

# **A Model for Joint Public Sector/Private Sector Participation in Core Area Housing Development and Core Area Revitalization**

**Report No. 8**

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**by Earl A. Levin  
1985**

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**The Institute of Urban Studies**





THE UNIVERSITY OF  
WINNIPEG

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**A MODEL FOR JOINT PUBLIC SECTOR/PRIVATE SECTOR PARTICIPATION IN CORE AREA  
HOUSING DEVELOPMENT AND CORE AREA REVITALIZATION**

**Report No. 8**

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PARTICIPATION IN CORE AREA HOUSING DEVELOPMENT  
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During the course of this study I sought the advice and drew upon the experience of many people. They are too numerous for me to name each one of them individually, but I am grateful to all of them for their important contributions. I must, however, offer my particular thanks to Mr. Richard Doble, President of the Central Park/North of Portage Neighbourhood Council, and to Mr. Richard Walls, President of the Old Market Square Association for their information and advice on the organizational aspects of the model, and to Mr. Karl Falk whose assistance in the analysis of the financial component of the model was invaluable.



PREFACE

It is with considerable pleasure that the Institute of Urban Studies releases this report. The Institute has long been involved in what we term "action research" -- research that, we trust, proposes realistic solutions to urban problems. This report falls squarely in this tradition and it is to be hoped that it will reach a wide audience in Winnipeg and in other communities that face similar problems.

This report was prepared by a well-known urban specialist. Following a distinguished career as a civil servant, consultant, and professor, Mr. Earl Levin spent six months at the Institute as a Senior Fellow under a program financially supported by the Canada Mortgage and Housing Corporation. This fellowship program will be continued in the coming years and future "fellows" will have high standards to follow.

Alan F.J. Artibise  
Director  
February, 1985





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## 1.0 BACKGROUND

### 1.1 Origin of the Idea

The revitalization of Winnipeg's core area has long been a matter of concern for the city's government, the city's downtown businessmen, and the general public, at least for that part of the general public which believes that a healthy and attractive central area is essential to the health and attractiveness of the city as a whole. Perhaps the first formally expressed and statistically documented concern for the well-being of the city's downtown is contained in the plan for Downtown Winnipeg which was published by the Metropolitan Corporation of Greater Winnipeg in 1970, nearly 15 years ago. That plan proposed the development of a significant residential component as an essential element of downtown revitalization. Following closely upon the publication of that document, a number of apartment buildings were constructed in the area south of Portage Avenue by both private sector and public sector developers for the economic rental market and for senior citizens respectively. Two private sector apartment blocks were also built in the area north of Portage Avenue, on the edge of Central Park, during this period. Since that time, however, there has been little new housing built in downtown Winnipeg. Since that time as well, concerns about the vitality of the central area have continued to deepen, as evidence of further deterioration has continued to mount; and complaints and demands that something be done to arrest the decline have continued to be voiced, especially with respect to the area on the north side of Portage Avenue.

It is partly as a result of these expressions of dismay and demands for remedial action that the Winnipeg Core Area Initiative was put in place, and in particular, that the North Portage project was undertaken. The components of this project which have been identified by the North Portage Development Corporation (the project Authority) for incorporation in this

ambitious redevelopment scheme include a variety of items, but the largest single and perhaps most significant item is a residential component of over 1000 units. Presently it is not clear how the Corporation intends to proceed with the implementation of the scheme. However, in all likelihood, the Corporation will follow the traditional process of calling for proposals.

What is quite clear, however, is that there is now a widespread conviction that a significant amount of housing must form an essential element of any program of central area revitalization. This conviction was expressed in the Metropolitan Government's Downtown Winnipeg Plan of 1970, and has been reiterated time and again through the intervening years, until it currently finds expression in the recommendations for the redevelopment project for North Portage. Perhaps even more interesting than these public-body statements is the fact that now an important segment of the private sector has also come to this conclusion.

In their submission to the North of Portage Administrative Task Force in June 1983, the Winnipeg Developer's Consortium comprising five major development companies (Lakeview Development Ltd; Metropolitan Properties Corp; Qualico Developments Ltd; Shelter Corp. of Canada; the Imperial Group) in the city, proposed that the North of Portage site, bounded by Portage Avenue, Colony Street, Ellice Avenue and Edmonton Street, be redeveloped for a variety of uses, but with a residential community of about 1000 housing units as the major component of the scheme.

In a subsequent submission to the Executive Policy Committee of the City, on August 24, 1983, the Consortium stated:

The Creation of a distinctive and cohesive residential community as represented by Northside Village in our proposal, is, we believe, the first necessary step in

transforming Winnipeg's declining core area into an attractive and vital sector of the city. That transformation will involve a change in the character of the downtown from the specialized, limited, retail and office centre for the metropolitan area which it was in the past, but no longer is, to a fully rounded multiple activity sector where people not only work and find their recreation and entertainment, but where many, many people also have their homes. It is however, only a first step. It must be followed by other steps. We are confident that if this first step can be accomplished properly, it will act as a demonstration of the fact that it can be done, and other residential development will follow. But this potential for stimulating further development will soon be lost if the public sector does not recognize the critical role which housing must play in the redevelopment of the centre of the city, and actively build upon the slim advantage provided by the success of Northside Village. We see the necessity of a public commitment to the principle that housing must be the primary instrument of core area redevelopment, and that a systematic plan of creating "Northside Villages" in selected enclaves of the central area must be pursued....<sup>1</sup>

At a conference entitled "Beyond the Core Area Initiative" held at the University of Winnipeg on March 1, 1984, the author presented a paper which pointed out that Winnipeg has been in a slow-growth condition for several decades, and this is the basic reason why there has been so little new investment and development in the city generally, and in the downtown in particular. The paper went on to say:

...in a situation of slow growth there is little development initiated by the private sector. The development initiative must therefore swing to the public sector, because jobs, revenues, business and other basic economic matters and political interests are at stake....

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<sup>1</sup> Winnipeg Developers Consortium - Submission to Executive Policy Committee, City of Winnipeg, August 24, 1983.

...the traditional positions occupied by the public sector and the private sector respectively are essentially positions of confrontation, or adversary positions....

...However where there is little development activity these traditional attitudes and roles produce no advantage to anyone. The private developer simply moves his capital and his expertise to locations where opportunity is more plentiful and climate less hostile; and the slow growth city suffers the consequences....

...What is required is a much more direct and closer relationship between the public sector and the private sector in the planning, financing, and carrying out of selected critical development projects. The appropriate instrument might be a permanent joint public-private development corporation, at arms length from government, whose role would be not only to plan and carry out but also to provide a flow of investment capital on a joint equity basis, for the development of selected key projects which the private sector alone would not be interested in undertaking in a slow-growth situation....<sup>2</sup>

At the same conference, representatives of the Downtown Winnipeg Association, and The Imperial Group expressed strong agreement with the views set out in that paper. Each of them stated that significant private sector investment in core area housing cannot be expected at the present time or in the foreseeable future. Economic conditions are simply too unfavourable to attract investment in rental housing anywhere. This economic disincentive is aggravated in the core area by the general unattractiveness of that part of the city, putting private investments in double jeopardy in that location. They said,

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<sup>2</sup>

Levin, Earl - Beyond The Core Area Initiative: Prospects For Downtown Winnipeg, March 24, 1983. Subsequently published as Occasional Paper #4 by the Institute of Urban Studies, University of Winnipeg, 1984.



however, that if a new kind of public sector-private sector arrangement could be created under which the private developer could have a reasonable expectation of return on his investment, some private developers would be willing to undertake a core area housing project, probably as a one-time-only deal, in a spirit of public service and even of adventure, and as a change from the normal routine undertakings which comprise their standard investment and development portfolios. It seems clear that a large body of informed opinion now holds that housing must be an essential element in any plan for the revitalization of Winnipeg's core area. It is also clear that there has been very little housing built in the central area of the city for the last decade and more, certainly not enough to act as a stimulant to core area renewal. This part of the city simply has not been able to attract residential development capital; and in the light of the views expressed by the representatives of the private sector at the conference cited above, the area is likely to continue to be unattractive to private sector investment under the conditions which now prevail. Nor is the public sector in any position under present circumstances, to take any effective initiative in developing economic market housing. But, as has been pointed out, housing on a substantial scale is a critical ingredient of core area revitalization. It would appear, therefore, that the prospect for that revitalization is very dim.

It has been suggested, however, that there is some hope of attracting the interest of the private developer, and of enlisting the commitment of the public sector, if some new public sector-private sector relationship could be created in which the private investor could have some assurance of the security of his investment and of a reasonable return, and the public sector could have some assurance, on an acceptable financial basis, of a significant volume of housing and the stimulation of new vitality in the declining sectors of the core area.

One fact has become very clear in the field of housing during the last decade or so - economic rental housing cannot be provided by the private sector without substantial subsidies. Mortgage interest rates and construction costs are too high to be supported by average market rental rates. This fact has been recognized by government, and there has been a steady progression of programs designed to stimulate the production of rental housing which the market can support through various forms of subsidy ranging from tax shelters such as the MURB program to long-term favourable loans such as the CRSP,<sup>3</sup> to interest write-downs such as Manitoba's Rental Start Program.<sup>4</sup> And there have been numerous others by the federal government, as well as by the various provincial governments which need not be enumerated here. All of these have been necessary to achieve the desired production of housing, and have in fact, been fairly successful in that regard.

However, they are unsatisfactory in a number of important respects. They are ad hoc programs with no assurance of continuity beyond the current period of commitment which is invariably short-term; they are programs introduced by different levels of government, and there is no assurance that the subventions they provide will all be simultaneously available to any specific project so that they can be combined into a single effective sum; they are administered by different agencies and

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<sup>3</sup> Canada Rental Supply Plan. Under this plan federal government loans are available to developers of rental housing on the basis of an ascribed value of the land per rental unit. These loans are interest-free for 15 years, and no repayment is required during that 15 years period. In year 16 repayment begins at the interest rate prevailing at that time and on the basis of the remaining amortization period.

<sup>4</sup> The Rental Start Program of the Province of Manitoba provides mortgages at 3% below the prime rate for a period of seven years after which the scheme is converted to conventional mortgage financing at the then prevailing interest rate.

frequently the amount available under each is variable and dependent upon the judgement of the officials administering the respective programs without regard for the evaluation of the officials administering the program of another government; and they are designed for the general housing market, whether national or provincial, and do not lend themselves readily to concentration in a particular area to achieve a special purpose such as the revitalization of the core area of Winnipeg.

Clearly if a new scheme for the production of housing in Winnipeg's core area is to be feasible, it must provide a substantial amount of government funds on a basis which avoids the shortcomings referred to previously. The funding must be substantial enough and the terms on which those government funds are provided must be favourable enough to ensure the economic feasibility of the housing program; the funds must be committed over a sufficiently long time period to ensure the achievement of the program's target number of dwellings; and it must be possible to direct those funds to selected and limited areas for the purpose of achieving special, localized, development objectives. The funding, however, need not take the form of an outright grant or a write-off. It could take the form of a long-term loan, to be repaid without interest which would enable the housing project or projects to overcome the great problems of early cash flow and heavy debt servicing costs.

## 1.2 Shortcomings of Present Financial System

An illustration of the way in which the present system works against the development of housing in the core area is provided by the events relating to the call for proposals issued by the Core Area Initiative for a housing project on the half-block on the east side of Edmonton Street between Ellice Avenue and Qu'Appelle Avenue in November of 1983.

The site was acquired in September 1981 as part of the expropriation of properties by the CAI which was addressed in its mandate. The Notice of Intent did not specify the purpose of the expropriation, other than the usual legal "public purposes" phraseology, nor was there a clear, specific, intended use for the property in the mind of the authorities. The programs which the Core Area Initiative was authorized to pursue were stated in broad general terms, and the authorities proceeded with confidence that the land was required for their general purposes, and that a specific purpose would clearly emerge in due course as the programs evolved. However, there seems to have been some failure of communication among the parties to the Initiative as to the prospective use of the property, because two years later serious differences surfaced which have not yet been resolved, and which have gravely jeopardized, if not in fact, destroyed the possibility of developing housing on the site.

In November 1983, the Core Area Initiative office issued a call for proposals for the development of housing on this half-block of property, to which there were five responses from developers. Three of these responses proposed projects for the subject property and two were for sites in the general area but not for the Edmonton Street site. The Core Area Initiative office short-listed the three proposals for the subject property and was about to enter into the final selection process when the

Mayor of the City of Winnipeg pointed out that it was his understanding that this particular half-block of property was intended for development as a park. In support of his contention, he referred to the Downtown Winnipeg plan which had been prepared by the Metropolitan government of Winnipeg in 1970. In that plan, not just the half-block between Edmonton Street and the lane east of Edmonton Street had been designated as a park, but the entire block between Edmonton Street and Carlton Street, Ellice Avenue and Qu'Appelle had been so designated - as an extension of Central Park.

The 1970 Downtown Winnipeg plan, however, had proposed the extension of Central Park southward on the full-block width from Qu'Appelle to Ellice Avenue not simply as an extension of the park itself to Ellice, but as part of a corridor containing various recreational and amenity uses which would span across Portage Avenue and continue southward to connect with a convention centre and aquarium which the plan proposed as the southerly anchor of that public amenity corridor. The only component of that concept which has been realized in the fourteen years since the Downtown Winnipeg plan was produced, is the convention centre and there is not the slightest possibility of the full corridor extending to Central Park ever being built. The Mayor's contention that the Edmonton Street property, acquired in 1981 by the Core Area Initiative, was intended to be developed as a park is simply a vestigial remnant of that 1970 plan. Nevertheless the Mayor questioned the propriety of changing the proposed use from the park which had been indicated on that plan to housing for which the Core Area Initiative had issued a proposal call, and he moved to suspend the action on the housing proposal. The City's Environment Committee agreed with the Mayor and unanimously adopted a resolution that the property be developed as a park. Residents of the Central Park area who were interviewed on the matter were divided in their views. Generally it was felt that more park and park improvements were needed before more housing. However, among those over 65 years of age,

more housing was viewed as a priority over parks.

The three short-listed proposals were all heavily dependent on public subsidies for their financing. One of these submissions, for which more detailed information than for the other two proposals was made available to this study, proposed the construction of 144 dwelling units on the site, comprising a mixture of studio, one-bedroom, and two-bedroom apartments, with underground parking, shops, recreation facilities, and a day-care nursery, all of a high quality design and construction. The all-in cost of this scheme came to \$70,000 per unit, and its financing required a first mortgage of \$35,000 per unit funded under the provincial government's Rental Start Program, which would provide mortgage funds to the project at 3% below the prime rate for a period of seven years; the maximum loan available under the federal governments' Canada Rental Supply Plan (CRSP) of \$15,000 per unit, interest-free for fifteen years; a subsidy of \$10,000 per unit from the Core Area Initiative; and private equity funds of \$10,000 per unit. All of these subventions were necessary; without them the project could not proceed. And although this particular financing structure was specified in only one of the three short-listed projects, there is no doubt that the other two were similarly dependent on public subventions. The importance of such federal and provincial subventions, and in some instances even municipal subventions in the form of property tax concessions, in the production of economic rental housing has already been discussed but cannot be overemphasized: without subventions there can not be any new rental housing produced, except in rare instances where the developer enjoys an unusual financial advantage deriving from some circumstance peculiar to his own operation. But a vigorous, widespread, rental housing program cannot be mounted on the basis of such peculiar circumstances.

