

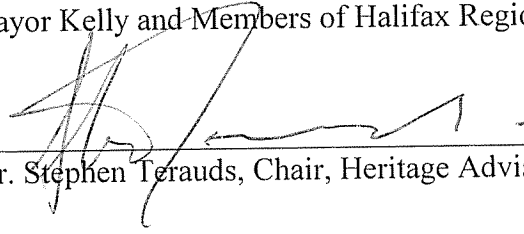


PO Box 1749
Halifax, Nova Scotia
B3J 3A5, Canada

Item No. 11.3.1
Halifax Regional Council
April 20, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Mr. Stephen Terauds, Chair, Heritage Advisory Committee

DATE: April 8, 2010

SUBJECT: **Barrington Street Heritage District Incentives Program Special Case
for NFB Facade, 1572 Barrington Street**

ORIGIN

April 7, 2010 special meeting of the Heritage Advisory Committee.

RECOMMENDATION

The Heritage Advisory Committee recommends that Halifax Regional Council direct staff to evaluate any applications for heritage incentives under the Barrington Street Heritage Incentives Program for 1572 Barrington Street (the former NFB property) based upon Option 4 (a combination of grant, tax credit, permit fee waiver, and repayment waiver) with a maximum capped value, as outlined in the February 4, 2010 staff report.

BACKGROUND

As per the staff report dated February 4, 2010.

DISCUSSION

As per the staff report dated February 4, 2010.

BUDGET IMPLICATIONS

As per the staff report dated February 4, 2010.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the proposed Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

As per the staff report dated February 4, 2010.

ATTACHMENTS

As per the staff report dated February 4, 2010.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: [Chris Newson, Legislative Assistant, Office of the Municipal Clerk, 490-6732]



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

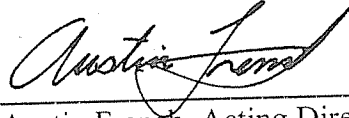
Heritage Advisory Committee

~~March 10, 2010~~

March 24, 2010

April 7, 2010

TO: Chair and Members of the Heritage Advisory Committee

SUBMITTED BY: 
Austin French, Acting Director of Community Development

DATE: February 4, 2010

SUBJECT: Barrington Street Heritage District Incentives Program
Special Case for NFB Facade, 1572 Barrington Street

ORIGIN

Request from the owner of 1572 Barrington Street, the former NFB property, for clarification on how the Barrington Street Heritage Incentives program will be applied to the property.

RECOMMENDATION

It is recommended that the Heritage Advisory Committee recommend that Regional Council:

1. Direct staff to evaluate any application for heritage incentives under the Barrington Street Heritage Incentives Program for 1572 Barrington Street (the former NFB property) based upon Option 4 (a combination of grant, tax credit, permit fee waiver, and repayment waiver) with a maximum capped value, as outlined in this report.

EXECUTIVE SUMMARY

In 1991, fire destroyed the former NFB building, leaving only the facade. In 1997, through an agreement with the owner, HRM paid the cost of stabilizing the facade to ensure its incorporation into the future redevelopment of the site. The old facade has stood for almost twenty years as a symbol of HRM's commitment to heritage conservation and the opportunity it presents for downtown revitalization. The Barrington Street Heritage Conservation District Incentives Program identifies the former NFB property as a special case where grants and tax credits may be applied to the restoration of the old facade and the construction of a new building behind the facade. The property owner has indicated a willingness to proceed with redevelopment in 2010.

This report discusses the options for financial assistance and recommends that Council consider the proposed new building in the same manner that it would treat an existing building. The report also recommends that Council forgive repayment of the 1997 facade stabilization costs.

BACKGROUND

The former NFB building (originally the St. Mary's Young Men's Total Abstinence and Benevolent Society Hall, built in 1891) was destroyed by fire in 1991 (see Attachment "A"). The property is a Municipally registered heritage property and extends in an "L" shape between Barrington and Argyle Streets (see Attachment "C-1"). On the Barrington side of the property, the fire destroyed everything but the facade and portions of the side walls. On the Argyle side, the basement and portions of the ground floor were able to be salvaged and have since been occupied by the Argyle Bar & Grill. The space between the Barrington facade and the back of the Argyle Bar & Grill has been vacant since the fire.

