

Smart Financial Strategies for Heritage Projects

Presenter: Ross Keith, Nicor Group, Regina, SK.



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Donahue Building- Originally a furniture store with apartments on the upper levels, it has now been redeveloped and now houses the Adult Education division of the Regina Public School Board and the Saskatchewan Writers' Guild. . Regina, SK

Stories About Regina:

What the "Statement of Significance" tells us about a heritage building

By Bill Brennan



The Donahue Building, 1912. The key architectural features of this building are clearly visible: the flat roof, rectangular window pattern, restrained pilasters and decorative cornice. (Photograph courtesy of the Saskatchewan Architectural Board.)

The Donahue Building (2314-11th Avenue), a prominent downtown Regina landmark since 1911, has recently been designated as a Municipal Heritage Property. The application to

have this building designated contains a wealth of information about its history, design and construction, and about the various tenants that have occupied the building over the past nine decades.

And it includes a "Statement of Significance" and a list of its "Character-Defining Elements."

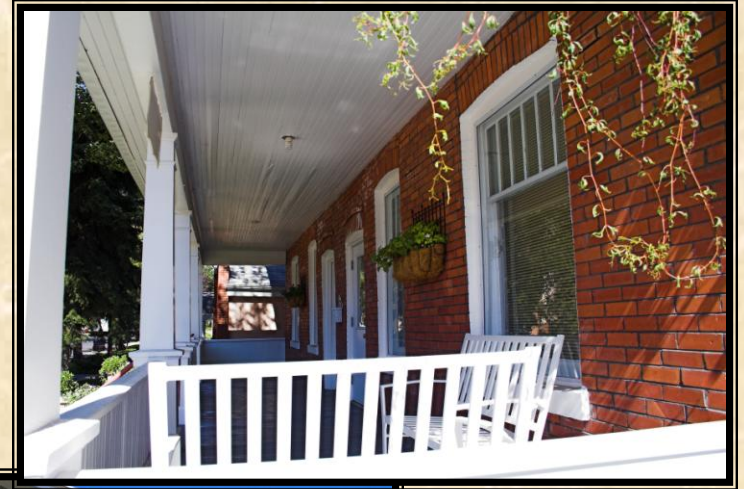
The City of Regina is now requiring that this information

12 / summer 2007 / saskatchewan architectural heritage society

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Nicor Group Office-
Townhouse converted in
office space. Regina, SK



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The Bartleman- Designated Heritage Property,
30 unit Residential Condominium Residential; Regina, SK

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The Balfour - Heritage Apartment Building Completely Reworked as 70 Unit Condominium;
Regina, SK

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The Leader Building- Derelict Heritage Building rehabilitated to mixed use Commercial and Residential; Regina, SK



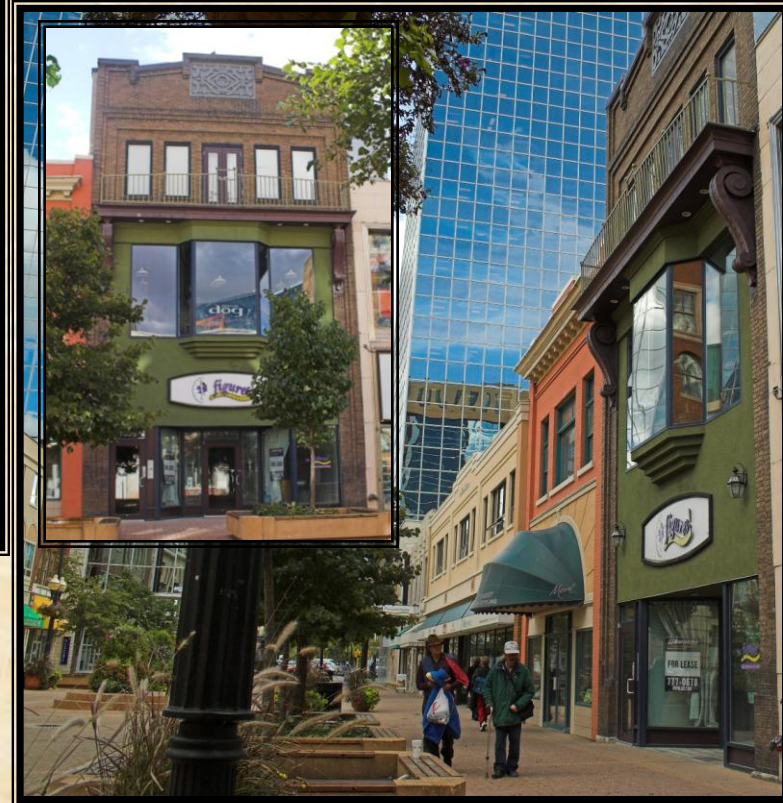
Strathdee Centre – Heritage Warehouse redeveloped as a Retail/Residential/Office Complex; Regina, SK