When the government of Canada was changed with the election of the Conservative Party in September 1984, one of the first effects which was

felt in the housing industry was the suspension of the CRSP funds, pending a review of this program by the new government as part of their over-all review of existing government programs. The suspension of CRSP meant that none of the Edmonton Street proposals could be implemented. The disagreement over the use of the site brought the selection process to a halt; the suspension of the CRSP funds has probably terminated the housing project.

Even if CRSP funds were eventually restored, it is not likely that any of the short-listed proponents would be disposed to start the process again. Discussions with one of them indicated that he would be very hesitant about picking up all the threads again, and going to the trouble and expense of re-working them in terms of the present financial and political circumstances, which are no longer the same as when he first submitted his proposal; nor is it likely that he would have the incentive to again enter the hazardous and frustrating world of uncertainty, vulnerability, short-term commitment and multi-level political expediency which is the present context for core-area housing programs.

It is possible that the various public agencies such as the Core Area Initiative, the Manitoba Housing and Renewal Corporation, and the Winnipeg Housing Rehabilitation Corporation, if they combined all their resources, might be able to mount a rental housing program in the area north of Ellice Avenue, or indeed elsewhere in the core. But without CRSP funds the number of dwellings they could produce would be dramatically reduced. It has been estimated that only about 1/3 of the number of dwellings could be produced without that additional source of funds as would be possible with it. And of course, none of the other government programs can be taken for granted any more than the federal government's CRSP.

This episode is only one of many that have occurred with respect to the difficulty of mounting housing projects in the core area, and indicates

how hazardous and unreliable the present arrangements are for the financing of rental housing and how necessary it is, for that purpose, to replace those arrangements with a system which makes available the necessary public funds on a stable, reliable basis, for a long enough period to allow the achievement of agreed housing objectives in the core area.



### 1.3 Shortcomings of Present Organizational System

Further insights into the deficiencies of the present system can be found in the events surrounding the planning of the North Portage redevelopment project. When the Core Area Initiative was established it was generally understood that the framework for its activities would be the three Sectors and 13 Programs described in the publication Proposed Winnipeg Core Area Initiative, dated June 1981, and that its mandate was to pursue the stated objectives in all of these areas. Among the 13 Programs was Program 7 of Sector II - North of Portage Redevelopment. The objective of this program, was "to encourage new commercial and residential investment by undertaking a major redevelopment of the North Portage area."<sup>5</sup> It was expected that this would be one of the high-profile undertakings of the Core Area Initiative office.

In late March and early April of 1983 the Winnipeg news media carried reports that a number of large-scale developments were being contemplated for the North Portage Area. These reports rumored the possibility of an arena and a hotel in locations adjacent to Portage Avenue, and a new CBC building and a National Research Council laboratory on the old St. Paul's College site. Eventually it was confirmed that such a scheme had in fact been prepared and was being studied by the political authorities, in particular the federal government.

Commenting on this proposal, in a special editorial published in the Winnipeg Free Press on April 22, 1984, and another on May 3, the

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<sup>5</sup> Winnipeg Core Area Initiative Policy Committee - Proposed Winnipeg Core Area Initiative, June 1981, Program 7: North of Portage Development, p. 12.

author argued that the public monies which would have to be spent on these projects would be better spent on housing because housing has a much greater potential for stimulating new vitality in the central area; moreover, the old St. Paul's College site would be too small to accommodate other research facilities which might want to cluster around the NRC laboratory, and it would therefore be more appropriately located elsewhere.

Mr. Jack Levit, President of Lakeview Development Limited, had been uneasy about the scheme referred to by the news media, fearing that the proper redevelopment of the central area might be jeopardized by ill-considered commitments to the wrong kinds of projects. When he read the author's editorials, he was triggered into action. The two met to discuss a strategy which might lead to a more carefully considered plan for the city's core. Out of that meeting emerged the idea of the Winnipeg Developers Consortium.

Mr. Levit convened a meeting of the principals of five of the major development companies in the city to discuss the idea. The members of this group are among the largest and most successful developers in Winnipeg, whose work includes not only some of the biggest and most prestigious projects in the city, but is also very extensive internationally. The members of the consortium were Lakeview Development Ltd., Metropolitan Properties Ltd., Qualico Development Ltd., Shelter Corporation of Canada, and The Imperial Group. These companies are all Winnipeg-based and have their head-offices in the city. The principals of the companies were all born in Winnipeg, and their companies have all grown and prospered here. At that meeting, all of them agreed that an effort must be made to ensure that the plan for North Portage would be the best that could be mounted in terms of achieving the revitalization objective, and that it must of course also make economic sense, and be appropriate to both the Portage Avenue location and the Winnipeg context. They all shared the view that because of their background and experience, and the fact that

they earned their livelihood as developers, and did so with considerable success, they could make an important contribution, not only to the development of the North Portage project, but perhaps even more importantly to its planning. On this basis, they agreed to join together as a consortium, under the style of the Winnipeg Developers Consortium, and to offer their combined services in the preparation and execution of the redevelopment plan.

At about this time rumors were circulating that a new agency was to be established, separate from the Core Area Initiative office, to prepare a plan for North Portage. The rumors were confirmed with the creation of the Administrative Task Force on North Portage, made up of appointees of the three governments, all of them being public servants. The job of this Task Force was "to accomplish the formulation of a major development plan and the detailing of specific development proposals for the implementation of such a plan, including developmental mechanisms in respect to the geographical area of North Portage."<sup>6</sup>

Because of the ambiguity surrounding the question of the proper body to which to offer their services, the members of the Consortium decided that in the first instance they would approach the Policy Committee of the Core Area Initiative, which comprised the federal Minister of Employment and Immigration, the Hon. Lloyd Axworthy, the provincial Minister of Urban Affairs, the Hon. Eugene Kostyra, and His Worship Mayor Bill Norrie of the City of Winnipeg. On May 16, 1983 representatives of the Consortium met with the three members of the Policy Committee to discuss

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<sup>6</sup> North Portage Administrative Task Force - Statement of Objectives - attached to letter from J.C. MacKay, Chairman, Task Force on North Portage to Earl Levin, May 25, 1983, inviting proposals for North Portage Development

the possible involvement of the Consortium in the planning and development process. They stated that the skills and resources of the private sector should be an integral part of the process and suggested that representatives of the Consortium be included as members of the planning team. The members of the Policy Committee thanked the Consortium for their proposal and assured them it would be given serious consideration.

No further communication was received by the Consortium with respect to their proposal to the Policy Committee, but on June 7, 1983 they were invited to appear before the Task Force to make a presentation as part of the formal process of hearings which the Task Force was conducting. In carrying out its assignment, the Task Force had engaged the services of various consulting firms and other experts in the several fields which were relevant to the creation of a development concept for the North Portage site. Among these was a firm of architects who were engaged as the site planners and designers to the Task Force. The Task Force was now inviting private developers and any other interested parties to meet with them and to present to the Task Force their ideas and proposals for the redevelopment of the site. The hearings were being conducted in camera assuring that the ideas and proposals of the private parties could be offered and held in confidence.

The Consortium chose not to offer any development proposal or to advocate any particular project, but to limit their presentation to the single issue of the involvement of the private sector in the planning as well as the development of the project. In the brief which they submitted to the Task Force on that occasion they said:

It is this issue which we want to address in our submission. We do not see anywhere in the present arrangements for planning and developing the area north of Portage, any recognition of the role of the private sector, or any attempt to create the climate which will attract private sector participation in the enterprise.

...On the 16th of May our group met with the Honourable Mr.

Axworthy, the Honourable Mr. Kostyra, and His Worship Mayor Norrie, to discuss the matter, and to offer our services in the planning and development of the North Portage area. In reply to their question we advised them that we thought the most effective way of drawing upon the expertise and resources of the developers group would be to appoint two of their representatives to the planning team. Instead of that, we have been invited to meet with the Task Force and make a submission....

We are still strongly of the opinion that the private developers must be directly involved in the planning activity as part of the planning team, if the plan which is produced is to have the confidence of those who will ultimately be expected to provide the investment capital and the expertise to carry it out....

We understand that a design consultant has been appointed to prepare a design for the development of the area. This is of course an important part of the planning process, but the expertise of the developer is equally important....

In the light of the foregoing, we recommend that a working group be designated, comprising the design consultants and representatives of the developers associated together in this submission; the responsibility of this working group to be to act as a team in the preparation of a plan for the development of the North of Portage area; the plan to include an implementation program which can be undertaken with a minimum of delay. We further recommend that a member of the Task Force be designated as the co-ordinator of this working group, on a day-to-day basis and to provide the linkage or liaison between the working group and the Task Force.<sup>7</sup>

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<sup>7</sup> Winnipeg Developers Consortium - Brief to Task Force on North Portage, June 30, 1983.

The Task Force listened to the presentation, thanked the delegation, and asked whether the Consortium intended to submit a development proposal. They replied that such was their intention but they hoped that the involvement of the private sector in the planning process would be more integral than simply that of the submission of separate, uncorrelated, special interest proposals by various private companies in competition with one another, and in response to proposal calls for fragmented components of the over-all scheme. The Consortium received no further reaction from the Task Force on its proposal for private sector participation in the design process. On June 30th they met again with the Task Force and submitted a plan for the redevelopment of the North Portage site.

The Task Force published its report in mid-July, 1983. Five major submissions and a variety of minor submissions were reviewed in the document, including the plan which had been prepared by the Task Force's design consultant, as well as the scheme prepared by the Winnipeg Developers Consortium.

The next communication which the Consortium had with the public authorities was a letter from the Executive Policy Committee of the City of Winnipeg, dated August 18, and signed by Councillor J.A. Ernst, acknowledging the Consortium's submission to the Task Force, and inviting the Consortium to an "in camera" review of their proposal. On August 24, representatives of the Consortium appeared before the Executive Policy Committee and presented to them the same proposal they had presented to the Task Force on June 30. The Consortium's appearance before the Executive Policy Committee was part of a review of the Task Force's report and recommendations which the EPC was conducting in order to formulate their own recommendations to City Council. In conducting this review they were holding a series of "in camera" meetings with the proponents of the various schemes, and other interested persons.

By early September the EPC had completed their review and were ready to pass their recommendations on to Council. The Consortium was concerned that their own proposals for organizing and implementing the redevelopment scheme were clearly understood because they had only generally outlined them in their presentation to the EPC. They therefore asked to appear before Council to provide further information on these matters. On September 12 representatives of the Consortium appeared before Council and submitted a brief setting out in greater detail the Consortium's idea for joint public sector - private sector participation in the process of planning and developing the North Portage site. In part their brief read as follows:

1. The Winnipeg Developers Consortium would be incorporated as a private, non-profit corporation. Representatives of the member companies of the Consortium would comprise the Board of Directors. This non-profit corporation would be responsible for arranging the financing, planning, design, development, syndication, management, and monitoring of the project or projects which it would undertake. The Corporation would arrange the initial working capital, which would be recovered from the first draw on the financing.
2. Investment in the project would be open to the public. Syndication would probably be the vehicle employed. The Consortium would invest from 50% to 100% of the equity funds of the syndication, depending on the take-up by other investors. It would be the intention of the Consortium to make 50% of the ownership of the project or projects available to other investors at the same price as will be paid by the members of the Consortium. If investment by others falls short of that 50% mark, the Consortium would take up the balance. The proposed public development corporation\* would of course be free to invest in the syndication if they chose to do so.

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\* At that time there was talk of establishing a public development corporation to be responsible for the development of the North Portage site. This eventually emerged as the North Portage Development Corporation.

3. It is important to understand that the non-profit corporation and the syndication are two separate entities. The non-profit corporation would operate strictly at cost, without profit, in the areas of responsibility stated in para. 1. above. The syndication would be offered through the vehicle of a limited partnership. The investors in the syndication or limited partnership would receive returns on their investment which would be determined by the profit earned by the project or projects. The profits would be the revenues remaining after deduction of the debt servicing and operating costs.
7. The Consortium would want to work directly with the public sector development corporation which has been proposed for the North of Portage area. We would hope, however, that the mandate of that corporation would be extended to cover the Main Street and East Yard projects which we are suggesting so that there would be a concerted and well-coordinated public-private effort of great purpose, energy, and resources to make central Winnipeg into an attractive and lively sector of the city.
9. We believe that the concept of a private sector non-profit corporation working directly with the proposed public sector development corporation and with other appropriate public agencies is the most effective means of revitalizing the city's core. Indeed we doubt whether an effective redevelopment program is possible without this public-private linkage.
10. The members of the Consortium have said from the outset that we are not motivated by the profits that may be realized from the North of Portage redevelopment project; and in fact we have pointed out that the profitability of the project divided among five large development companies is very marginal. Our main concern is the revitalization of the central part of our city. If this could be achieved, then at some time in the future central Winnipeg might again become attractive to investors, and the members of the Consortium would likely at that time again undertake developments from which we could realize profitable returns. But at the present time, the prospect of profits from the present proposal is not what motivates us. We simply want to see the centre of our city made vital and flourishing.



And as an indication of our good faith, we are offering to participate in the redevelopment not only of the North of Portage area on the basis of a non-profit corporation and a limited partnership as described above, but also of other key areas in the centre of the city, should the governments concerned wish to proceed with them as well. More than that, we are prepared to make participation in the ownership of these projects open to others, including the public sector development corporation, to the extent of 50% of the required equity. We are not aware of any similar or equivalent offer ever having been made by the private sector developers of any other city. We trust that the public authorities will recognize the sincerity of our motives, and the great potential for achievement inherent in our proposal, and will join with us in this momentous undertaking.<sup>8</sup>

The public authorities, unfortunately did not recognize either the sincerity of the Consortium's motives, or the great potential for achievement in their proposal. There was no response to the brief. It was as though it had never been presented.

On December 16, 1983, the governments of Canada, Manitoba, and Winnipeg entered into an agreement establishing the North Portage Development Corporation. The Corporation has, since its establishment proceeded on the basis of inviting proposals from interested developers, and has been having discussions with those who have responded to their invitation. But this is the traditional procedure followed by the public sector, and is simply a repetition of the procedure followed by the Task Force a year earlier. The same ground is being covered in exactly the same way. There has been no attempt to integrate the private sector into the planning

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<sup>8</sup> Winnipeg Developers Consortium - Brief to Task Force on North Portage, June 30, 1983.

process as a partner. Consultations with private sector representatives have only been intended to gather information and ideas which the North Portage Development Corporation can either accept or reject as it formulates its own concept for the redevelopment of the North Portage site.