Facade Preservation Agreement

In 1996, the stability of the Barrington Street facade became an issue and, in 1997, an agreement was reached whereby HRM paid \$175,950 for the stabilization of the facade with structural steel and the owner agreed to maintain the facade and waive its right to demolish or otherwise alter the structure. Through the agreement, HRM secured a "real property interest" in the property equivalent to the stabilization cost and agreed to release that interest upon repayment of the funds. The understanding at the time was that repayment would take place at the time of sale or redevelopment of the property.

Commercial Heritage Properties Incentive Fund (CHPIF) Application

In 2006/2007, a proposal was made to redevelop the property by restoring the Barrington Street facade and integrating it into a new building with ground floor commercial space on Barrington and Argyle Streets and four floors of residential space above, with a total floor area of 35,429 sq.ft., and a cost of about \$6 million. The owner has indicated that the project was only economically viable at that time due to the existence of the Commercial Heritage Properties Incentive Fund, a Federal Government program which provided 20% cost sharing up to \$1 million. A CHPIF application was made but program funding was terminated before the application reached a conclusion, and the project was not initiated.

Barrington Street Heritage Conservation District Financial Incentives

In October 2009, the Barrington Street Heritage Conservation District Revitalization Plan came into effect with a program of grants and tax credits to encourage restoration and renovation of buildings in the district, as follows:

- 50% matching grants up to \$100,000 for exterior restoration costs up to \$200,000.
- Tax credits for 15% of exterior restoration costs over \$200,000.
- Tax credits for 15% of costs for interior “base building” improvements to shell space and common areas and for upgrades to HVAC, plumbing, and electrical systems.
- Waiver of building permit application fees (\$5.50 per \$1000 of project value).

While the intent of the program is to encourage revitalization of existing buildings and not to financially assist the construction of new ones, an exception is made in Section 6 of the Terms and Conditions, which states that “*Special consideration may be given to a customized grant and tax incentive package to assist in the cost of constructing a new building behind the former NFB facade, by amendment or re-negotiation of the Heritage Agreement dated 16 July, 1997.*”

Future Application

With the Barrington Street HCD Plan and the incentives program now in effect, the owner has indicated an interest in re-kindling the development proposal in 2010 and has requested clarification of how an incentives application for this property will be evaluated. The purpose of this report is to provide a recommendation to Council on how any future incentives application for this property will be evaluated by staff.

Development Concept

The development concept for the property is illustrated in Attachments C-1 (Site Plan), C-2 (Structural Section), and C-3 (Restored Barrington Facade). On the Barrington Street side of the property - inside the heritage district - the restored facade would be integrated into a new building of the same height and mass as the original building. This would include reconstruction of the original mansard roof, dormers, and tower. The ground floor would be commercial and there would be nine apartments on the upper three floors. The rear would be occupied mainly by an open light well and partly by a two-storey addition which would house an elevator, stairwell, and corridors connecting with the upper floors on the Argyle Street side of the development. The addition would be stepped back 35 ft. to enable full architectural expression of the historic front facade facing Barrington. On the Argyle side of the property - outside the district - the existing bar /restaurant spaces in the basement and ground floor would be reconfigured into smaller restaurant units and there would be a new, four-storey addition on top with seventeen apartments. In the entire project there would be 26 new residential units.

Development Costs

The owner has indicated that the estimated cost of the redevelopment would be about \$6 million split roughly 50-50 between the Barrington Street side and the Argyle side of the property. An “elemental cost survey” conducted at the time of the CHPIF application (and adjusted for inflation) indicates that the total cost of restoring the historic facade, constructing the structural shell of the new building, and installing the necessary mechanical and electrical base building components inside the structural shell would be in the order of \$2.8 million. Of this, approximately \$1.5 million would be

for the enclosed structural shell (including roof, windows and doors), and \$1.3 million would be for base building work on the interior.