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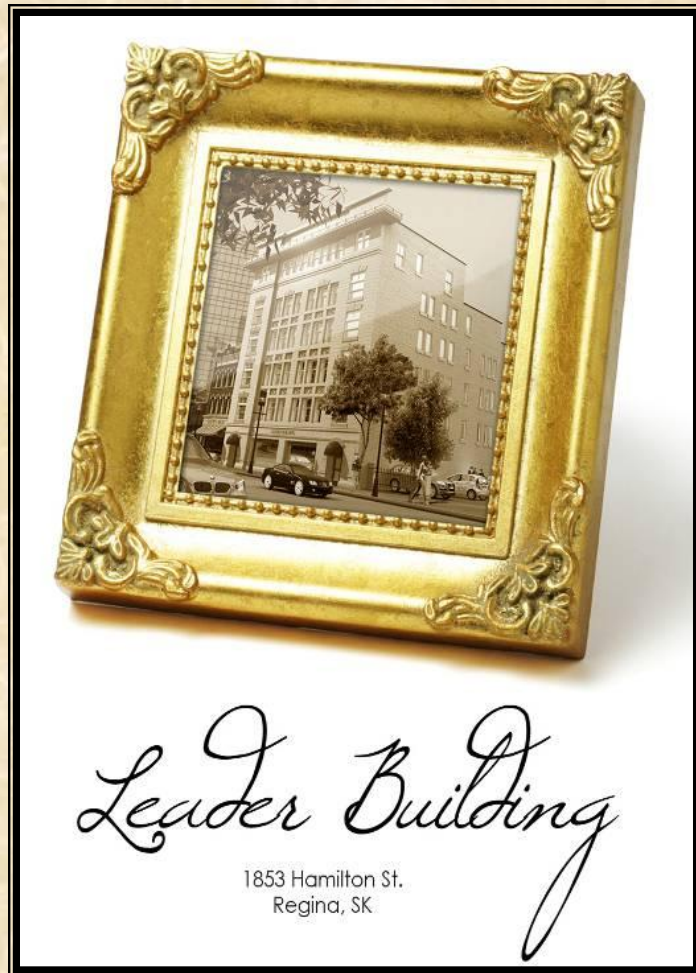


The Willoughby Lofts – Heritage Building converted to mixed use Commercial and Residential; Regina, SK