It is ironical, however, to note the extent to which lip-service is paid to the need for private sector participation in the redevelopment scheme. On September 25, 1984, a one-day conference called "Winnipeg 2000: Exploring Strategic Development Options" was held in Winnipeg, sponsored jointly by the Institute of Urban Studies of the University of Winnipeg, and the Institute for Social and Economic Research of the University of Manitoba.<sup>9</sup> The keynote speaker at the conference was Stephen Dragos, the former Executive Vice-President of the Milwaukee (Wisconsin) Redevelopment Corporation. In a public lecture on the previous day at the University of Winnipeg, Mr. Dragos emphasized that a fiscal partnership between private and public enterprise, and a vision for the future are the key components in the process of turning around a declining city. He pointed out that in the Milwaukee situation, the redevelopment corporation was made up of private business people and private volunteers, which initially raised \$16 million in equity from 45 corporations as "seed money" for the subsequent redevelopment. In comparing the Milwaukee Development Corporation with the North Portage Development Corporation he said "You've got three levels of government involved, but where are the developers?"

There was much sympathy with Mr. Dragos's observations expressed by the participants in the conference, and time and again the question was posed "why can't we do that kind of thing here in Winnipeg?" No one

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<sup>9</sup> For information see Lynda Newman and Deborah Lyon, Winnipeg 2000: Exploring Strategic Development Options (Winnipeg: Institute of Urban Studies, 1984).

attending the conference was aware that Winnipeg's private sector developers had offered to do the same thing, adapted and appropriate to the rather different circumstances which prevail here, as compared with those in Milwaukee, but had received no response to their offer.

Editorial comment in the various news media in the city have also asked the question "where are the developers?" but in the main these have been merely rhetorical queries. The North Portage Corporation has also stated that without the private sector developers the project cannot proceed. But this is self-evident: if the private sector investor and developer are going to finance and build the project, or at least the private sector components of the project, then it goes without saying that the project cannot proceed without them. And clearly, this is how the Corporation regards the role of the private sector, simply as investors in and developers of the project whose form and substance the Corporation itself has formulated and in which the private sector has had no decision-making role. The North Portage Development Corporation expects the private sector simply to respond to proposal calls according to the traditional practice for the implementation of projects sponsored by public authorities.

This traditional practice may be appropriate to achieve the construction of a public building or structure; it is not appropriate to achieve the redevelopment of an important site in the central area of the city as part of a core area revitalization program. That is probably the reason after a year and a half of study and design there is still no firm plan for the redevelopment of North Portage, and no assurance that private investment will be available for those components of the concept which have so far been indicated.

If the revitalization of the core area is to be achieved, in the most effective and efficient way, with the fullest contribution from all of the

interests involved in such an undertaking, the present system of planning by the public sector, with proposal calls from the public sector and responding proposal submissions from the private sector, as two separate and virtually isolated components of the process, is not the way to do it. The traditional relationship between the public sector and the private sector in such an undertaking should be revised allowing both sectors to be more closely integrated in the entire process, from the initial conception of the undertaking to its final implementation.

This study seeks to develop a model under which such a new, more closely integrated relationship between the public sector and the private sector would be possible in the field of housing development in the core area.

## 2.0 THE MODEL

### 2.1 General Description

Several important facts emerge from the foregoing discussions:

- there is now a general consensus that the development of housing on a much broader scale than presently prevails is essential to the revitalization of the core area;
- any market rental housing at the present time requires a subsidy of about 50% of the cost to make it economically feasible;
- subsidies that have been provided from time to time by the various governments have been effective within the limits of the programs, but they have been too unreliable in their availability and duration, and inadequate in too many respects to constitute the basis of a specific, concerted, core area development program;
- the organizational mechanism for delivery of projects does not permit sufficient or appropriate input by the private sector into the planning stage of large-scale development such as the core area revitalization program to ensure the fullest possible contribution by both the public sector and the private sector, and the formulation of the best possible plan;
- a new and better arrangement than now prevails is necessary for both the supply of public funds for housing development, and for the production of housing on the basis of those public subsidies;
- monies which are provided for housing development as an essential component of core area revitalization need not be in the form of outright grants or interest-bearing loans. The federal government's

CRSP funds are provided interest-free for the first 15-years, after which they are subject to the prevailing interest rate. Here there is the clear recognition that interest-free loans for a lengthy period are necessary for the economic feasibility of rental housing, and that government recognizes this fact and accepts it as an element in the structure of public subventions to encourage the production of economic rental housing.

If large sums of government money are to be loaned for the construction of housing in Winnipeg's core area, it would be desirable that those monies were not loaned directly to a private developer, not only because of the political difficulties involved in selecting the developer, but also because of the principle that government should remain at arms length from private corporations and even from the projects themselves in such undertakings, and it would be best if a non-governmental intermediary were interposed between the housing projects and the funding government. The appropriate intermediary arrangement is a number of non-profit development corporations based in designated sectors of the core area, within whose boundaries the activities of each development corporation would be confined.

This study is focussed on two such locations for the purpose of developing a model which might then have a wider application. The two areas are the Historic Winnipeg area, and the North of Ellice triangle.

The model which is now taking shape has the two major components alluded to above - a financial component and an organizational component.

The financial component embodies the idea that government would provide 50% of the cost of an approved housing project; private investors would provide 25%; and the remaining 25% would be raised by mortgage. "Government" as referred to here could be any of the city, provincial, or federal governments, or any combination of them. The 50% cost advanced

by government would be in the form of an interest-free loan to a locally based non-profit development corporation, to be repaid to the government over a period of time out of the revenues generated by the project.

The organizational component has as its central feature a non-profit development corporation, whose membership would be made up of property owners and tenants of the designated area. The role of this corporation would be to prepare a development plan for their area with housing as the main program of the plan, and to be responsible for carrying out the housing projects as well as any other projects contained in the plan. In performing this role the development corporation would enter into a partnership with the private investors in the housing project or projects, and would act as the channel through which the government funds would flow to the project(s) and through which revenues generated by the project(s) would flow back in repayment to government.

It is proposed that the funding Government's financial commitment be for a limited amount and for a limited period of time. Analysis indicates that it should be possible for the central area of the city, as here defined - the area bounded by the CPR right-of-way on the north, Gomez Street and the Red River on the east, the Assiniboine River on the south, and Colony/Balmoral/Isabel on the west - to absorb some 2500 dwelling units over a ten-year period, over and above the housing component proposed for the North Portage site. On the basis of current costs it would require about \$150 million to build this housing. The model presented here proposes that Government provide 50% of this cost (in the form of a loan) which would come to \$75 million over a ten-year period. It is further proposed in this model that a maximum of 500 units or \$15 million be allocated to any given corporation, so that the potential number of corporations would be limited to five. The five sectors of the city's central area within which each corporation would operate

respectively would be:

1. The North of Ellice Triangle
2. The Historic Winnipeg area
3. The South Point Douglas area
4. The Centennial/West Alexander area
5. The South Portage area/CN East Yard.

It should be noted that it is unlikely that 500 units would be built in the Centennial/West Alexander area. A recent study by the Main Street Revitalization Project found that only about 157 units can be accommodated in this area on sites which are available without expropriation and demolition of existing structures. Assuming this to be the absorption limit (i.e., 157 units) for new housing in this area, the funding for the residual (i.e., 343) units would be made available to one or more of the other corporations where there is an active demand, at some agreed cut-off time during the ten-year period.

The South Portage/CN East Yard area presents some difficulties which presently cannot be resolved. The future development of the East Yard and the time when it might be made available for development are questions which cannot be answered. However, if the yard becomes available for residential development within the time-frame indicated here, a significant part of the housing built would be luxury condominiums; this type of housing is not contemplated for inclusion in the program proposed in this model. One can also assume that the East Yard site would be more attractive as a place to live than the South Portage area, and therefore that the South Portage area would lose some of its potential market to the East Yard. Given these possibilities, and the possibility of about 350 units being transferred from the Centennial/West Alexander site, the coupling of the South Portage area with the East Yard is not an unreasonable suggestion for present purposes.



The method of operation visualized at the present stage of the investigation would involve the following steps:

1. The locally based non-profit development corporation would be established under an agreement with government whereby government would agree to lend the corporation 50% of the cost of a housing project but would initially only advance sufficient funds to enable the corporation to prepare its plan; the remaining funds would be committed only when the plan has been prepared and approved, the necessary arrangements put in place for private sector investment, mortgage financing, land acquisition, etc.
2. The corporation would engage the services of a consultant for the preparation of a long-range development plan for their designated area. This service can be available at a very modest cost, or indeed at no cost at all. The Institute of Urban Studies, University of Winnipeg, as part of its outreach program, is prepared to act as a consultant to community groups on a wide variety of urban issues. The preparation of a long range area development plan would fall within the scope of its activities, and there is a reasonable assurance that an arrangement could be made with them to carry out such an assignment on terms that would be mutually acceptable. More than that, it is possible that the Institute would be prepared to act as advisor to the corporation in all its affairs.
3. When the broad general plan has been prepared, the corporation would seek out long-term investors and enter into a partnership with them for the purpose of developing a housing project. They would also seek out a developer who is prepared to provide the technical and professional skills required to prepare the plans for the housing project, on the basis of no profit, but

simply of cost-recovery for this stage of the development, on the firm agreement that he will earn his normal profit on the construction phase of the project. The corporation and its partners would negotiate for the acquisition of the land and arrange for the mortgage.

4. The partnership would then advise the government that the scheme is ready for implementation and the government would release the balance of the 50% of the cost of the project, and this would put all of the other agreements into effect and work would commence.
5. First call on the revenues generated by the project would be for payment of the debt servicing and operating costs. After these costs have been met, the long-term investors would have the next claim on the revenues up to a maximum percentage of their equity investment as provided in their agreement with the corporation (say 10%); after that the residual net revenues would be used to repay the government loan, up to a maximum percentage of the loan amount, as provided in the agreement; and if there is still an unconsumed residue of net revenues it would be shared on a basis provided for in the agreement between the long-term investors and the corporation (say 50/50). The corporation's share would be returned to the government in repayment of the loan.
6. If the housing project is sold, the corporation's share of the proceeds would be used to repay the government loan, if there is still an outstanding balance at that time. When the loan has been repaid and the corporation still holds assets, those assets would be used to undertake another project, whether housing or some other type of area improvement.

7. The corporation would have first refusal on the purchase of the private long-term investors' share of the partnership. It could also have the option of providing the management services for the completed project.
8. Operating costs of the corporation would be provided either from the government loan which would include this cost as a cost of the project, or from an appropriate claim on the revenues generated by the project.

The composition of the Board of the corporation could vary from one to the other. As a basic general model, however, it would be useful to think of a Board of nine members. Five of these would be appointed by the existing neighbourhood council or appropriate association; two would be appointed by the Mayor of the City of Winnipeg; one would be appointed by the funding Government; and one would be appointed by the Institute of Urban Studies of the University of Winnipeg.

The corporation would be incorporated as a Corporation Without Share Capital under Part xxii, of the Corporations Act, SM.1976 c. 40. Under this Act, Articles of Incorporation must be completed and certified in order to establish a corporation. Item 5 of these Articles sets out the undertaking to which the corporation is restricted. The development corporations proposed in this model would complete Item 5 of the Articles of Incorporation as follows:

5. The undertaking of the corporation is restricted to the following;
  1. To foster and promote the economic, social, and physical welfare of that area of the City of Winnipeg in the Province of Manitoba generally known as...but whose specific boundaries are...through the provision of housing and other types of development.

2. To represent the members of the Corporation in the preparation and implementation of plans and projects for the development of the aforesaid area, and in the negotiation of and entering into contracts with various levels of government and with private persons and corporations for the purpose of preparing and implementing such plans and projects.
3. To promote legislation affecting the aforesaid area and to oppose or support, as the case may be, any legislation by any level of government or authority as the same may affect the area.

In entering into joint-venture agreements with private investors to carry out housing or other development projects, a separate joint-venture company would be created. The composition of the Board, and the undertakings of that new company would be set out in the Articles of Incorporation and the By-laws of that company.

## 2.2 Testing the Financial Component

In order to examine the effects of the financial structure postulated in the model, three hypothetical housing projects were formulated. Since the model was being developed with reference to two particular locations in the central area, - the Historic Winnipeg area, and the Central Park, North of Ellice area - the hypothetical housing projects obviously should have reference to these locations. Moreover, since a significant part of the housing potential of the Historic Winnipeg area is in the recycling of existing warehouse structures, an examination of the model in terms of a recycling project as well as in terms of new construction would be appropriate. Accordingly, three hypothetical projects were formulated: one for new construction in the Historic Winnipeg area; one for recycling an existing warehouse for residential use in the Historic Winnipeg area; and one for new construction in the triangle of land north of Ellice Avenue, between Notre Dame and Balmoral. Each of these is examined.

## 2.2.1 Hypothetical New Construction Project in the Historic Winnipeg Area

### Assumptions

1. The site lies east of Main Street in the McDermot/Bannatyne/Market area, in the vicinity of Stephen Juba park. Given the recent improvements to Bannatyne Avenue, and the creation of the riverside park, it seems clear that these public investments in upgrading the streetscape and the general physical environment provide the most attractive ambience for a new housing project in the Historic Winnipeg area. The site of the hypothetical project in this exercise will be referred to as the East of Main Site.
2. The site is clear of any structure and its present use is for surface parking. There is considerable area in the indicated location which meets this criterion. Sites without buildings are generally less costly for development than sites with structures that have to be demolished.
3. The density of development of the project is 80 units/acre. This seems an appropriate development density for the indicated location, and for a project which is essentially experimental in nature, since there is no housing there at present. This project, were it implemented, would be the first of its kind, and accordingly should have a high quality of design and construction, and the density should not be so great as to require high-rise structures, nor yet so low as to be inappropriate to an urban central location.
4. The size of the hypothesized site is about half an acre. At the indicated density of 80 units per acre this could accomodate

40 residential units. This may be regarded as a very modest undertaking, but given the fact that the market response to housing in this area cannot be foreseen, it is deemed prudent that the first venture be fairly modest in scale, but not so small as to have no impact on the character of the area and no influence on the possibility of further development.

5. Examination of property values in the area indicated that generally they run at about \$400,000 per acre. Analysis of various site values and other indicators led to the adoption of a value of \$229,360 for a half-acre site in this location. For a development of 40 units this works out to a value of \$5,734 per unit for land, which may be somewhat high, but was felt to be acceptable because of the special circumstances of this exercise.
6. Construction costs of \$2,077,800 for this project are based on construction costs of a project recently proposed for a site in downtown Winnipeg. The figure for that project came to \$51,945 per unit, which included the cost of parking accommodation. Forty cars can be accommodated on 14000-16000 sq. ft. and since the hypothetical site is half an acre (21,780 sq. ft.) the parking would only require a single level. If the parking were not completely below grade, the cost would be reduced because the cost of ventilating, lighting, and heating would be avoided. It is assumed here that 40 parking spaces would be provided, and that the cost of \$51,945 per unit would be sufficient to build not only the apartments, but also the parking accommodation.
7. It is assumed that of the 40 units, twenty or 50% would be one-bedroom; five or 12½% would be one bedroom/den; five or

12½% would be 2 bedroom/1 bathroom; and ten or 25% would be 2 bedroom/2 bathroom.