DISCUSSION

Development Constraints

The NFB site warrants special consideration, not only because of the Municipality's investment in preservation of the historic front facade, but also because it faces a number of constraints which affect the economics of the project, and make it more costly than it might otherwise be, as follows:

- The cost of restoring the historic facade, which has been exposed to the weather for almost twenty years, will be high.
- The floor heights dictated by the historic facade on Barrington do not align with the Argyle portion and complicate its integration into the new structure.
- The historic facade presents access and logistical problems for new construction and increases costs.
- The site is under View Plane #6 which limits allowable maximum building heights below those otherwise permitted in the heritage district, reducing the allowable number of storeys and the amount of developable (and leasable) floor area.
- Re-constructing the mass of the original building will create height relationships with adjacent buildings where current building code requirements for snow-drifting will need to be met. The code requires adjacent roofs to be reinforced for the additional snow load, and this too will increase development costs.

Incentive Options

Based on preliminary cost estimates noted above, the NFB property was reviewed relative to the basic framework of the incentives program, and the terms of the 1997 facade agreement. The options for financial assistance to the portion of the project inside the Heritage District are shown in the chart below.

| OPTIONS | GRANT | TAX CREDIT | TOTAL |
|--|----------------------------|-------------------------------------|---|
| Option 1 Grant towards cost of restoring existing facade , (estimated cost \$200,000). | \$100,000 (50% of cost) | | \$100,000 |
| Option 2 Option 1 + tax credit for structural shell (estimated cost \$1.3 million). | | \$195,000 (15% of \$1.3 million) | \$195,000 + Option 1 = \$295,000 |
| Option 3 Option 2 + tax credit for interior base building work (est. cost \$1.3 million). | | \$195,000 (15% of \$1.3 million) | \$195,000 + Option 2 = \$490,000 |
| + waiver of permit fees on \$2.8 million total project value. | | | + \$15,400 = \$505,400 |

| OPTIONS | GRANT | TAX CREDIT | TOTAL |
|---|--|------------|--|
| Option 4 Option 3 + waiver of requirement to repay cost of facade stabilization. | Equivalent to an additional grant of \$175,950 | | \$175,950 + \$505,400 = \$681,350 |

Options 1, 2, and 3 outline the range of incentives Council could consider for the new building, as the program would provide for any other existing building in the district. Staff have taken the position that the NFB property should be considered as if an actual building existed on the property when determining the level of incentive. Therefore, the NFB property would be eligible for a total incentive of \$505,400. If the 1997 agreement remains intact and the owner is required to repay the \$175,950 facade stabilization cost, the net cash transfer to the owner would be \$339,450. Given the development constraints and additional costs mentioned above, this could potentially discourage investment.

In contrast, Option 4 would waive the requirement to repay the facade stabilization cost and in so doing would provide an additional incentive to the owner to compensate for the site specific development constraints and additional costs mentioned above, thereby encouraging investment and the completion of the larger project, including the Argyle Street portion. By waiving the requirement to repay the stabilization cost, HRM would be relinquishing its \$175,950 "real property interest" in the site but would not lose its "equity" as this would be retained through the public benefit of having the historic facade restored and the property (and Barrington Street) revitalized. The NFB property has stood for years as a symbol of the need and opportunity for downtown revitalization. With the new Downtown Halifax MPS and LUB and the Heritage District Incentives Program now in place, and building owners coming forward ready to invest, the time is right for HRM to support heritage revitalization projects at the level needed to ensure success.

