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BUSINESS

Winnipeg Free Press - PRINT EDITION

Commercial real estate: Funding recipes feed core growth

Mixed sources still fuel developments

By: Martin Cash
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RUTH.BONNEVILLE@FREEPRESS.MB.CA [Enlarge Image](#)

Bev Passey and the United Way are excited to be closer to their clients in their new Main Street location.

The recession may have knocked some of the steam out of the pace of new housing starts and the floodway and the Manitoba Hydro building may be completed, but development has not died off in Winnipeg.

Instead, it has moved to the most unlikely of places -- downtown.

They're not 30-storey skyscrapers or extravagant retail destinations, but there are projects underway along the Main Street-Portage Avenue strip in numbers that have not been seen for decades.

There is a tasteful mix of renovations of long-vacant heritage buildings and new projects in formerly blighted blocks.

Not surprisingly, none of them came into being through debt and equity financings. They have all required some kind of complex funding concoction.

From the Union Bank Tower renovation and the new United Way building on Main to the Avenue Building, the University of Winnipeg hub and now the potential Chipman project across from the MTS Centre on Portage, each and every one of them features some combination of public funding, philanthropic support, tax-increment financing, private equity and maybe even a little mortgage debt.

You won't see a lot of evidence of Bay Street bank involvement, but there's plenty of skin from some of the city's most important philanthropic names like Richardson, Buhler and Paterson, homegrown cash from Manitoba credit unions, a long-term vision for the city from several local institutions and stellar public sector resource marshalling.

"The province, the city and CentreVenture collectively have really made a difference," said Richard Brownscombe, president and CEO of Montrose Mortgage Corp. Ltd., which has a hand in many of the projects. "For instance, their economic model is virtually flawless for the exercise we go through. What CentreVenture provides for the developer and what we need to bank, it has been a powerful mechanism."

In the case of the \$10-million United Way building being built at Main and Alexander Avenue -- the former site of a pawn shop -- CentreVenture undertook a complicated land-assembly project even before the

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United Way was fully committed. After significant federal and provincial infrastructure money materialized, Montrose was able to design a structure for Cambrian Credit Union to provide bridge financing.

"We have had fantastic support from the province and the federal government and the city and a lot of people who thought it made sense for us to move to Main Street," said Bev Passey, the United Way's vice-president of donor relations and resource development. "Then there was a small group of longtime loyal United Way supporters interested in supporting the project that solidified the whole thing."

The United Way engaged in an 18-month planning process before design began and in retrospect, the timing could not have been better. A global financial meltdown occurred in the interim that was bad enough for the province and the federal governments to commit billions for infrastructure spending. About \$6.6 million of it went to the United Way building.

And it lets the United Way maintain its commitment to put every dollar it raises in its annual capital campaign toward its community work. Not a penny of its capital funds have been used for its new building.

The United Way outgrew its Donald Street offices and wanted to move downtown, closer to its clients. Occupancy in the new building is expected next month.

Meanwhile, it was their love for the downtown that convinced Mark Hofer and his brother Rick to redevelop the Avenue Building on Portage into apartments. Hofer said their \$8.5-million project under construction just would not have been possible without a \$2-million funding package from the city and the province.

"Financing every situation is unique," Hofer said "It depends on the projects you are building. But it's never easy."

Refurbishing a derelict six-storey former office building on Portage into apartments was never going to be easily financed by a bank loan.

But, as Brownscombe said, "The market is made up of many different points of view."

The existence of various forms of inducements in the right combination can free up funds that might not have been available without those inducements.

And then there are the credit unions.

"Thank God for the credit unions," one industry official said.

Crosstown Credit Union has been involved in many new subsidized housing projects in and around the core.

Neil Enns, CEO of Crosstown, said, "We have done several projects where the equity is from the province (through the Manitoba Housing and Renewal Corp.). We do conventional financing at a low ratio, usually less than 50 per cent. It is low-risk. With the low vacancy rate, these places are going to be full."

But it takes a fairly involved recipe of creative financing, market demand, public sector initiative and an enterprising developer to pull it off.

"In the cold hard light of day, the softening provided by the government or the perception of quasi-government entities being involved or providing support, together with the sponsors' financial wherewithal is enough to convince the market and produce the loan," Brownscombe said.

Not long after the Avenue Building development was announced, Qualico, one of the largest residential developers in the city, said it was going ahead with an East Exchange project to convert seven buildings into 150 new residential units.

The addition of a deep-pocketed developer may be the tastiest addition yet to the downtown development brew.

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Finding financing,
getting it done

United Way Building
---Cost -- \$10 million.

Location-- west side of Main Street between Pacific and Alexander avenues.

Financing -- grants from three levels of government, future tax consideration and private philanthropic contributions.

Union Bank Tower
Cost -- \$27.5 million.

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Recipient of the 2009 Excellence in Journalism Award from the Canadian Journalism Foundation.

Location -- southwest corner of Main and William Avenue.

Financing -- \$2 million from businessman Andrew Paterson, \$9.5 million of federal infrastructure funding, \$4.5 million from province as well as provincial loans to Red River College.

Avenue Building

Cost -- \$8.5 million.

Location -- north side of Portage Avenue between Smith and Garry streets.

Financing -- \$6.5 million in private financing and \$2-million package from city hall and province.

The Buhler Centre

Cost -- \$15 million.

Location -- 460 Portage Ave., (southwest corner of Portage and Memorial Boulevard).

Financing -- \$3 million from John and Bonnie Buhler, combination of federal, provincial and University of Winnipeg financing arrangements.

Richardson College for the Environment

Cost -- \$35 million.

Location -- north side of Portage between Langside and Furby streets.

Financing -- \$3.5 million from Richardson family, \$18 million in federal infrastructure money and at least \$10 million from province.

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