8. It is assumed that the rental rates for these apartments would be as follows:

1 bedroom	\$520/month
1 bedroom/den	600/month
2 bedroom/1 bathroom	620/month
2 bedroom/2 bathroom	700/month

9. It is assumed that the rental rate for the parking stalls would be \$50/stall/month.
10. It is assumed that the laundry facilities provided would produce revenues of \$10/month/apartment.

The financial analysis for this hypothetical project follows.



Notes to East of Main Site - Preliminary Development Budget

1. Land Cost is \$229,360 as set out in item 5 of Assumptions, above.
2. Construction Cost is \$2,077,800 as set out in item 6 of Assumptions, above.
3. Construction Management Fee is based on 3½% of Construction Cost.
4. Development Overhead is based on 5% of Total Cost less Casual Revenue. This item includes the cost of running an office during the construction period, plus an allowance for risks or contingencies that don't appear elsewhere in the budget.
5. Technical Fees are based on 5% of Construction Cost.
6. Operating Costs used in this preliminary budget are 50% of the cost estimated in the Revenue/Expense Analysis for the base year 1986 for eight months lease-up period (comprising last two months of construction plus six months after substantial completion). That is, Operating Costs shown here are 8/12 of 50% of the Total Expenses shown on the Revenue/Expense Analysis. This item includes utilities, repairs and maintenance, property tax, and insurance.
7. Special Costs includes special assessments and/or off-site costs such as hook-up charges, etc.
8. Administrative Costs includes any administrative costs not included under Development Costs, such as travel costs, courier costs, long-distance telephone charges, etc.
9. Profit is based on 12% of Total Cost before Casual Revenue. This profit goes to the developer if he is not an equity participant in the project.
10. Marketing Costs are based on 2.25 times the Effective Revenue for one month (i.e., one month's revenue @ 5% vacancy).
11. Financing Costs include an Application Fee of \$100/unit for the first 50 units and \$50/unit thereafter (\$4000 for the 40 units in this project) plus an Insurance Fee on the permanent mortgage of 3½% of the mortgage amount, plus interest payments on the mortgage advanced, which is here assumed to be advanced over an eight-month period and to carry an interest rate of 12½% on a 35 year term.
12. Casual Revenue includes the revenue which will be received over the eight-month lease-up period. It is assumed that there will be an average

occupancy of 50% during the eight-months of the lease-up period and the casual revenue will therefore be 8/12 of 50% of the Gross Revenue shown on the Revenue/Expense Analysis.

Notes to East of Main - Operating Budget

1. Revenue and Expenses are projected to increase by 6% annually.
2. Debt Service is based on a first mortgage of \$786,622 at 12½% amortized over 35 years.
3. Net Revenue distribution assumed to be as follows:
  - a) Private investors assumed to earn 10% return on their equity (786,622) prior to any payment to the non-profit corporation.
  - b) Non-Profit corporation to receive residual revenue up to 10% of government loan, after payment to private investors; non-profit corporation to return such revenue to funding government in repayment of loan.
  - c) Private investors and non-profit corporation to share any additional project revenue over and above the payments indicated in a) and b) above, on a 50/50 basis.
  - d) Sale proceeds (not shown) if any, to be shared by the private investors and the non-profit corporation, with repayment of private investors taking precedence.

Table 1

East of Main Site - Preliminary Development Budget

40 Apartments.		
<u>Hard Costs</u>		
Land (1)		229,360
Construction (2)		
Construction costs	\$2,077,800	
Construction Management Fee (3)	<u>72,723</u>	
		2,150,523
<u>Soft Costs</u>		
Development Costs		
Development Overhead (4)	157,324	
Technical Fees (5)	103,890	
Legal and Accounting	20,000	
Operating Costs (6)	33,443	
Special Costs (7)	20,000	
Administrative Costs (8)	5,000	
Profit (9)	<u>377,579</u>	
		717,236
Marketing Costs (10)		55,361
Financing Costs (11)		
Permanent Loan	31,532	
Interest	<u>66,076</u>	
		<u>97,608</u>
		\$ 3,250,088
Casual Revenue (12)	103,600	<u>(103,600)</u>
		\$ 3,146,488
	<u>Total Cost</u>	

Table 2

East of Main Site - Total Cost Calculation

TC = Total Cost

FC = Fixed Cost

Land		\$ 229,360
Construction		2,150,523
Development Overhead	.05TC	
Technical Fees		103,890
Legal and Accounting		20,000
Operating Costs		33,443
Special Costs		20,000
Administrative Costs		5,000
Profit	.12TC	
Marketing Costs		55,361
Financing Costs		
Permanent Loan	4000+(.035)(.25TC)	
Interest	$\frac{(.125)}{12} (8) (.25TC)$	
		2,617,577
Casual Revenue		(103,600)
Fixed Cost		\$ 2,513,977

$$TC = FC + .05TC + .12TC + 4000 + (.035)(.25TC) + \frac{(.125)}{12} (8) (.25TC)$$

$$TC = \$2,513,977 + .17TC + 4000 + .00875TC + .03125TC$$

$$TC = \$2,517,977 + .19975TC$$

$$.80025TC = \$2,517,977$$

$$TC = \frac{2,517,977}{.80025} = \$3,146,488$$

Table 3

East of Main Site - Development Schedule

Construction	-	10 months
Lease-up	-	8 months overlapping with last two months of construction schedule
First mortgage advances	-	to begin two months prior to completion of construction

Table 4

East of Main Site - Project Capitalization

Total	\$3,146,483
First Mortgage	786,622 @ 12½% for 35 years.
Government Loan	1,573,244
Private Equity	786,622.

Table 5

East of Main Site - Revenue/Expense Analysis

Base Year 1986

<u>Revenue</u>		<u>Annual Revenue</u>
1 bedroom apts	- 20x520x12 = \$124,800	
1 bedroom/den	- 5x600x12 = 36,000	
2 bedroom/1 bath	- 5x620x12 = 37,200	
2 bedroom/2 bath	- 10x700x12 = <u>84,000</u>	
		\$ 282,000
Parking	- 40 stalls @ \$50/mo = 40x50x12 =	24,000
Laundry	- 40 units @ \$10/mo = 40x10x12 =	<u>4,800</u>
	Gross Revenue	\$ 310,800
	Less 5% Vacancy	<u>(15,540)</u>
	Effective Revenue	\$ 295,260
 <u>Expenses</u>		
Operating Expenses		
40 units @ \$200/unit/mo.		96,000
Management Fee @5% of Effective Revenue		<u>14,763</u>
	Total Expenses	110,763
Revenue before Debt Service		184,497
Debt Service		<u>97,000</u>
<u>Net Revenue</u>		87,497



## 2.2.2 Hypothetical Warehouse Recycling Project in the Historic Winnipeg Area

### Assumptions

1. The building selected for this exercise is the Gault Building Annex. The Gault Building itself was built in 1899-1900 as a four-storey warehouse. In 1903 two more storeys were added to the original structure, and a six-storey extension or annex was built on the south side of the building, extending the structure by about 50 feet. It is this annex, known as the Gault Building Annex which is the subject of this hypothetical recycling project. The Gault Building and Annex are located at 92-104 Arthur Street.
2. The cost of the land and the existing building has been assumed to be \$257,500. This represents a price midway between what is at present the owner's asking price for the property and the latest purchase offer that has been made for it.
3. A mixed-use development has been assumed to be the most appropriate for the recycled building. The building has six storeys and a basement. The proposed redevelopment assumes car parking in the basement, office commercial use on the first floor, and apartments on the five remaining floors.
4. It is assumed that access to the basement parking area can be provided by ramping down in the present arched alleyway between the Annex and the Gault Building proper.
5. The gross floor area of the first floor is about 3700 sq. ft. It is assumed that about 700 sq. ft. will be lost to circulation and other non-leasable uses, leaving a net leasable floor area of 3000 sq. ft. This floor would be redeveloped for office commercial use.



6. The gross floor area of each of floors two to six inclusive is about 4855 sq. ft. The difference between the area of the first floor (the basement is the same size as the first floor) and floors two to six inclusive is due to the fact that an arched alleyway measuring about ten feet in width and extending the height of the first storey has been taken out of the Annex Building to provide a covered service lane between the Annex and the Gault Building proper. Floors two to six of the Annex over-arch this service lane. It is assumed that floors two to six inclusive will be redeveloped for residential use, with four apartments on each floor. One of these, or 25% would be a studio apartment, two of them or 50% would be one-bedroom apartments, and one, or 25% would be a two-bedroom apartment.
7. It is assumed that both the commercial floor space and the residential floor space can be renovated for a cost of \$30 per sq. ft.
8. It is assumed that the basement can be renovated to provide 10 parking stalls at a cost of \$9000 per stall which includes the cost of ramping down from street level.
9. The size of the floor-plate, and the number, size, and location of the windows allows the creation on each residential floor of four apartments of unusually large size. The studio apartments measure approximately 770 sq. ft., the one-bedroom apartments measure approximately 1000 sq. ft., and the two-bedroom apartments measure approximately 1300 sq. ft.
10. It is assumed that the rent will average \$600 per month per unit. This works out to the following rates for each apartment type:

studios	\$505/month
one-bedroom	\$610/month
two-bedroom	\$675/month

11. It is assumed that the office commercial use will produce a rent of \$10 per sq. ft. triple net. The net leasable space of 3000 sq. ft. accordingly will produce a net rent of \$30,000 per year, or \$2500 per month.
  
12. It is assumed that the parking stalls will rent for \$50 per month each for a total monthly parking revenue of \$500 per month or \$6000 per year.

The financial analysis of this hypothetical project follows.

Notes to Gault Building Annex - Preliminary Development Budget

1. Land and Building Costs estimated at average between asking price of \$300,000 and the most recent purchase price offer of \$215,000.
2. Construction Costs estimated on the following basis:

Residential - five floors of 4855 @ \$30 = 4855x5x30 =	\$728,250
Commercial - one floor of 3700 @ \$30 = 3700x30 =	111,000
10 car spaces @ \$9000 = 10x9000 =	90,000
	\$929,250
3. Construction Management Fee is based on 3½% of Construction Cost.
4. Development Overhead is based on 5% of Total Cost before Casual Revenue. This item includes the cost of running an office during the construction period plus an allowance for risks or contingencies that don't appear elsewhere in the budget.
5. Technical Fees are based on 5% of Total Construction Cost.
6. Operating Costs used in this preliminary budget are 50% of the cost estimated in the Revenue/Expense Analysis for the base year 1986 for a four-month lease-up period for the residential operation. That is, Operating Costs shown here are 4/12 of 50% of the Total Expenses shown on the Revenue/Expense Analysis. This item includes utilities, repairs and maintenance, property taxes and insurance.
7. Special Costs includes special assessments and/or off-site costs such as hook-up charges, etc.
8. Administrative Costs includes any administrative costs not included under Development Costs, such as travel costs, courier costs, long-distance telephone charges, etc.
9. Profit is based on 12% of Total Cost before Casual Revenue. This profit goes to the developer if he is not an equity participant in the project.
10. Marketing Costs are based on 2.25 times one month's rent at 5% vacancy for the residential and parking components, and 15% of annual revenue for the commercial space.
11. Financing Costs include an Application Fee of \$100 per unit for the first 50 units and \$50 per unit thereafter (\$2000 for the 20 units in

this project) plus an Insurance Fee on the permanent mortgage of  $3\frac{1}{2}\%$  of the mortgage amount, plus interest payments on the mortgage advanced which is here assumed to be advanced over a four-month period and to carry an interest rate of  $12\frac{1}{2}\%$  on a 35 year term.

12. Casual Revenue includes the revenue which will be received from the residential and parking components over the four-month lease-up period at 50% occupancy, plus the revenue which will be received from the commercial operation for three months. It is assumed that the commercial space will be fully occupied on completion of the project and it will be leased as from that time; however, it is also assumed that lease-up on the residential component will start one month before completion of the project and will extend for three months beyond that time for a total lease-up time of four months.

#### Notes to Gault Building Annex - Operating Budget

1. Revenue and Expenses projected to increase by 6% annually. Office space rent increase assumed to occur every 3 years at 6% annual rate (compounded).
2. Debt Service is based on a first mortgage of \$400,290 at  $12\frac{1}{2}\%$  amortized over 35 years.
3. Net Revenue distribution assumed to be as follows:
  - a) Private investors assumed to earn 10% return on their equity (\$400,290) prior to any payment to the non-profit corporation.
  - b) Non-profit corporation to receive residual revenue up to 10% of government loan after payment to private investors; non-profit corporation to return such revenues to funding government in repayment of loan.
  - c) Private investors and non-profit corporation to share any additional project revenue over and above the payments indicated in a) and b) above, on a 50/50 basis.
  - d) Sale proceeds (not shown) if any, to be shared by the private investors and the non-profit corporation, with repayment of private investors taking precedence.

Table 7

Gault Building Annex - Preliminary Development Budget

20 apartments  
3000 sq. ft. net leasable office commercial floor space.  
10 parking spaces.

Hard Costs

Land and existing building (1)		\$257,500
Construction (2)		
Apartments	\$728,250	
Commercial	111,000	
Parking	90,000	
	<u>929,250</u>	
Construction Management Fee (3)	32,524	
		<u>961,774</u>

Soft Costs

Development Costs		
Development Overhead (4)	80,058	
Technical Fees (5)	46,460	
Legal and Accounting	10,000	
Operating Costs (6)	9,188	
Special Costs (7)	10,000	
Administrative Costs (8)	2,500	
Profit (9)	<u>192,139</u>	350,345
Marketing Costs (10)		31,219
Financing Costs (11)		
Permanent Loan	16,010	
Interest	<u>16,812</u>	
		<u>32,822</u>
		<u>1,633,660</u>
<u>Casual Revenue (12)</u>	32,500	<u>(32,500)</u>
<u>Total Cost</u>		\$ 1,601,160

Table 8

Gault Building Annex - Total Cost Calculation

TC = Total Cost

FC = Fixed Cost

Land and Existing Building	\$	257,500
Construction		961,774
Development Overhead	.05TC	
Technical Fees		46,460
Legal and Accounting		10,000
Operating Costs		9,188
Special Costs		10,000
Administrative Costs		2,500
Profit	.12TC	
Marketing Costs		31,219
Financing Costs		
Permanent Loan	2000 + (.035)(.25TC)	
Interest	$\frac{(.125)}{12}(4)(.25TC)$	
		<u>1,328,641</u>
Casual Revenue		( 32,500)
		<u>\$ 1,296,141</u>

$$TC = FC = .05TC + .12TC + 2000 + (.035)(.25TC) + \frac{(.125)}{12}(4)(.25TC)$$

$$TC = \$1,296,141 + .17TC + 2000 + .00875TC + .0105TC$$

$$TC = \$1,298,141 + .18925TC$$

$$.81075TC = \$1,298,141$$

$$TC = \frac{\$1,298,141}{.81075} = \underline{\underline{\$ 1,601,160}}$$

Table 9

Gault Building Annex - Development Schedule

Construction - Four months.  
Lease-up - Four months, overlapping with construction schedule in last month.  
First mortgage advances - to begin one month prior to completion and advances as required to lease-up.