Incentive Comparison

In considering the options discussed above, staff are mindful of the need to compare the possible maximum level of assistance for the NFB project with the level of assistance recommended for other projects in the district. The closest comparison is with the Green Lantern project, directly across the street, which is of similar floor area to the entire NFB project and will also involve similar upgrades and uses. The following chart compares the two projects in terms of cost of development (to the owners) and cost of incentives (to HRM).

| | Renovated Floor Area | Cost of Development (to owner) | Cost of Development per sq.ft. | Cost of Incentive (to HRM) | Cost of incentive per sq.ft. |
|---------------------|----------------------|--------------------------------|--------------------------------|----------------------------|------------------------------|
| Green Lantern | 24,540 sq.ft.* | \$3,447,220 | \$140 | \$603,798 | \$25 |
| NFB inside district | 16,275 sq.ft. | \$2,800,000 | \$172 | \$681,350 (Option 4) | \$42 |
| NFB total | 35,429 sq.ft. | \$6,000,000 | \$169 | | \$19 |

* Total floor area of the Green Lantern is 38,000 sq.ft., but not all will be renovated. Existing bar, restaurant, and commercial spaces on the ground floors (Barrington and Granville) will remain the same except for some common area alterations. The renovated area cited above (24,540 sq.ft.) includes these common areas plus the three upper floors of residential space.

The comparison indicates that development costs for the NFB project will be higher than for the Green Lantern, both in terms of gross costs and per sq.ft. costs, if calculated only in relation to the NFB floor area inside the heritage district. However, if calculated in relation to the total NFB floor area, the cost of incentives for the NFB would be \$5-6 per sq.ft. lower than for the Green Lantern despite the NFB property receiving \$77,000 more in incentives.

Recommendation

Staff acknowledge that the gross level of incentive estimated under Option 4 is higher than what other projects of comparable size in the district might receive, due to the scope of the construction work and the recommended forgiveness of the \$175,950 cost of facade stabilization. However, staff contend that this is a reasonable premium to pay to ensure that the NFB project moves ahead, especially given that the incentive cost per sq.ft. are anticipated to be lower.

To ensure that adequate funds are available for other future restoration and renovation projects in the district, staff recommend that the level of incentive for the NFB project be capped at \$700,000 depending on the final cost estimates for the project.

BUDGET IMPLICATIONS

On the assumption that Council will provide the same level of funding for the Barrington Street Heritage Incentives program in the 2010/11 fiscal year, as it has in 2009/10 (a grant budget of \$200,000), then provision of grant incentives for the NFB project on the basis of Option 4, as discussed, could be accommodated within the existing budget. Funding for the anticipated grant expenditures would exist within the Operating Budget for Community Development in account C310-8004 (Planning & Applications-Grants). Should any portion of the project within the heritage district not be completed within the 2010/11 fiscal year, any unused budget funds would be transferred to the Heritage & Cultural Tourism Reserve account Q312 to be applied in the 2011/12 fiscal year. With respect to the waiving of the requirement to repay the cost of facade stabilization, there are no budget implications.

Projected tax credits of \$390,000 would be applied to the property tax account beginning in fiscal 2011/12 and future years. Tax revenue estimates for 2011-12 and subsequent fiscal years will be adjusted to reflect this impact. Council approved a financial incentives program with an expected level of tax credits of \$2,000,000 over five years. In February 2010, Regional Council approved \$696,138 in tax credits for three Barrington Street projects. Adding Option 4 for the NFB project would bring the total tax credits to \$1,086,138 over the two year period. It is expected that two other large projects and several smaller ones will be applying within the time-frame of the project.

Permit revenue estimates for 2010-11 will be adjusted to account for the projected waiver of approximately \$15,400 in application fees attributable to the NFB project. The amount waived represents a small fraction of HRM's total revenue from permit application fees and will be absorbed through account C430-4903 (Permits & Inspections).

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

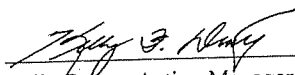
1. The Heritage Advisory Committee could recommend that Council direct staff to evaluate any application for 1572 Barrington Street (the former NFB property) under the Barrington Street Heritage Incentives Program based on Option 4 approach with a cap, as outlined in this report. This is the recommended course of action.
2. The Heritage Advisory Committee could recommend that Regional Council choose one of the other options outlined in this report or some variation.