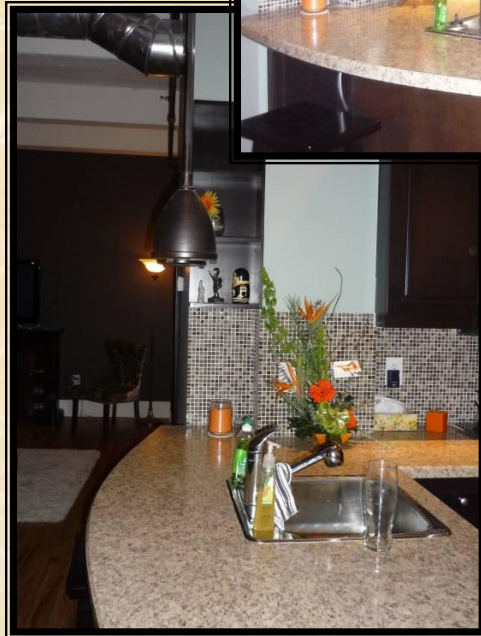
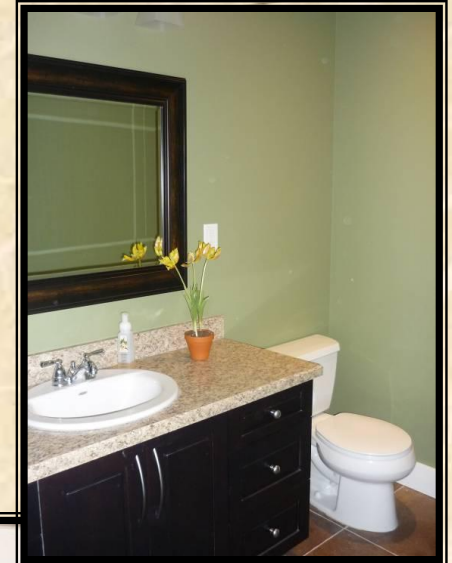
Armstrong Smyth – Downtown Office/Residential Project and mall revitalization; Regina, SK