Table 10

Gault Building Annex - Project Capitalization

Total Cost	\$ 1,601,160
First Mortgage	400,290
Government Loan	800,580
Private Equity	400,290

Table 11

Gault Building Annex - Revenue/Expense Analysis

Base Year 1986

<u>Revenue</u>	<u>Annual Revenue</u>
20 apartments @ \$600/mo. average	\$ 144,000
10 parking stalls @ \$50/mo	6,000
	<hr/>
Gross revenue	150,000
Less 5% vacancy	7,500
Effective Revenue	<hr/>
	\$ 142,500
<u>Expenses</u>	
Operating Expenses	
20 units @ \$200/unit/mo	48,000
Management Fee @ 5% of Effective Revenue	7,125
	<hr/>
Total Expenses	\$ 55,125
Revenue before debt service (residential)	87,375
Plus Effective Revenue from Commercial space:	
3000 sq. ft. @ \$10,00 triple net \$30,000	
Less 5% vacancy	<hr/>
	(1,500)
Effective Revenue Commercial	<hr/>
	28,500
Gross Revenue before Debt Service	115,875
Debt Service	<hr/>
	49,000
<u>Net Revenue</u>	<hr/>
	\$ 66,875



Table 12

## Gault Building Annex - Operating Budget (\$000's)

	Year												
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<u>Revenue (1)</u>													
Residential													
Gross Revenue	150	159	169	179	189	201	213	226	239	253	269	285	302
Less vacancy @ 5%	8	8	8	9	9	10	11	11	12	13	13	14	15
Effective Revenue	143	151	160	170	180	191	202	214	227	241	255	271	287
Commercial													
Gross Revenue	30	30	30	32	32	32	34	34	34	36	36	36	38
Less vacancy @ 5%	2	2	2	2	2	2	2	2	2	2	2	2	2
Effective Revenue	29	29	29	30	30	30	32	32	32	34	34	34	36
<u>Total Revenue</u>	172	180	189	200	210	221	234	246	259	275	289	305	323
<u>Expenses (1)</u>													
Operating	48	51	54	57	61	64	68	72	77	81	86	91	96
Management Fee (Res.)	7	8	8	8	9	10	10	11	11	12	13	14	15
<u>Total Expenses</u>	55	59	62	65	70	74	78	83	88	93	99	105	111
<u>Revenue Before Debt Service</u>	117	121	127	135	140	147	156	163	171	182	190	200	212
<u>Debt Service (2)</u>	49	49	49	49	49	49	49	49	49	49	49	49	49
<u>Net Revenue</u>	68	72	78	86	91	98	107	114	122	133	141	151	163
<u>Distribution of Net Revenue (3)</u>													
To private Investors: 10% return on \$400,290; 50% of residual after payment to non-profit corporation	40	40	40	40	40	40	40	40	40	40	40	40	40
To Non-Profit Corporation: 10% return on \$800,580 (if available); 50% of residual	28	32	38	46	51	58	67	74	81	81	81	81	81
										6	10	15	21
										6	10	15	21

↓

point of recovery of  
government loan of \$800,580

### 2.2.3 Hypothetical New Construction Project in the North of Ellice Triangle

#### Assumptions

1. The site identified for this project is the half-block of land on the east side of Edmonton Street, between Ellice Avenue and Qu'appelle. This is the site which was acquired by the Core Area Initiative from the Firestone Company. The building which still occupies the site is used as the office of the Central Park/North of Portage Neighbourhood Council, and for purposes of this analysis the site will be referred to as the Firestone site.
2. The site is just over one acre in size. In their recently-published Housing Strategy for the North Portage Triangle, the Central Park/North of Portage Neighbourhood Council designates this site as appropriate for medium density development. There is no indication of the actual density which would be acceptable under the medium-density criterion, and accordingly a density figure was arrived at indirectly. The density which is being contemplated for the housing component of the North Portage site (immediately across Ellice Avenue to the south of the Firestone site) by the North Portage Development Corporation is about 200 units per acre. It is also known that one of the short-listed proposals submitted in response to the Core Area Initiative proposal call for the development of the Firestone site, proposed a project of 144 dwelling units. On this basis, it has been assumed here that 100 units per acre would be an acceptable medium-density figure, and since the site is almost an acre in area, the number of units assumed for this hypothetical development is 100 units.
3. It has also been assumed here that because of its location,

commercial development (retail, office, fitness centre, day-care, etc.) would be appropriate for the ground floor use of this project. An area of 12000 sq. ft. of such commercial space has been assumed.

4. It has been assumed that some parking would be provided on a surface lot, and some would be underground.
5. Because the land is now owned by the Core Area Initiative it is assumed that the value of the land ascribed to this site is subject to greater flexibility than it would be were it privately held. The assumption has been made that an appropriate value for the land is \$3,500 per unit. Since it is proposed to base this hypothetical project on 100 units, the value of the land has been assumed to be \$350,000.
6. It is recognized that this specific site has been designated for development as a park, and not for housing. However, since other projects have been proposed for the Firestone site, under the conventional methods of financing and developing, it provides an opportunity of comparing those methods with the methods proposed in this hypothetical model. There are, of course, other sites of comparable size in the North of Ellice Triangle, whose land costs are probably in the same range as has been here assumed for the Firestone site, and the analysis would probably apply to those sites with comparable validity.

The financial analysis of this hypothetical project follows:

Notes to Firestone Site - Preliminary Development Budget

1. Land Costs are as indicated in item 5 of Assumptions.
2. Construction Costs are based on \$52000 per unit exclusive of land and parking, for apartment construction and \$100 per sq. ft. for commercial construction.
3. Construction Management Fee is based on  $3\frac{1}{2}\%$  of Construction Cost.
4. Development Overhead is based on 5% of Total Cost before Casual Revenue. This item includes the cost of running an office during the construction period plus an allowance for risks or contingencies that don't appear elsewhere in the budget.
5. Technical Fees are based on 5% of Construction Cost.
6. Operating Costs used in this preliminary budget are 50% of the cost estimated in the Revenue/Expense Analysis for the Base Year 1986, for a 10-month lease-up period. That is, Operating Costs shown here are 10/12 of 50% of the Total Expenses shown in the Revenue/Expense Analysis. This item includes utilities, repairs and maintenance, property taxes and insurance.
7. Special Costs includes special assessments and/or off-site costs such as hook-up charges, etc.
8. Administrative Costs includes any administrative costs not included under Development Costs, such as travel costs, courier costs, long-distance telephone charges, etc.
9. Profit is based on 12% of Total Cost before Casual Revenue. This profit goes to the developer if he is not an equity participant in the project.
10. Marketing Costs are based on 2.25 times one month's rent at 5% vacancy for the residential, parking, and laundry component, plus 15% of the annual commercial rent.
11. Financing Costs include an Application Fee of \$100 per unit for the first 50 units and \$50 per unit thereafter (i.e., \$7500 for the 100 units proposed for this project) plus an Insurance Fee on the permanent mortgage of  $3\frac{1}{2}\%$  of the mortgage amount, plus interest payments on the mortgage advanced which is here assumed to be advanced over a 12-month period and to carry an interest rate of  $12\frac{1}{2}\%$  on a 35 year term.

12. Casual Revenue includes the revenue which will be received during the first ten months at 50% occupancy for both the residential and commercial components.

Notes to Firestone Site - Operating Budget

1. Revenue and Expenses projected to increase by 6% annually for both commercial and residential operations.
2. Debt Service assumes a first mortgage of \$2,629,866 at 12½% amortized over 35 years.
3. Net revenue distribution assumed to be as follows:
  - a) Private investors assumed to earn 10% return on their equity (\$2,629,866) prior to any payment to the non-profit corporation.
  - b) Non-profit corporation to receive residual revenue up to 10% of government loan after payment to private investors; non-profit corporation to return such revenues to funding government in repayment of loan.
  - c) Private investors and non-profit corporation to share any additional project revenue over and above the payments indicated in a) and b) above, on a 50/50 basis.
  - d) Sale proceeds (not shown) if any, to be shared by the private investors and the non-profit corporation, with repayment of private investors taking precedence.

Table 13

Firestone Site - Preliminary Development Budget

100 apartments  
12000 sq. ft. commercial floor space

Hard Costs

Land (1)		\$ 350,000
Construction (2)		
Apartments	\$ 5,200,000	
Commercial	1,200,000	
Parking	<u>1,000,000</u>	
	\$ 7,400,000	
Construction management fee (3)	<u>259,000</u>	7,659,000

Soft Costs

Development Costs		
Development Overhead (4)	525,973	
Technical Fees (5)	370,000	
Legal and Accounting	20,000	
Operating Costs (6)	116,388	
Special Costs (7)	20,000	
Administrative Costs (8)	5,000	
Profit (9)	<u>1,262,336</u>	2,319,697
Marketing Costs (10)		169,988
Financing Costs (11)		
Permanent Loan	99,545	
Interest	<u>328,733</u>	
		<u>428,278</u>
		10,926,963
Casual Revenue (12)	407,500	<u>(407,500)</u>
<u>Total Cost</u>		\$ 10,519,463

Table 14

Firestone Site - Total Cost Calculation

TC = Total Cost

FC = Fixed Cost

Land		\$ 350,000
Construction		7,659,000
Development Overhead	.05TC	
Technical Fees		370,000
Legal and Accounting		20,000
Operating Costs		116,388
Special Costs		20,000
Administrative Costs		5,000
Profit	.12TC	
Marketing Costs		169,988
Financing Costs		
Permanent Loan	7500+(.035)(.25TC)	
Interest	$\frac{(.125)}{12}(12)(.25TC)$	
		<hr/>
		8,710,376
Casual Revenue		(407,500)
		<hr/>
Fixed Cost		8,302,876

$$TC = FC + .05TC + .12TC + 7500 + (.035)(.25TC) + \frac{(.125)}{12}(12)(.25TC)$$

$$TC = \$8,302,876 + .17TC + \$7500 + .00875TC + .03125TC$$

$$TC = \$8,310,375 + .21TC$$

$$.79TC = \$8,310,376$$

$$TC = \frac{\$8,310,376}{.79} = \underline{\underline{\$10,519,463}}$$

Table 15

Firestone Site - Development Schedule

Construction Schedule	-	14 months
Lease-up Schedule	-	10 months including a two-month overlap with the last two months of construction
First Mortgage Advances	-	To begin four months prior to completion and assumed to be fully advanced at completion.
	-	Time between date of first advance and full occupancy assumed to be 12 months.

Table 16

Firestone Site - Project Capitalization

Total Cost	-	\$10,519,463
First mortgage	2,629,866	@ 12.5% for 35 years.
Government Loan	5,259,731	
Private Equity	2,629,866	



Table 17

Firestone Site - Revenue/Expense Analysis

Base Year 1986

<u>Revenue - Apartments</u>	<u>Annual Revenue</u>
Studios 10 @\$520/mo = $520 \times 12 \times 10 =$ \$62,400	
One-bed 65 @ 620/mo = $620 \times 12 \times 65 =$ 483,600	
Two-bed 25 @ 700/mo = $700 \times 12 \times 25 =$ 210,000	
	<hr/>
	\$ 756,000
Parking 100 stalls @ \$50/stall/mo = $50 \times 12 \times 100$	60,000
Laundry @ \$10/mo/unit = $10 \times 12 \times 100$	12,000
	<hr/>
Gross Revenue	828,000
Less 5% Vacancy	41,400
	<hr/>
Effective Revenue	\$ 786,600
 <u>Expenses</u>	
Operating Expenses	
100 units @ \$200/unit	240,000
Management Fee @ 5% of Effective Revenue	39,330
	<hr/>
Total Expenses	279,330
Revenue before debt service (residential)	507,270
Plus revenue from commercial	142,500
	<hr/>
Gross revenue before debt service	649,770
Debt Service	325,000
	<hr/>
<u>Net Revenue</u>	\$ 324,770

Table 18

## Firestone Site - Operating Budget (\$000's)

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<u>Revenue (1)</u>	<u>*Base Year</u>														
<u>Residential</u>															
Gross Revenue	828	878	930	986	1045	1108	1175	1245	1320	1399	1483	1572	1666	1766	1872
Less Vacancy @ 5%	41	44	47	49	52	55	59	62	66	70	74	79	83	88	94
Effective Revenue	787	834	884	937	993	1053	1116	1183	1254	1329	1409	1493	1583	1678	1778
<u>Commercial</u>															
Gross Revenue	150	159	169	179	189	201	213	226	239	253	269	285	302	320	339
Less Vacancy @ 5%	8	8	8	9	9	10	11	11	12	13	13	14	15	16	17
Effective Revenue	143	151	160	170	180	191	202	214	227	241	255	271	287	304	322
<u>Total Revenue</u>	930	985	1044	1107	1173	1244	1318	1397	1481	1570	1664	1764	1870	1982	2110
<u>Expenses (1)</u>															
Operating	240	254	270	286	303	321	340	361	383	405	430	456	483	512	543
Management Fee (Res.)	39	42	44	47	50	53	56	59	63	66	70	75	79	84	89
<u>Total Expenses</u>	279	296	314	333	353	374	396	420	445	472	500	530	562	596	632
<u>Revenue Before Debt Service</u>	651	689	730	774	820	870	922	977	1036	1098	1164	1234	1308	1386	1478
<u>Debt Service (2)</u>		325	325	325	325	325	325	325	325	325	325	325	325	325	325
<u>Net Revenue</u>		364	405	449	495	545	597	652	711	773	839	909	983	1061	1153
<u>Distribution of Net Revenue (3)</u>															
To Private Investors:															
10% return on \$2,629,866;		263	263	263	263	263	263	263	263	263	263	263	263	263	263
50% of residual after payment to non-profit corporation										25	60	97	136	182	
To Non-Profit Corporation:		101	142	186	232	282	334	389	448	510	526	526	526	526	526
10% return on \$5,259,731 (if available);															
50% of residual										25	60	97	136	182	

\* The calculations for the Base Year 1986 have not been carried to completion because the construction period for the project has been assumed to be 14 months, and at the time of this writing it is already 1985, and accordingly 1986 cannot constitute a full year of operation. The calculations for 1986 could have been made on the basis of say a half-year of operation but it was felt that a better base for projection would be provided by the full-year figures, carried to the point shown here.

point of recovery  
of government loan of  
\$5,260,000

### 2.3 Testing the Organizational Component

The preceding section dealt with the financial component of the model. The other basic component is the organizational component, of which the locally-based non-profit development corporation is the key element. As indicated earlier in this report, the model is being examined with reference to two sectors of the core area - the Historic Winnipeg area, and the triangle of land contained between Ellice Avenue, Notre Dame Avenue, and Balmoral Street. Currently, both of these sectors have local organizations which could serve as the basis for the non-profit development corporations contemplated in the model, although in their present form and function they could not perform that role. Both would have to be substantially changed in order to transform them into a suitable organization, or, alternatively, entirely new and different corporations would have to be created which could draw upon the membership, resources, and experience of the present organizations to make the establishment of the new corporations much simpler than might otherwise be the case.