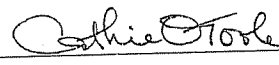
ATTACHMENTS

Attachment "A": Photos
Attachment "B": Aerial photo of site and Heritage District Boundary
Attachments "C-1 to C-3" Development Concept

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Bill Plaskett, Heritage Planner, 490-4663

Report Approved by: 
Kelly Denty, Acting Manager, Planning Services, 490-6011

Financial Approval by: 
Cathie O'Toole, CGA, Director of Finance, 490-6308

ATTACHMENT "A"

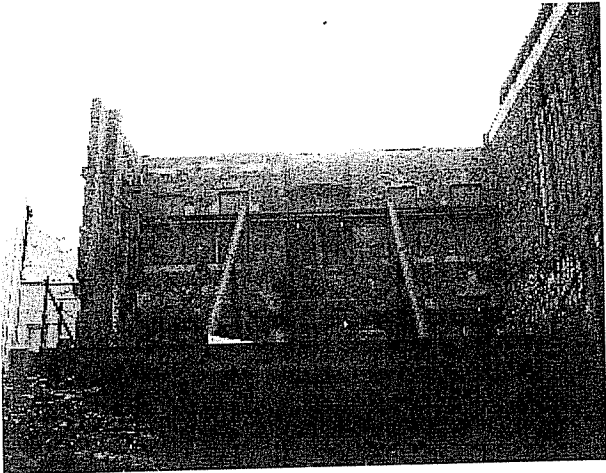
NFB THEN & NOW



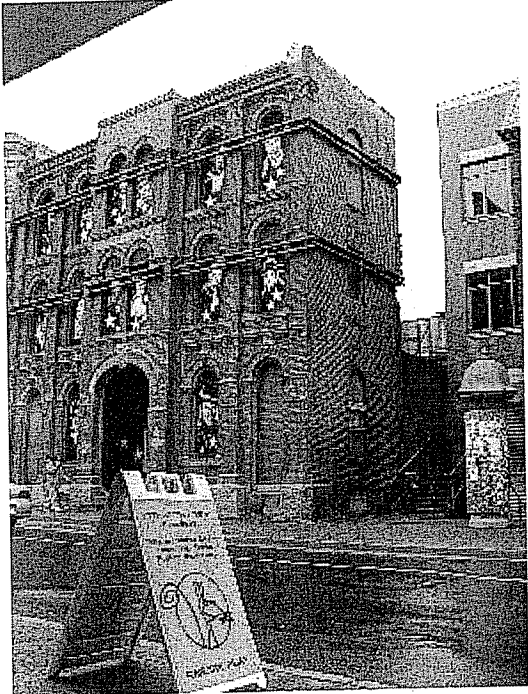
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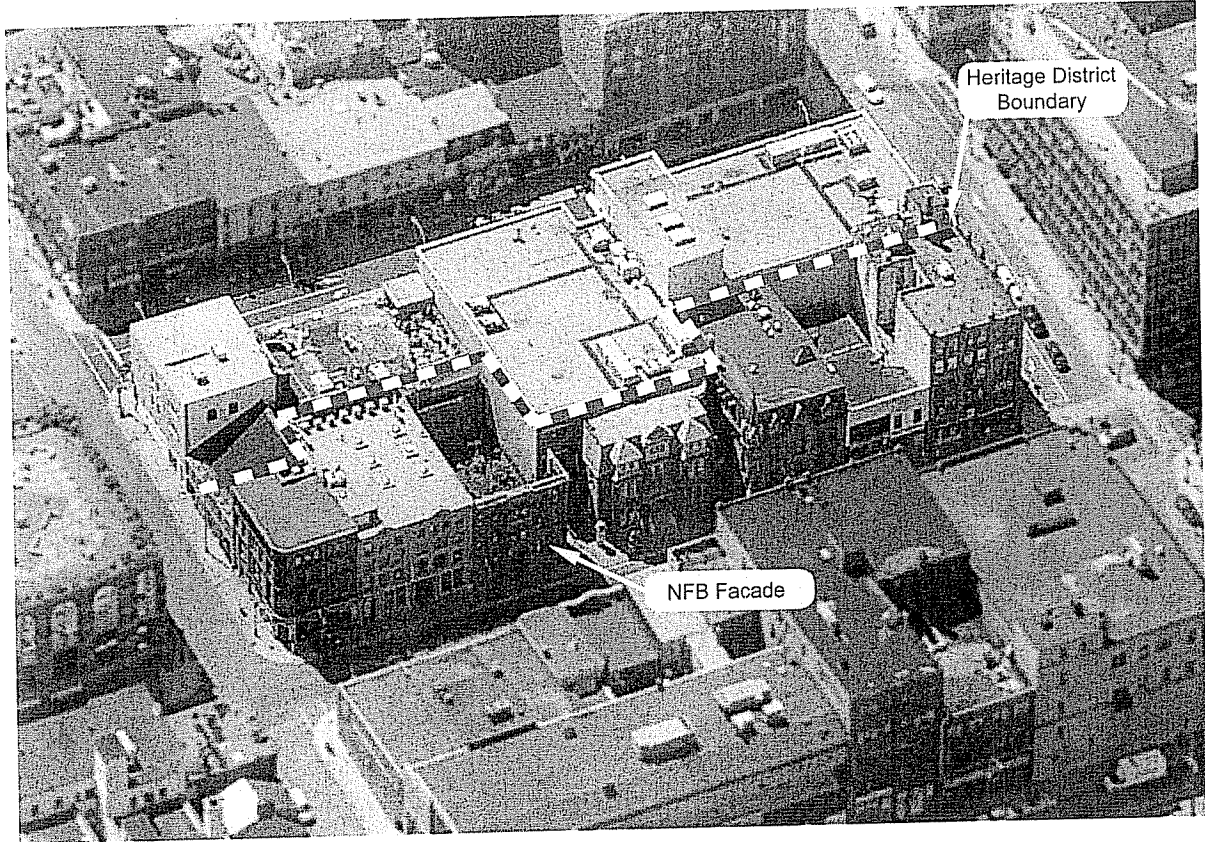
2009



