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'Gold mine' to yield \$24M

City set to sell parkade, but deal not without controversy

By: Bartley Kives
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Winnipeg Square Parkade.

The city is poised to part with the Winnipeg Square Parkade for \$24 million, but questions remain about the way the decision was made and where the money will be spent.

On Monday, council's downtown development committee voted 3-1 to sell off Winnipeg Square Parkade, a three-storey facility dubbed "the gold mine at Portage and Main" because it generates \$1.8 million each year for the Winnipeg Parking Authority.

If council approves the deal on Wednesday, the parkade will belong to Crown Realty Partners, a Toronto firm long considered the most logical buyer because it already owns the Winnipeg Square mall and the Commodity Exchange Tower.

About \$400,000 in fees from the deal will flow to Winnipeg brokerage firm Shindico, leaving the city with \$23.6 million, which is \$2.6 million more than Winnipeg stood to earn before it

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rejected a previous Crown pitch.

"At the end of the day, I think \$24 million is a reasonable offer," said St. Norbert Coun. Justin Swandel, the downtown development chairman. In July 2008, when the sale of the parkade was first proposed, he mused it could be worth as much as \$50 million.

But when the city launched a formal search for potential buyers, the price wound up in the \$17.1-million to \$21.4-million range. That led the downtown committee to go back to the highest bidder, Crown, with what amounted to a \$26.5-million counter-offer.

A spokesman for the Toronto company could not be reached for comment. But a Winnipeg brokerage firm representing one of two other interested parties is upset its client did not get a second chance, too.

"I'm surprised, because there were three bidders," said Lindsay Ward of Cushman, Wakefield & Lepage. "They are accepting an offer without having gone back to the other two bidders."

The city did not intend to haggle with all three bidders, said St. Vital Coun. Gord Steeves, explaining talks continued with the highest bidder in order to respect the formal nature of the city search.

This is not the first controversy surrounding the parkade sale. In February, several Winnipeg firms complained when Shindico briefly listed the building on its website in what it described as an error.

The \$400,000 fee the firm now stands to earn is enormous by Winnipeg real-estate standards, industry observers say. Shindico's president could not be reached for comment, but a spokesman for another brokerage firm said the money was likely well-earned.

"The commission is granted to the broker who uncovers the opportunity and negotiates on behalf of their client," said Wes Schollenberg, managing partner with Avison Young Commercial Real Estate. "If Shindico was first to the pump, they deserve it."

If the parkade sale is approved, council must decide how to spend the proceeds. The money won't be spent until the Winnipeg Parking Authority submits a downtown strategy that's expected to include a call for the construction of more parkades.

City officials and Mayor Sam Katz have mused about using the money to pay off the WPA's artificially accumulated debt, but downtown advocates would rather see the money spent to fix up other parkades or build new ones.

"What's unfortunate is they haven't gone out and done the public consultations and done the downtown parking strategy first," said Fort Rouge Coun. Jenny Gerbasi, who voted against the sale Monday. Couns. Swandel, Steeves and Mike Pagtakhan (Point Douglas) voted in favour.

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Parkade timeline

July 2008: Councillors ask city real-estate managers to find out how much buyers would pay for the Winnipeg Square Parkade, estimating the value at \$50 million.

February 2009: Shindico erroneously lists the sale of the parkade on its website. Council then issues formal expression-of-interest document for would-be parkade buyers.

October 2009: The EOI results in three offers, between \$17.1 million and \$21.4 million. Councillors debate whether to sell the parkade.

Nov. 2, 2009: Councillors go back to highest bidder, asking for \$26.5 million for the parkade.

Nov. 23, 2009: Council's downtown development committee votes to declare the parkade surplus and sell it to Crown Realty Partners for \$24 million, with \$400,000 in brokerage fees going to Shindico.

Nov. 25, 2009: Executive policy committee and council as a whole are set to debate the sale.

February 2010: The closing date of the sale, if approved.

May 2010: Deadline for the Winnipeg Parking Authority to complete a downtown parking strategy, which may determine how the sale proceeds are spent by the city.

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