The organizations which are now in place are the Old Market Square Association in the Historic Winnipeg area, and the Central Park/North of Portage Neighbourhood Council in the Ellice/Notre Dame/Balmoral area. Meetings and interviews were held with members of both of these organizations in an attempt to explore the feasibility of creating the non-profit development corporation in accordance with the basic concept. These discussions indicated that in both cases the prospects for creating the appropriate organization were not merely feasible but extremely promising. In both cases the organizations were receptive to the idea and clearly indicated that if the political and financial pieces could be put in place, the non-profit development corporation could become a reality.

This circumstance is of particular interest because of the great

differences between the two organizations. The Central Park organization was created largely at the initiative of the Core Area Initiative bureaucracy and in order to provide a citizens organization which would participate in the process of carrying out the programs of the Initiative for this neighbourhood. The Old Market Square Association was created entirely through the initiative of local businessmen and property owners in the Historic Winnipeg Area to develop its commercial potential. The histories of these two organizations have been vastly different and they have arrived at their present positions by entirely different routes. But each is now very interested in the idea of a non-profit development corporation as contemplated in the model under discussion, and is prepared to undertake the job of bringing such a corporation into being in their respective areas if the other elements of the scheme can be committed. A brief overview of these two organizations will help to illuminate the organizational aspect of the model under examination.

### 2.3.1 The Central Park/North of Portage Neighbourhood Council

Reference has already been made to the three Sectors comprising 13 Programs which constituted the framework for the Core Area Initiative's objectives and activities when it was established. Among these was Program 7 which identified the area north of Portage Avenue as one in which redevelopment would be carried out, and also Program 11 which stated that a Core Area Initiative office would be established in order, among other things, to provide a process of consultation with core area residents and organizations.

In pursuit of these objectives the Initiative office was instrumental in arranging a public meeting on September 23, 1982, in the Notre Dame Senior Citizens Centre at 444 Kennedy Street in order to discuss the Core Area Initiative's proposals for the neighbourhood and to explore the possibility of setting up a neighbourhood organization to participate in the program. A follow-up meeting was held on October 20, 1982, attended by three local people and two Core Area Initiative officials specifically to pursue the idea of a neighbourhood organization and the means of providing it with funds.

As a result of these meetings and the interest they generated, an organization began to emerge. On December 2, 1983, an application was made to the federal government for funds in the amount of \$101,450 on behalf of the Central Park/North of Portage Neighbourhood Council; and on December 17, 1982, a letter was sent to the General Manager of the Core Area Initiative, signed by two names which represented the nascent organization. The letter set out three objectives which the group had adopted:

1. To provide a way for people in the area to improve the neighbourhood.
2. To provide employment opportunities.

3. To deal with the impact of the Core Area plan on the neighbourhood.

The letter also asked if the Firestone Building, which had been expropriated by the Core Area Initiative in 1981 could be used as the office of the organization, which called itself the Central Park/North of Portage Neighbourhood Council, but was not as yet legally incorporated. Approval was given to the group to use the Firestone Building as its office, and on January 26, 1983, the Central Park/North of Portage Neighbourhood Council was formally incorporated under the Corporations Act as a corporation without share capital. Its undertakings, under the Articles of Incorporation were restricted to the following:

To provide a way for people in the neighbourhood to improve the area; to develop and maintain a neighbourhood council in the Central Park/North of Portage Area which will provide a mechanism for area residents to become involved in their community and provide an employment opportunities and a resource centre for residents of the community.<sup>10</sup>

On February 7, 1983, the organization received a Canada Community Development Project grant in the amount applied for in December. The grant was for one year, and on February 14, 1983, the Central Park/North of Portage Neighbourhood Council Inc. formally opened its doors for business.

One of the first undertakings of the Council was to conduct a survey of over 400 residents of the area with the help of the Social Planning Council of Canada, to try to establish a "profile" of the neighbourhood -

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<sup>10</sup> Certificate of Incorporation, Central Park/North of Portage Neighbourhood Council Inc. January 26, 1983.

its likes and dislikes, hopes and fears, preferences and expectations, etc. The results of the survey were announced at a public meeting on June 9, 1983. There was only a 59% response to the survey, which is too small for absolute confidence in the results. The survey found that given a choice between more park, more housing, or more business for their neighbourhood, 41% of the respondents chose more park, 31% chose more housing and 19% chose more business. The remainder of the respondents either had no preferences, or simply did not answer the question.

When the preferences were broken down by age, the order of preference remained the same for respondents between the ages of 18-28, with 43% choosing more park, 23% choosing more housing, and 26% choosing more business. Respondents between the ages of 29-39 had the same order of preference, with a higher percentage (55% compared to 43%) choosing more park. Respondents over the age of 65 chose more housing as their first preference (48%) and more park as their second choice (20%). In all age groups more business was a third choice. In general, the order of preference indicated by the survey was for more parks, housing, safety, general environmental improvement, and business.

Following the survey, the Council embarked on the preparation of a general development plan for the area. They engaged the services of a consultant in a series of three contracts which ran for varying lengths of time. The plan was presented to a public meeting on December 14, 1983. It was received as presented, but there was no formal motion of acceptance or approval of the plan.

At about this time the proposal to develop the old St. Paul's College site as a National Research Council research laboratory was becoming a matter of public debate, and the Neighbourhood Council grew concerned that the recreational use of that site for which they had hoped might be lost. They lobbied the authorities to set aside some part of the St. Paul's site

as a tot-lot, and as a result of their efforts it was agreed that a portion of the property would be designated for public recreation use.

Sometime in the Fall of 1983 the Council began to experience difficulties of an internal political nature. It is a curious circumstance, but the Central Park/North of Portage Neighbourhood Council Inc. had no real body of general membership; its membership comprised only the members of the Board, which varied in number and from time to time between six and ten members, not all of whom were residents of the neighbourhood. The Board was sharply divided on several issues, but the most serious division was over the question of the choice between parks and housing as the top priority for neighbourhood development. Although the results of the survey announced in June 1983 did not demonstrate a preference for housing among the residents of the neighbourhood, there emerged nevertheless a faction on the Board which considered housing the top priority. The differences on this issue became exacerbated and extended to other aspects of the Council's activities and functions. Two resignations from the Council in early 1984 were the direct result of the growing and overt factional struggle. A further curious circumstance lies in the fact that an employee of the Council engaged by the Board as a Project Worker was also an elected member of the Board. The internal political struggle becomes even more curious in light of the fact that the Core Area Initiative Office was heavily involved in this struggle as a partisan favouring the pro-housing faction, and in November 1983, issued a call for proposals for a housing project on a site on the east side of Edmonton Street, between Ellice and Qu'Appelle - the site known as the Firestone Site, on which the building used by the Council as its office, is located. The circumstances surrounding this proposal call have already been reviewed in the preceding section dealing with the Shortcomings of Present Financial System of the model.

The Core Area Initiative had a legitimate concern for the successful



functioning of the Neighbourhood Council - it was part of their method of operation. When it became evident that the Board was not functioning to their satisfaction, early in 1984 the Core Area Initiative office asked the Community Education and Development Association of Winnipeg Inc. to help restructure the Council and straighten out their difficulties. A meeting was held between the CEDA and a subcommittee of the Council, out of which came a set of recommendations for improving the operations of the Neighbourhood Council. Among these was the recommendation that greater participation in the Council should be encouraged among the residents of the neighbourhood, and that the composition of the Board should be more formally structured to provide representation from specific categories of membership such as seniors, public housing tenants, owner-occupied housing, social agencies, significant ethnic groups, businessmen, etc. However, the Council finally decided that membership on the Board should be by election-at-large.

The Canada Community Development Project grant which the Council had received on February 7, 1983, and on which they had been operating, was only for a one year period. In fact, it had been exhausted by January 1984, and formally expired on February 7, 1984. Because there was no more money available, the office had been closed in January and had remained closed until April. It was able to reopen in that month because a grant was received from the Core Area Initiative and the Council resumed its activities on April 2, 1984.

On May 29, 1984, an annual general meeting of the Council was held. The meeting was attended by about 100 people. There were 29 candidates who stood for election to the 20 places to be filled on the Board. Of the 29 candidates, 19 were local residents, all of whom were elected. They included three businessmen and 16 residents. The 20th member elected to the Board was a non-resident. The turn-out for this meeting, and the virtually total resident composition of the Board which was elected, seemed

to bode a new interest and vitality in the organization. However, at the end of June the Treasurer absconded with \$1867.68 of the Council's funds. This set off another wave of hostilities and recriminations, both internally, and between the Board and the Core Area Initiative office. In September the Board voted to dismiss the two Project Workers, and on the 17th of that month a meeting was held between the Board and officials of the Core Area Initiative at which the competence of the Board was again reviewed and the future of the Council questioned. Since then the Board has been trying to pick up the pieces and patch up the serious cracks in their organization.

The funding which had been provided to the Council in April 1984 by the Core Area Initiative was for a six month period which ended on October 2, 1984. Since then the Council has been trying to operate without a funding commitment. Whether it will continue to function, and on what basis, has yet to be determined. However, they are proceeding on the assumption that they will continue and are extremely interested in the idea of a non-profit development corporation for their neighbourhood. They have recently (November 1984) published a report called "Housing Strategy for the North Portage Triangle" which sets out their position on housing for their neighbourhood. It is a well thought-out and presented set of policies for the development of the area.

Discussions with the Board, and interviews with some of its members indicate that they recognize the shortcomings and failings of the Council. However, they also indicate that they recognize a number of specific reasons for these shortcomings and failings. One of the most important reasons they identify is the lack of organizational experience and political skills among the members of the Board, which allowed, for example, an employee of the Council to sit as an elected member of the Board and assume an important role in influencing the Board's policies. Another reason they identify is the lack of long-term and adequate commitment of funds to the Council.

Still another, and perhaps critical, reason is the difference between the Core Area Initiative officials and the residents of the neighbourhood in the way in which they viewed the neighbourhood and the policies which they thought should be pursued for its development. Because the Core Area office had the bureaucratic power, (for example, no employee could be hired by the Board, without approval of the Core Area Initiative office), and controlled the funds for the Council, and because the Board did not always agree with the CAI officials, the Board members felt coerced and completely lacking in autonomy, even though it was the development of their own neighbourhood which was at issue.

Reflection on the matter suggests that there may be still another, and perhaps even more basic reason for the lack of success of the Council. That reason lies at the very foundation of the Council, and is implicit in its Articles of Incorporation. A reading of item 5 of those Articles, which was quoted earlier in this section, reveals that there were no specific roles, responsibilities, or powers which were contemplated for, or conferred upon the Council. From this statement of the Articles one senses that the role proposed for the Council was a passive one rather than an active one; a role of providing the medium for carrying out the undertakings and initiatives of others.

Item 5 of the Articles of Incorporation stated three undertakings which defined the limits of the Council's objectives and activities. One was "to provide a way for people in the neighbourhood to improve the area"; the second was "to provide a mechanism for area residents to become involved in their community"; and the third was to "provide an employment opportunities and a resource centre for residents of the community." It will of course be argued that item 5 of the official form of Articles of Incorporation are always cast in these very broad general terms, and quite deliberately so, in order not to inhibit the more specific and detailed terms of reference which will be incorporated in the constitution,

bylaws, and activities of the organization as it pursues its corporate affairs.

However, the three purposes set out in item 5 of the Articles do not seem to be of that nature: they say nothing about the general purposes of the Council and do not delineate any general area of activity, the details and specifics of which might be spelled out in subsequent and other documents. To say that the reason for establishing the Council is "to provide a way for the people in the neighbourhood to improve the area" is quite meaningless because the establishment of the Council in itself is not a way to improve the neighbourhood, and there is no indication of what powers, resources, instruments, etc. the Council can employ to improve the neighbourhood. Similarly, the second purpose "to provide a mechanism for area residents to become involved in their community" is also spurious, since there were already many opportunities for residents to become involved without the need for a Neighbourhood Council; and the third purpose to "provide an employment opportunities and a resource centre for residents of the community" is perhaps the most misleading and meaningless since the issue of employment is probably among the most serious concerns of the people of the core area, and there was no provision for the Council to take any effective initiative in creating jobs or to have any meaningful involvement in creating job opportunities in the area, except perhaps as an information centre,<sup>11</sup> which role was already performed by a variety of federal and provincial agencies with that specific responsibility.

Perhaps it is not merely a coincidence that the language of the Articles of Incorporation is virtually identical to the language of the Proposed

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<sup>11</sup> Ibid., Article 5.

Winnipeg Core Area Initiative June 1981 publication. Throughout that latter document, which sets out the Sectors and Programs of the Core Area Initiative, there is repeated reference to participation and involvement of the people of the neighbourhood in the programs which the Initiative will undertake and be responsible for in the neighbourhood areas. For example, on Page 7, under C. STRATEGY, the following statement is made in subparagraph (c) of the first paragraph: "(c) to facilitate the effective social and economic participation of core area residents in development opportunities."

On Page 10, under Program 3: Community Improvement Areas, the following statement appears:

The Community Improvement Areas Program will improve the physical environment of designated neighbourhoods by providing new parks, recreation facilities, infrastructure, and streetscaping, planned in consultation with neighbourhood advisory bodies.<sup>12</sup>

Again on Page 10 under the heading Program 4: Community Facilities, the following statement appears:

The objective of this program is to provide financial contributions towards the capital costs of new or expanded community facilities to foster the participation of core area residents in social, cultural, and economic development opportunities.<sup>13</sup>

And on the same page, under Program 5: Community Services, the document speaks in the same language about financial contributions

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<sup>12</sup> Winnipeg Core Area Initiative Policy Committee - Proposed Winnipeg Core Area Initiative June 1981, Program 3: Community Improvement Areas, p. 10.

<sup>13</sup> Ibid., Program 4: Community Facilities, p. 10.

towards community services:

to facilitate the participation of core area residents in social, cultural, and economic development opportunities,<sup>14</sup>

and of creating a community-based foundation

to advise on the provision of funds,...to facilitate the participation of core area residents in social, cultural, and economic development opportunities on a continuing basis.<sup>15</sup>

On Page 13 under Program 11: Management and Consultation, the following statement is made:

The objective of this program is to provide for the overall management of programs and projects implemented under the Agreement. A Core Area Initiative office will be established to manage the Agreement; to provide a process of consultation with core area residents, organizations, and the community; and to prepare such plans and studies as are required to achieve the objectives of the Agreement.<sup>16</sup>

On Page 14 under Program 12: Public Information:

...Both general and specific information on Agreement programs will be prepared and disseminated in a comprehensive manner designed to encourage greater participation by core area residents and specific interest groups and to reach a large general audience.<sup>17</sup>

Clearly, in order that the Core Area Initiative carry out its role in conformity with the statements in the publication of June 1981, it was necessary that it have local community organizations which could

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<sup>14</sup> Ibid., Program 5: Community Services, p. 10.