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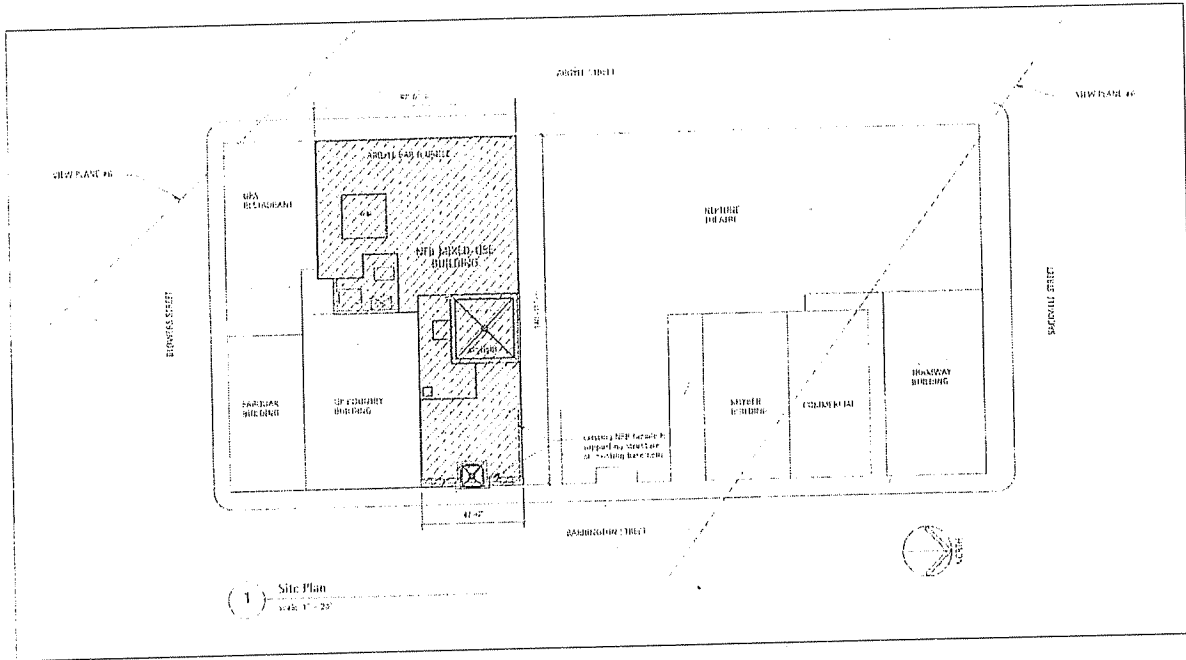
ATTACHMENT "B"