Recently Completed Project: Leader Building



Leader Building Residential Condominiums



Leader Building Commercial Condominiums



Leader Building Historical Photos

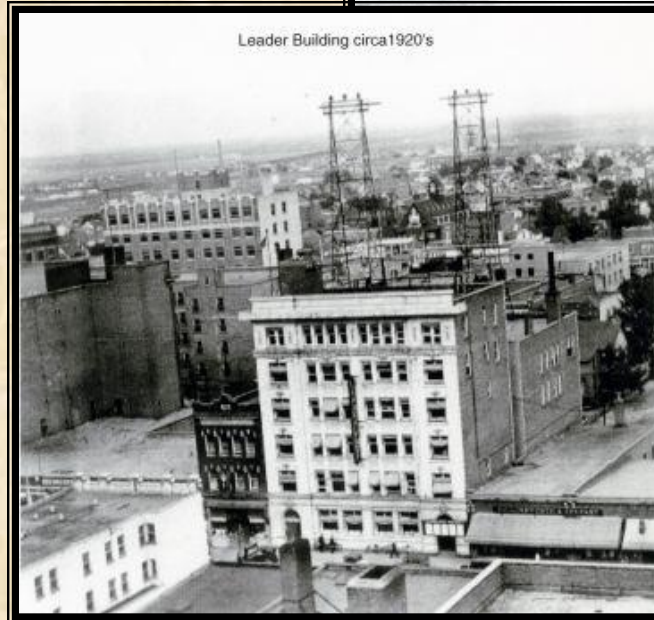
Leader Building lobby circa 1920



Leader Building circa 1915

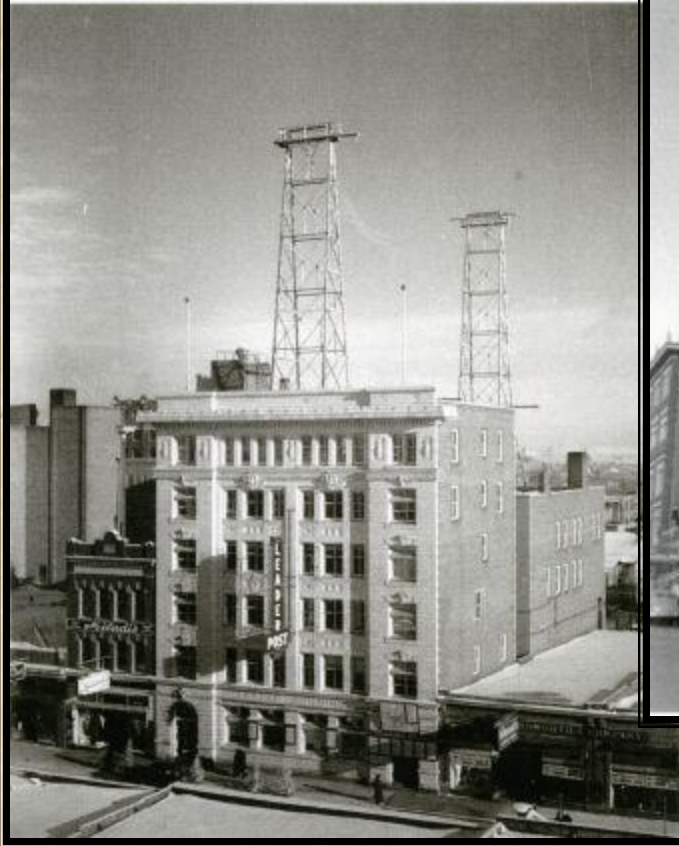


Leader Building circa 1920's

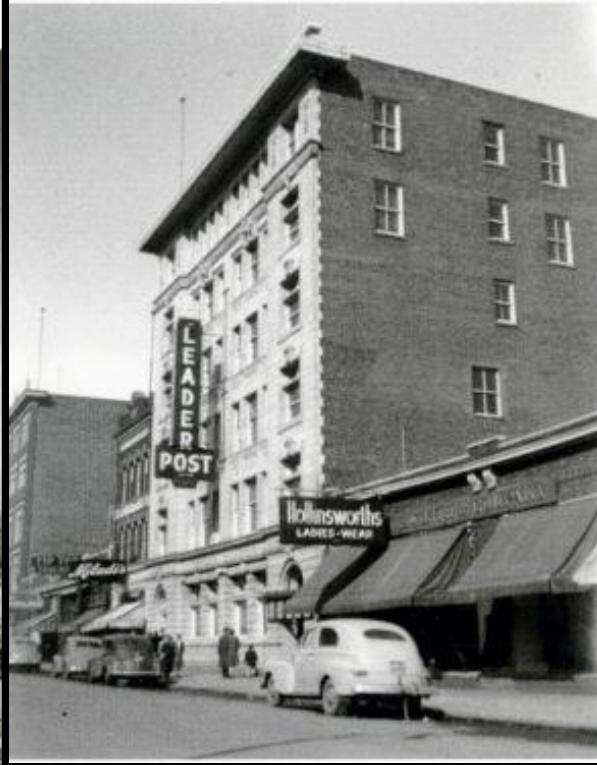


Leader Building Historical Photos

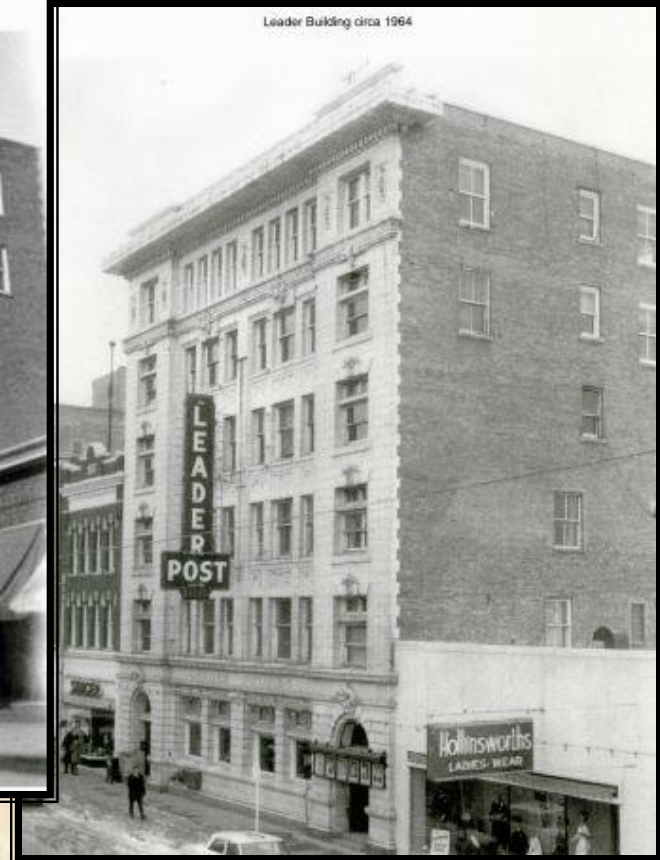
Leader Building 1930's



Leader Building circa 1940



Leader Building circa 1964



Prospective Project: College Avenue Campus



**Regina College
showing West Tower**



Main entrance to Regina College



Large oriel window



Darke Hall





**Main
entrance to
former
women's
residence**



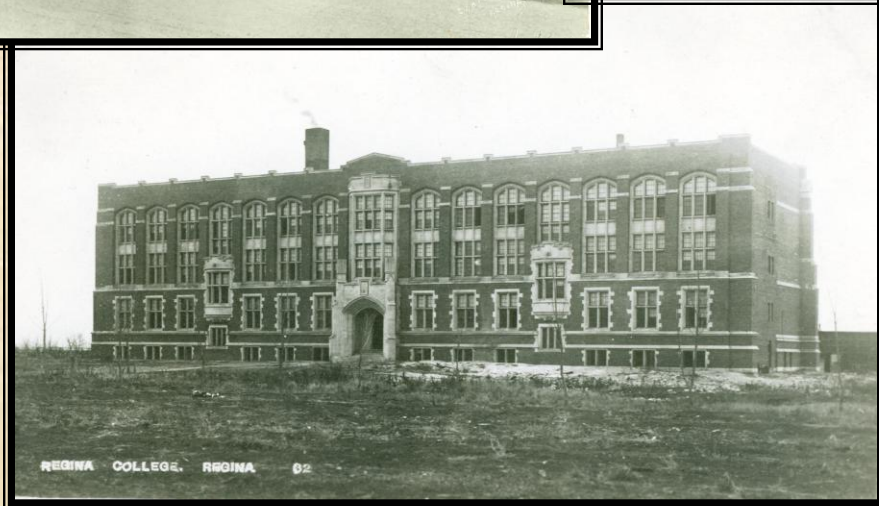
**West side entrance to
former Women's
Residence**

**South elevation of the
former Women's
Residence showing
former President's suite
on main floor and
common rooms on upper
two floors.**



Historical Photos

College Avenue Campus



Heritage Redevelopment “Gap” Analysis

**Determining the Economics of
Heritage Redevelopment – The “gap
identification” process is a useful
conceptual tool that facilitates the
evaluation of various courses of action.**

Heritage Redevelopment “Gap” Analysis

Step 1- Prepare a space use plan to maximize the rentable/saleable space and identify potential uses. Lay out all rentable/saleable spaces in accordance with BOMA standards. Assign the expected net rental/sale value which each space should generate.

Tips:

- Use a “shell” cost for common areas/services and a finishing allowance for completion inside the shell.
- Consider use of Condominium legislation to subdivide space in order to maximize flexibility and financing potential.

Heritage Redevelopment

“Gap” Analysis

Step 2- Capitalize the net rent for all rented spaces using the current cap rate for the type of space (Formula: $\text{Net Income} \times .925 / \text{cap rate}$). If some or all of the spaces are to be sold as condominium units use the proposed sale prices. The total for all spaces will provide the Fair Market Value of the redeveloped property. It is important at this step that every user of space be allocated the fair rental value of the space they occupy.