<sup>15</sup> Ibid., Program 5: Community Services, p. 10.

<sup>16</sup> Ibid., Program 11: Management and Consultation, p. 13.

<sup>17</sup> Ibid., Program 12: Public Information, p. 14.

directly receive its communications and directives and which would also be seen as evidence that the objectives of the Initiative, in terms of local participation, were being pursued.

It must be acknowledged that during its relatively short and stressful history, the Central Park/North of Portage Neighbourhood Council did in fact undertake a number of activities at its own initiative. For example, in the Fall of 1983 it presented a brief on its safety concerns to the City Centre/Fort Rouge Community Committee; it started several Neighbourhood Watch programs on various occasions (none of which was successful); it undertook the publication of a monthly newsletter, with moderate success; it worked on a co-op housing project which is still in abeyance awaiting government approval; it lobbied for more recreation facilities and green space, again with moderate success; it held various block parties, Xmas parties; and outings for the poor, etc. all of which were regarded as successful.

However, in spite of these internally generated activities, it is clear that the Council was created as an instrument to carry out the policies and programs of the Core Area Initiative. As indicated earlier, the language of the Articles of Incorporation of the Central Park/North of Portage Neighbourhood Council and of the Proposed Winnipeg Core Area Initiative document of June 1981 is strikingly similar in the phrasing of their respective objectives and suggests that the Initiative officials had a dominant role in creating the Council and in drafting the Articles of its Incorporation. And the history of the Council indicates that it was created specifically to serve the purposes of the Initiative. The history of the Council also indicates how hazardous is the attempt to use local residents groups as the instrument to carry out policies and programs which are conceived and articulated by a central bureaucracy. The practice is probably inevitably doomed to failure.

In these circumstances it is understandable why the Central Park/  
North of Portage Neighbourhood Council is unhappy about its relationship  
to the Core Area Initiative office, and why it is so receptive to the  
idea of becoming a non-profit development corporation with a greater  
measure of autonomy.



### 2.3.2 The Old Market Square Association

In contrast to the Central Park/North of Portage Neighbourhood Council, which was essentially the creation of a government bureaucracy to serve the purposes of a centrally conceived and administered renewal program, the Old Market Square Association was the spontaneous creation of a small local group of private individuals - local businessmen, property owners, and concerned citizens - who recognized the unique qualities of this part of the city and saw in it the potential for a different kind of renewal. The examples of Vancouver's Gastown and Toronto's Yorkville were still fresh and exciting demonstrations of what could be done to revitalize older, historic areas of the city centre, and Winnipeg's historic warehouse district was certainly as attractive - perhaps even much more attractive - in terms of its architectural quality and historic character than either of those two. It seemed inevitable that Winnipeg's heritage, now lying dormant and underutilized, was destined for a renaissance which would infuse into these old warehouse loft buildings a wide variety of new and flourishing activities and would transform the area into a charming and vital local centre of contemporary city life.

There had been stirrings of renewal in the area as early as the end of the 1960s and early 1970s. For example, the Old Spaghetti Factory dates from about that time. Kay's Manufacturing moved into the old Stovel Building which had previously housed a printing establishment, and carried out some clean-up and renovation of the premises. The Maltese Cross Building too had undergone some improvements. And there are others. But it was in the mid-1970s that activity became intensified.

Throughout the winter of 1976 and the spring of 1977, a series of meetings was held to explore the prospects for such a renewal, and the means by which it might be accomplished. Through these meetings it was

learned that in the city's Department of Environmental Planning there was an active interest in improving the area, and that the City Council was sympathetic. At that time precise concepts of the form which improvement might take had not been formulated, but thoughts had been stimulated, and ideas were beginning to take shape. One idea was that a plan and sketches should be prepared illustrating the way in which the area might be developed. It was felt such a presentation would help people to visualize what was proposed, stimulate their imagination and enthusiasm, and muster support for the concept. Accordingly, the preparation of a plan and sketches was commissioned, and financed by this ad hoc group. Some years earlier - about 1974 - the City of Winnipeg's Planning Department had created a series of sketches showing how the area could be physically and visually improved, and these sketches provided the basis for the new illustrations which were prepared by local architects, planners, and designers.

However, it was recognized that sketches alone would not attract new business, private investment, and public funds into the area, all of which were necessary if the concept of renewal was to become a reality. It was felt that at that time, two hard, specific measures were necessary. One of these was to create a focal point which would draw people into the area and expose them to the unique buildings, the safe and attractive surroundings, and the potential for new business development. A Farmer's Market was thought to be the ideal vehicle for this measure. The park area where the market is now held was thought to be the ideal space, and negotiations were entered into with the City to lease the land for that purpose. The other measure which was felt to be necessary was to create a formal organization which could speak for the area as a whole, formulate policies and carry out programs, receive funds and grants, and act as the contracting body in the matter of leasing the land and conducting the operations for the market.

Such an organization was formed and was incorporated as the Old Market

Square Association on October 28, 1977. No full or part-time staff were employed by the Old Market Square Association. In that circumstance it would have been difficult if not indeed impossible for the organization to have made any progress in the pursuit of its objectives, had it not been for the assistance of the City's Department of Environmental Planning, and in particular of two of its members - Mr. Chuck Brook and Mr. Steve Barber. The hundreds of hours of time provided by them and a small support staff enabled the Old Market Square Association to develop into a strong community-based organization which was recognized as representing the interests of the people in the Historic Winnipeg area in matters of planning and development, and could assist formally in the operation of the summer market. One of the first actions of the Old Market Square Association after its incorporation was its undertaking to raise and spend \$60,000 over 12 years for the development of the market.

The summer market ran successfully for two years, 1978 and 1979, with some beneficial spin-offs. Several buildings in the area changed hands, and improvements were being carried out by private owners. Trend Interiors, Modernage Furniture, and Townsite all were renovated. Difficulties, however, began to emerge. The City's Health Department, for example, was becoming concerned about the preparation of food and the sale of produce which was being conducted on an improvised, ad hoc basis. The total lack of hygienic facilities was no longer acceptable. Moreover, the market was turning into a flea market rather than the farmers market which had originally been conceived. It was obvious that improvements were necessary; a better facility was required both for the safety of the public and to encourage a better type of vendor.

The organization lobbied City Council to make some improvements in the park, and to develop a streetscaping plan for the area. Major street improvements were carried out in the form of attractive paving, planting, and street furniture, and there was some minor up-grading of the park/market

area. This work extended over a two to three year period and to date is continuing. There has been a marked success in the effort to improve the general appearance and environmental quality of the streets in the area, but the issue of the market has not been resolved.

One of the forces which contributed to the heightening of interest in the Historic Winnipeg area in the mid-1970s was the activity of Heritage Canada. Interest in heritage preservation was mounting throughout the country at this time, and in 1976 Heritage Canada embarked on a program to interest all cities in adopting measures to preserve their historic buildings and places. A number of studies were undertaken in various cities across the land. The Manitoba Historical Society carried out the study in Winnipeg, and in May 1976 produced its report entitled "Winnipeg's Historic Warehouse Area." Arising out of this work was a proposal by Heritage Canada for a tripartite approach to the preservation and rehabilitation of the Historic Warehouse Area, under which Heritage Canada and the provincial and city governments would each contribute \$500,000 to such a restoration and revitalization program.

The City's contribution was to take the form of streetscaping; the delineation of a Historic Winnipeg zoning district in the city's zoning bylaw, with regulations designed to carry out the program's objectives; the creation of the Historic Winnipeg Advisory Committee, and the Historic Buildings Committee to advise on matters affecting the conservation of the heritage of the area and on the creation and expansion of a list of historic buildings to which special regulations would apply in order to ensure their preservation as part of the public heritage.

The contribution of Heritage Canada under this scheme was to take the form of the renovation of a historic building as a demonstration of what could be accomplished in practical terms to recycle a heritage structure. The Hammond Building on Albert Street was selected for this project, and

the renovation was carried out. It is of passing interest to note that the building, renovated as an office building, is a financial failure and Heritage Canada is seeking to dispose of it.

The form which the Government of Manitoba's contribution was to take was indeterminate. The provincial authorities were uncertain as to the best course for them to follow. Typical of such circumstances, in 1977 they struck a committee to study the matter and come up with a recommendation. The committee was under the chairmanship of the provincial assistant deputy minister in charge of cultural affairs, and its members were representatives of the City, the Manitoba Historical Society, and the Old Market Square Association.

After a series of committee meetings the notion emerged among its members that the provincial contribution could best be handled through a trust fund which would then distribute monies to various deserving applicants. But such an arrangement would require a board of trustees to administer the fund. This board, moreover, would have other important responsibilities and characteristics. For example, it would have to have a central concern for the public interest; it would have to identify buildings worthy of preservation; it would have to do research in the heritage field; and it would have to develop conservation information and techniques. All of these roles and responsibilities were quite different and remote from those of the businessmen in the area. Clearly the Old Market Square Association with its businessmen membership and its business goals could not function as the managers of the trust. Accordingly, in 1978, Heritage Winnipeg was incorporated as the body to perform that role.

The membership of the Heritage Winnipeg corporation comprised three city councillors, three representatives of the Old Market Square Association, one representative of the Manitoba Historical Society, one from Parks Canada, one from Heritage Canada, three from the provincial government

(Tourism, Historic Resources, Government Services) and three members at large. In spite of this impressive and responsible membership, and in spite of having been incorporated in 1978, Heritage Winnipeg received no funds from the provincial government until the Fall of 1980. Between 1978 and 1980, all expenditures by Heritage Winnipeg were handled directly by the department of Historic Resources of the province.

In the first year of its existence, expenditures on the Heritage Winnipeg account amounted to only \$39,000 although the province's participation in the scheme had been on the basis of a commitment of \$100,000 per year for five years. The unexpended balance of \$61,000 was lost to the corporation because the province decided, seemingly retro-actively that unexpended monies could not be carried over into subsequent budget years.

In 1980 the provincial government moved to devolve the budgetary responsibility for the heritage program onto Heritage Winnipeg. A provincial election in 1981 brought about a change in government, with the NDP coming to power. This meant a delay while the new government put its own policies and programs in place, and Heritage Winnipeg received no funds until 1982.

In October, 1980 the Policy Committee of the Core Area Initiative published a request for public submissions on the Winnipeg Core Area Initiative as proposed in the Memorandum of Understanding which had been signed by the three governments in the preceding month. This request referred to all proposals of the Initiative including Program 9: Historic Winnipeg Area Development. The Old Market Square Association responded to this call with a submission which set out the views of the members of that organization who were in the main small businessmen and property owners. Whatever may have been the Policy Committee's reaction to their submission, the Old Market Square Association's proposal did not form a

specific component of the subsequent activities of the Initiative in the area.

Heritage Winnipeg was similarly disappointed. When the Core Area Initiative was established, Heritage Winnipeg assumed that they would be given some responsibility in administering the budget of over \$5 million for Program 9 which covered the 13 blocks of the Historic Winnipeg Area. Neither the Old Market Square Association nor Heritage Winnipeg were given any responsibility nor any funds for activities under Program 9 of the Initiative. The only monies received by Heritage Winnipeg from the Initiative office was a sum of about \$4000 to cover the cost of publishing a brochure, prepared by Heritage Winnipeg, and called The Historic Winnipeg Restoration Area: An Illustrated Guide to Winnipeg's Historic Warehouse District, which incidentally, the brochure states is a Core Area Initiative publication, and for which the Initiative has taken all the credit. Heritage Winnipeg has operated entirely on funds provided by the Province of Manitoba out of the \$500,000 commitment it had made in 1976. Since that time, however, Heritage Winnipeg has only received a total of about \$350,000 and the province in 1983 abrogated its commitment, so that there are now no funds available.

The Old Market Square Association has received no monies from the Core Area Initiative. In fact, it has received virtually no funds from any source other than Heritage Winnipeg. Whatever support the Association has received has come from that source. The Old Market Square Association has always had representation on the Board of Heritage Winnipeg. This relationship made it possible for Heritage Winnipeg to share some of the Old Market Square Association's operating costs. Since 1980 Heritage Winnipeg has put between \$10,000 and \$15,000 per year into the Old Market Square Association, and in 1982 the two organizations formally agreed to share Heritage Winnipeg's office and staff, and the promotion of area events on a cost-shared basis. However, because the Old Market Square Association

has no outside sources of funds, Heritage Winnipeg during the two year period 1982-1983, has had to put up about \$30,000 to cover the Old Market Square Association's share of the cost.

It is probably true that the Old Market Square Association is coming to the end of its existence in its present form. It is continuing to function but with declining energy and effectiveness. It continues to operate the summer market, but only on a temporary basis. Clearly, without assured funding the organization cannot continue, and without a large capital injection, the market cannot be brought to a healthy and vigorous level of operation. It was considered in some circles of government and among some members of the Association, that perhaps a year-round market, properly capitalized and operated, might provide the spark needed to inspire new vitality into the area. Accordingly a study of the feasibility of such a project was commissioned by the Core Area Initiative. The findings, at the time of this writing, have not yet been made public, but the general impression is that they are not very encouraging. If the study indicates that a year-round farmers market in the Historic Winnipeg Area is only marginally feasible, then there is little prospect for the continuation of the Old Market Square Association.

Because of its financial circumstances, and because of the declining vitality of the market upon which the hopes of the Old Market Square Association had originally been built, there has recently been a marked falling-off of interest among the Association's members. There is a prevailing feeling among them that quicker, less costly, and more effective community-based projects and action could have been achieved had the funding mechanism directly supported the Old Market Square Association rather than building up layers of bureaucratic infrastructure, which has tended to weaken the role of the Association and frustrate its members, leading to apathy and the ultimate demise of the organization.



There is also now emerging a divergence of interest among the members. Some of them feel that what is needed is a more vigorous promotion of the commercial side of the area - business, retailing, restaurants, etc. The interest of some, however, is now turning to housing and the possibility of recycling the old warehouse structures for housing and mixed housing and commercial use. Some still favour the idea of an expanded and revitalized market. Some are concerned about a general development plan which would provide a set of specific development guidelines.

During the seven years of its existence, the Old Market Square Association, in spite of the fact that it has never been adequately funded, or properly involved in development decisions affecting the Historic Winnipeg Area, has performed an important function. As a group representing the property owners and businessmen of the area, it has presented that view with a unified voice to the various levels of government and the Core Area Initiative. They have been successful in influencing decisions on upgrading and improving the general quality of the environment in their area. However, without assurance of adequate funding and full-time staff to assist the volunteer board, the organization in its present form probably has no future.

Discussions with its members have indicated an interest among some of them, in the idea of a non-profit development corporation as proposed in the model here being examined, and it is entirely likely that if events were to arrive at the point where the other various components of the model were ready to be put in place, the Old Market Square Association, or some part of it, would readily be converted into the appropriate non-profit development corporation under discussion in this study.