SITE & HERITAGE DISTRICT BOUNDARY



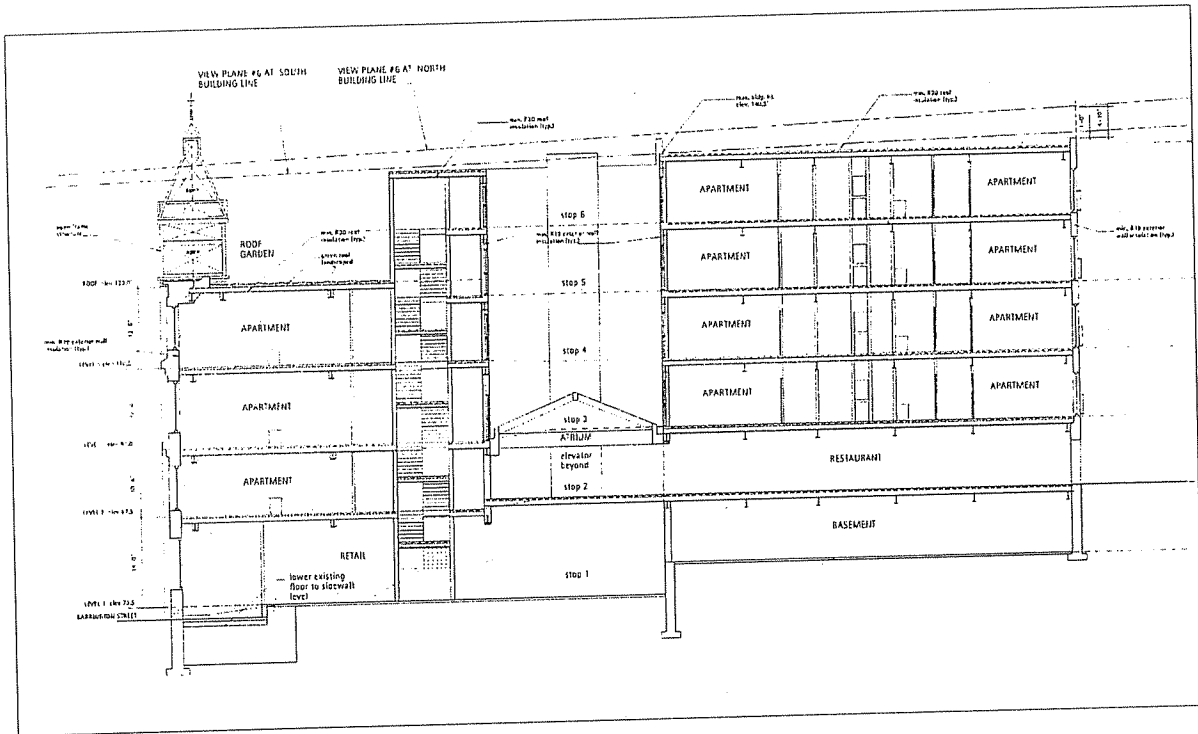
ATTACHMENT "C-1"

SITE PLAN



ATTACHMENT "C-2"

SECTION THROUGH PROPOSED BUILDING



ATTACHMENT "C-3"

FRONT ELEVATION SHOWING RESTORED BARRINGTON FACADE