Tips:

- Threatened public sector buildings can sometimes be saved by better use plans which force agencies to use space more effectively.
- Do not partner with organizations which cannot raise the funds to pay their own rents. They can (and must) access funding you cannot get (e.g., arts organizations, etc.).
- Push hard for public agencies to lease space in heritage buildings. Identify public uses which would be better housed in a heritage building.
- Use the value generated at this point to set some guidelines as to capital budget for the designers/contractors you are planning to use.
- Shop around for your consultants and contractors. The design approach can make a big difference in budget.

Heritage Redevelopment

“Gap” Analysis

Step 3- Using the Parks Canada Standards and Guidelines for the Conservation of Historic Places in Canada establish the Project Budget required to redevelop the building for the purposes identified.

Tips:

- Find a mechanical engineer/contractor with experience in heritage work and a willingness to consider “low tech” mechanical solutions.
- Do not fear the Parks Canada Standards and Guidelines. The guidelines cover “rehabilitation” as well as “restoration.” The guidelines are principle based and fairly flexible. They will contribute to the quality of your project and are usually a requirement of any heritage funding. You can argue your case for practical approaches within the guidelines and sometimes access some “free” professional help from government heritage professionals.
- Buy the property right. Don’t pay more than the building is worth. This may seem obvious, but it is not. If the analysis shows a gap, the building by definition is worth nothing. A good “gap” analysis demonstrating this can justify a public authority selling you a building for \$1.00, and providing to you a grant for the amount by which the demolition cost of the building exceeds the value of the land. This is apart from any grant you might ask for.
- Do not forget to include “soft costs” (i.e. consultants, carrying costs, and non-construction costs).

Heritage Redevelopment

“Gap” Analysis

Step 4- If the Fair Market Value exceeds the amount of the Capital Budget, (plus a reasonable development profit) then there is no “gap” and the development can proceed purely on the basis of its economic viability.

Tip:

- Consider phasing options- i.e. develop a sufficient portion to “carry” the property and “mothball” the rest of the property. The developer’s return can come from future development of the “mothballed” remainder of the site.

Heritage Redevelopment

“Gap” Analysis

Step 5- Often with Heritage Buildings the Fair Market Value does not exceed the Capital Budget and there is a “gap”. That gap must then be made up from somewhere if the project is to proceed.

Tips:

- First identify grant funds specific to heritage properties.

Municipal- most municipalities have a tax exemption program. If they don't, ask for a tax exemption (in Regina you are eligible for an abatement equal to the lesser of 5 years taxes or \$250,000. This coupled with a 5 year residential incentive program provided a 10 year tax abatement for the Leader Building). Often municipalities want to help, but need to be told about levels of the assistance being provided by other jurisdictions.

Provincial- check provincial grants. In Saskatchewan the heritage foundation makes grants to heritage properties. Unfortunately, only about \$300,000 per year is budgeted for the entire province.

Federal- CCHPIF grant program has been scrapped. The Leader Building was eligible for \$700,000 under this program. The project would not have happened without that program. Reinstatement of federal funding in some form is critical.

Heritage Redevelopment

“Gap” Analysis

Step 5 Tips Continued:

- Show grantors that the grant money is a fairly small percentage of the project and is leveraging significant investment. Consider accepting grants on condition that other funding commitments are met.
- Do not forget “naming” as a fundraising possibility. There are people out there who have done so well that they don’t want their children to have all their money and would like to have a building named after their family.
- How about grassroots fundraising through the Heritage Canada Foundation? Can we build on our “Most Endangered Places” list to raise significant amounts of money from small donors.
- Identify Community Foundations in your area and make an application. They do not usually look for heritage projects, but you may be able to fit under their guidelines (or if not you, some of your tenants or buyers may be able to).

Heritage Redevelopment

“Gap” Analysis

Step 6- Capture all this information on a spreadsheet program that links the elements together and recalculates results as you refine your information.

Tip:

- Do not be afraid to plug in flat out “guess” numbers as you develop a plan. You can start with a “feasibility probe” and keep working to careful final estimates, if the numbers come together.

Thank You