:

Downtown developer Hart Mallin:

- "ö The creation of new tax increment financing (TIF) zones that would allow for civic and provincial property tax dollars to be used as upfront funding for new projects in distressed or underdeveloped areas of the city.

- "ö The establishment of a Registered Savings Plan for heritage buildings that would see a portion of civic and provincial property taxes paid on redeveloped heritage buildings set aside in a special fund that property owners could tap to help pay for ongoing maintenance and repairs work on the property.

Architect and developer Rudy Friesen:

- "ö Higher tax rebates for new downtown residential development projects to help offset development or conversion costs.

- "ö Additional rebates for heritage building redevelopment.

"ö Reduced property tax rates for downtown condominiums.

Real estate agent and former civic development officer Bill Thiessen:

"ö More lucrative incentives to help offset the high cost of converting downtown heritage buildings and warehouses to residential use.

"ö Establishing a target for how many new downtown residential units (rental and condo) the city wants added each year. He suggests between 150 to 250 units annually.

"ö The appointment of a city official to champion housing development in the downtown.

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