### 3.0 CONCLUSIONS

#### 3.1 Feasibility of the Model

This study set out to develop a model which would stimulate core area revitalization through the provision of a substantially increased volume of new economic rental housing in the core area. In order to provide this increased housing, defects in the present system which inhibit the development of such housing would have to be overcome. These defects are inherent in the present means of financing rental housing construction, and in the present organization of the system for delivering the product. If these defects are to be overcome, and a new arrangement put in place, which would be a more effective instrument for achieving the housing objective and through it the revitalization objective, then one of the basic requirements is to develop a theoretical model which seems to overcome the present difficulties and holds promise for a significant improvement in the production of housing. This study has developed such a model, and has tested its major aspects - the financial and the organizational - and found them to be feasible.

It is of particular interest to note that the financial analysis of the three hypothetical projects indicates that on the basis of the assumptions made, the government loan would be repaid (without interest) in 14 years for the East of Main site, in 12 years for the Gault Building Annex, and in 13 years for the Firestone site. In each of these instances the performance of the model in this respect is better than the present CRSP program of the federal government in which no repayment whatsoever is made during the first 15 years, and the government must wait to recover its loan (albeit with interest) for the balance of the amortization period, which in the case of a 35 year amortization would take an additional 20 years beyond the initial 15-year no-payment period.

There may be other models which could be formulated and which in theory would work just as well as the one which has been developed in this study, and would be equally promising as a mechanism for achieving an increased volume of housing in the core area. However, it is this particular model which has emerged from the present study, not some other model, and it is therefore this model which is recommended to the attention and consideration of the various authorities and agencies and corporations and individuals whose interest it touches. On the evidence found by this study, it may be concluded that the model proposed here is feasible, and that it would provide an effective instrument for stimulating the production of housing in the core area. If an increased production of housing is an essential element in core area revitalization, then it must follow that the model developed in this study would be an effective means of stimulating that revitalization process.

The model is of course a theoretical construct, and, as with all theoretical models, there must inevitably be discrepancies between the idea and its practical implementation. Nevertheless, the three hypothetical projects analyzed provide a sufficient basis for confidence in the financial structure of the model, and the two local organizations investigated indicate the feasibility of establishing the appropriate locally-based non-profit development corporations. Discussions with developers indicate that they have no difficulties with the model and would be prepared to co-operate in the way it proposes. It must be recognized however that the developers have no particular attachment to the model. They have only two fundamental concerns - one is that there be a reliable commitment of a sufficiently large financial subvention for a sufficiently long and reliable period of time to enable them to embark on development projects with confidence; the other is that the amount of bureaucratic red-tape be minimal. Given these two assurances, the means of achieving them is a matter of indifference to the developers. The model proposed here is as acceptable to them as any other which would provide them with

the same assurances. The one crucial but unknown element in the entire concept is that of the funding government. Without the participation of government as a source of the required funds in the form of a loan to the non-profit development corporation, the model remains merely another one of those many ideas which seem to have a lot to commend them but which cannot be implemented and therefore are useless. There are, however, a number of considerations which suggest that the situation may be more promising.

First, the Core Area Initiative has already committed \$96 million to the revitalization programs, and the North Portage Corporation has \$71 million committed, and although substantial results from these expenditures are expected, they have yet to emerge in tangible form. But even when these investments begin to bear fruit, it is unlikely that in themselves they will be able to generate the area-wide revitalization of the core on the scale which had been initially envisioned. There will be an ongoing need for follow-up investments, and although it is entirely possible that one or more of the governments involved will choose not to continue its involvement, it would be regrettable to have taken the revitalization effort so far and to have to abandon it at the time when additional investment would provide the extra push that is necessary to amplify the thrust imparted by the initial program, and enable it to infuse the entire core area with the new vitality that most Winnipeggers still hope for.

The support of the three levels of government still seems to be committed to the principle of core area revitalization. It is not clear at the moment what form that support will take when the present Agreement expires. However, if there is to be a renewed financial commitment in a form not yet determined, it would be eminently sensible for careful consideration to be given to the scheme which has been developed in this study.

### 3.2 Potential of the Model for Wider Planning and Development Application

The impact of such a new instrument for core area revitalization on existing instruments such as the Core Area Initiative and the North Portage Development Corporation must be taken into consideration in assessing the feasibility of this proposed new departure. Dealing with the Core Area Initiative first, it seems unlikely that the Initiative Agreement will be renewed. In any case, the major role of the CAI has been in the area of "soft" services - training, education, community organizations etc. These are of course important services, but it can be argued that they are addressed to the problems of poverty and should be subsumed under a program dealing with the general problem of poverty in the city rather than under a core-area revitalization program whose funds must of necessity be limited and inadequate to deal effectively with the broad spectrum of deep-seated social issues.

The inclusion of social adjustment measures as part of a core-area revitalization effort is theoretically appealing because it recognizes the fact that all of the problems of an ailing central area are somehow interconnected to a greater or lesser degree, which is of course true. But the disadvantage of this approach is that it spreads limited funds too thinly over a too-broad area of concerns. The result of such a diffusion of resources is that those problems which are rooted in the general problem of poverty can only be dealt with superficially and on a limited scale. There is also the further danger that the resources which remain available for physical and economic infrastructure investment will be reduced until they are inadequate to carry out an effective revitalization program.

One could argue that the Core Area Initiative is a case in point. Whatever the CAI programs may have achieved in the area of life-skills and job-skills training, in assisting special needs groups, and in

strengthening community-based organizations, they will not solve the general problem of poverty, and will not prevent the continuing need for special needs programs for those unfortunate individuals who will continue to come in behind those who have already been served by the CAI programs.

A core area revitalization program is not the appropriate context within which such programs are most effectively pursued. The fact that the North Portage Development Corporation had to be established as a separate authority from the CAI office, and required additional funding for its own budget testifies to the basically different objectives of these two types of programs, however they may be interconnected at deeper levels.

This view of the issue leads to the conclusion that if the social adjustment programs now comprising the work of the Core Area Initiative are to be continued they should not be continued as part of the core area revitalization effort but as part of a separate undertaking whose mandate is to address the general problem of poverty in the city.

If the "soft" services components were to be subsumed under a different, comprehensive, urban-poverty-oriented program, and the core area revitalization effort were concentrated on the stimulation of investment in the physical and economic development of the central area of the city, the non-profit development corporations contemplated in this study could provide an appropriate and effective vehicle to succeed the present Core Area Initiative and carry the revitalization process forward to a successful conclusion.

As for the North Portage Development Corporation, there should be no essential conflict between it and the non-profit corporations contemplated in this study. The designated area within which the operations of the North Portage Development Corporation are to be conducted is clearly

delimited. It is an area of eight or nine acres lying between Ellice Avenue and the lane south of and parallel to Portage Avenue, and between Edmonton Street and Colony/Balmoral. Within the general concept of this study the North Portage Corporation would constitute one of several such development corporations, all of which would have a mandate to develop a designated area, and all of which, taken together, are necessary if a major surge of new vitality is to be generated in the central area of the city. The one question which could be the cause of concern is whether the establishment of development corporations in other parts of the core area could diminish the significance of the North Portage Development Corporation and whether the provision of housing in these other areas could jeopardize the market for housing in the North Portage site.

It is possible to over-estimate the magnitude of the threat to North Portage on both these counts. There are a number of circumstances which would tend to minimize any possible danger. The fact that the North Portage Development Corporation is already established and has a long head-start over any other corporation which may be established gives North Portage a very decided advantage and assures it of first call on the market. Another factor is the expectation that as many as 2,500 dwelling units could be built and occupied in the central area of the city over and above the 800 or 1,000 units proposed for the North Portage site. The concept developed in this study visualizes that this volume of housing could be provided over a ten-year period, so that the demand on the market would not be so intense as to deprive any of the several sites of development opportunity. Finally it should be recognized that not all of the sites would serve the same market. Potential residents who are interested in accommodation in the North Portage project are not the same people as those who are interested in the Historic Winnipeg area; and these are not the same as those who would constitute the market for the South Point Douglas area, who in turn would represent

a different market from those who would be interested in the East Yard of the CN if it were to become a housing site at some future date.

During the course of discussions of the model with officials of various government agencies and others, some concern was expressed about the fact that the model does not provide for any central planning or co-ordinating authority which would be able to ensure that the plans of the five sectors here proposed would not conflict with each other.

In response, one might point out that there is no evidence that centralized planning authority has been any more effective than the degree of decentralization here proposed would be. Given the fact that the amount of funding is limited, the time-span is prescribed, the magnitude and nature of the program precisely defined, the target markets significantly different from each other, and initial funding contingent on the funding government's approval of the local proposal, there seems to be no need for any role for a central bureaucracy. One might even argue that the decentralization contemplated in the model would permit a much greater efficiency in the process of planning and implementing the development projects. This viewpoint was expressed with strong conviction by members of both the Central Park/North of Portage Neighbourhood Council and the Old Market Square Association. One may discount the validity of these opinions as representing the biases of those with vested interests, but the history of both of these organizations and the course of events which has been experienced in both of their areas, does not inspire confidence in the proposition that a central authority is necessarily any more effective, or indeed even as effective, as a decentralized local responsibility.

Nevertheless, if the matter of co-ordination remains a pressing concern, the model provides the means of addressing that issue. It will be recalled that the model proposes that the Board of Directors of each of the local



non-profit development corporations be made up of local people as well as appointees from the funding government, the Mayor of the City of Winnipeg, and the Institute of Urban Studies of the University of Winnipeg. If these latter appointees were to constitute a core group with the same individuals serving on the Boards of each of the five Corporations, they would constitute a linkage which would provide more than sufficient coordination and continuity to satisfy any need for centrality.

Table 18

## Firestone Site - Operating Budget (\$000's)

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<u>Revenue (1)</u>	<u>*Base Year</u>														
Residential															
Gross Revenue	828	878	930	986	1045	1108	1175	1245	1320	1399	1483	1572	1666	1766	1872
Less Vacancy @ 5%	41	44	47	49	52	55	59	62	66	70	74	79	83	88	94
Effective Revenue	787	834	884	937	993	1053	1116	1183	1254	1329	1409	1493	1583	1678	1778
Commercial															
Gross Revenue	150	159	169	179	189	201	213	226	239	253	269	285	302	320	339
Less Vacancy @ 5%	8	8	8	9	9	10	11	11	12	13	13	14	15	16	17
Effective Revenue	143	151	160	170	180	191	202	214	227	241	255	271	287	304	322
<u>Total Revenue</u>	930	985	1044	1107	1173	1244	1318	1397	1481	1570	1664	1764	1870	1982	2110
<u>Expenses (1)</u>															
Operating	240	254	270	286	303	321	340	361	383	405	430	456	483	512	543
Management Fee (Res.)	39	42	44	47	50	53	56	59	63	66	70	75	79	84	89
<u>Total Expenses</u>	279	296	314	333	353	374	396	420	445	472	500	530	562	596	632
<u>Revenue Before Debt Service</u>	651	689	730	774	820	870	922	977	1036	1098	1164	1234	1308	1386	1478
<u>Debt Service (2)</u>		325	325	325	325	325	325	325	325	325	325	325	325	325	325
<u>Net Revenue</u>		364	405	449	495	545	597	652	711	773	839	909	983	1061	1153
<u>Distribution of Net Revenue (3)</u>															
To Private Investors: 10% return on \$2,629,866; 50% of residual after payment to non-profit corporation		263	263	263	263	263	263	263	263	263	263	263	263	263	263
To Non-Profit Corporation: 10% return on \$5,259,731 (if available); 50% of residual		101	142	186	232	282	334	389	448	510	526	526	526	526	526
											25	60	97	136	182

\* The calculations for the Base Year 1986 have not been carried to completion because the construction period for the project has been assumed to be 14 months, and at the time of this writing it is already 1985, and accordingly 1986 cannot constitute a full year of operation. The calculations for 1986 could have been made on the basis of say a half-year of operation but it was felt that a better base for projection would be provided by the full-year figures, carried to the point shown here.

point of recovery  
of government loan of  
\$5,260,000

Table 12

## Gault Building Annex - Operating Budget (\$000's)

	Year												
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
<u>Revenue (1)</u>													
Residential													
Gross Revenue	150	159	169	179	189	201	213	226	239	253	269	285	302
Less vacancy @ 5%	8	8	8	9	9	10	11	11	12	13	13	14	15
Effective Revenue	143	151	160	170	180	191	202	214	227	241	255	271	287
Commercial													
Gross Revenue	30	30	30	32	32	32	34	34	34	36	36	36	38
Less vacancy @ 5%	2	2	2	2	2	2	2	2	2	2	2	2	2
Effective Revenue	29	29	29	30	30	30	32	32	32	34	34	34	36
<u>Total Revenue</u>	172	180	189	200	210	221	234	246	259	275	289	305	323
<u>Expenses (1)</u>													
Operating	48	51	54	57	61	64	68	72	77	81	86	91	96
Management Fee (Res.)	7	8	8	8	9	10	10	11	11	12	13	14	15
<u>Total Expenses</u>	55	59	62	65	70	74	78	83	88	93	99	105	111
<u>Revenue Before Debt Service</u>	117	121	127	135	140	147	156	163	171	182	190	200	212
<u>Debt Service (2)</u>	49	49	49	49	49	49	49	49	49	49	49	49	49
<u>Net Revenue</u>	68	72	78	86	91	98	107	114	122	133	141	151	163
<u>Distribution of Net Revenue (3)</u>													
To private Investors: 10% return on \$400,290; 50% of residual after payment to non-profit corporation	40	40	40	40	40	40	40	40	40	40	40	40	40
To Non-Profit Corporation: 10% return on \$800,580 (if available); 50% of residual	28	32	38	46	51	58	67	74	81	81	81	81	81
										6	10	15	21
										6	10	15	21

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point of recovery of  
government loan of \$800,580

Table 6

East of Main Site - Operating Budget (\$000's)

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<u>Revenue (1)</u>	<u>Base Year</u>															
Gross Revenue	311	329	349	370	392	416	441	467	495	525	557	590	625	662	702	744
Less Vacancy @5%	16	16	17	19	20	21	22	23	25	26	28	29	31	33	35	37
Effective Revenue	295	313	332	352	372	395	419	444	471	499	529	560	594	629	667	707
<u>Expenses (1)</u>																
Operating	96	102	108	115	121	129	136	145	153	162	172	187	198	210	223	236
Management Fee	15	16	17	18	19	20	21	22	24	25	26	28	30	32	34	36
Total Expenses	111	118	125	133	140	149	157	167	177	187	198	215	228	242	257	272
<u>Revenue Before Debt Service</u>	184	195	207	219	232	246	262	277	294	312	331	345	366	387	410	485
<u>Debt Service (2)</u>	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97
<u>Net Revenue</u>	87	98	110	122	135	149	165	180	197	215	234	248	269	290	313	330
<u>Distribution of Net Revenue (3)</u>																
To Private Investors: 10% return on \$786,622; 50% of residual after payment to non-profit corporation.	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79
												6	17	27	38	51
To Non-Profit Corporation: 10% return on \$1,573,244 (if available); 50% of residual.	0	19	31	43	56	70	86	101	118	136	155	157	157	157	157	157
												6	16	27	39	51

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point of recovery  
of government loan  
of \$1,573,244