



Impact Study of the Commercial Heritage Properties Incentive Fund (CHPIF)

March 29, 2010



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Executive Summary

Introduction

Deloitte & Touche LLP (“Deloitte”) was retained by Parks Canada to inventory, measure and evaluate the impacts that the Government of Canada’s former Commercial Heritage Properties Incentive Fund (“CHPIF”) has had upon the social, economic, environmental and institutional environment. The following report comprises an overview of the CHPIF program, an examination of quantitative and qualitative impacts resulting from the CHPIF program, as well as five case studies of CHPIF funded properties / projects.

Heritage Conservation in Canada and the CHPIF Program

Heritage Conservation in Canada

Government organizations have long been aware of the need for heritage conservation in order to both preserve valuable cultural resources, and realize numerous socio-economic impacts on individual communities, larger regions and provinces, and on the nation as a whole.

It is estimated that over 20% of Canada’s historic buildings have been destroyed, with the loss among income producing buildings being the greatest.

In 2001-2003 Canada’s federal, provincial and territorial governments created the Historic Places Initiative (HPI), a collaboration to address and foster the conservation of Canada’s historic places.

Commercial Heritage Properties Incentive Fund (CHPIF)

As a key component of the Historic Places Initiative, the Commercial Heritage Properties Incentive Fund (CHPIF) was developed to engage a broad range of taxable Canadian corporations in preserving Canada’s heritage properties.

The program was designed to award financial incentives to eligible commercial historic places listed on the Canadian Register of Historic Places in order to:

- save threatened historic properties from demolition or destruction;
- preserve historic properties for future generations through effective conservation; and
- develop new or enhance existing commercial purposes for historic properties within the community.

The Commercial Heritage Properties Incentive Fund began in 2003 as a pilot project, and has been closed to new applicants since September of 2006; project funding was granted from 2005 to 2008. The Commercial Heritage Properties Incentive Fund (CHPIF) funded 35 projects across Canada. Project costs totaled \$143.4 million, or \$4.1 million per property (including CHPIF contributions and additional refurbishment / rehabilitation costs incurred). CHPIF contributions represented \$14.95 million.

The CHPIF program resulted in a number of direct measurable impacts / benefits for the commercial heritage properties assisted through the fund, including significant economic growth reflected by increases in building occupancy rates, business / tenant revenues and property values.

Quantitative Impacts

Through an examination of the operation, funding and spending impacts of the Commercial Heritage Properties Incentive Fund, the CHPIF program was found to give rise to substantial economic impacts:

During Program Operations

- Direct spending impacts of \$1.98 million and a total (direct plus indirect) spending impact of \$2.67 million.

Operating Budget	Spending
Operating Expenditures	\$1,977,000
Indirect Spending	<u>\$690,500</u>
Total Impact	\$2,667,500

- Direct employment income impacts of \$0.40 million and a total (direct plus indirect) employment income impact of \$0.58 million.

Operating Budget	Income
Local Direct Income	\$398,000
Indirect Income	<u>\$177,000</u>
Total Income Generated by Operating Budget	\$575,000

- Direct employment impacts of 4 person years of employment and a total (direct plus indirect) employment impact of 5 person years of employment.

Operating Budget	Employment
Direct	4
Indirect Jobs Created	<u>1</u>
Total Employment Generated by Operating Budget	5

Resulting from CHPIF contributions:

- Direct spending impacts of \$14.95 million and a total (direct plus indirect) spending impact of \$21.82 million.

CHPIF Funding	Spending	Spending per CHPIF project
Funding towards Expenditures	\$14,954,000	\$427,300
Indirect Spending	<u>\$6,862,300</u>	<u>\$196,100</u>
Total Impact	\$21,816,300	\$623,400

- Direct employment income impacts of \$6.22 million and a total (direct plus indirect) employment income impact of \$8.99 million.

CHPIF Funding	Income	Income per CHPIF project
Funding towards Expenditures	\$6,220,900	\$177,700
Indirect Income	<u>\$2,773,300</u>	<u>\$79,200</u>
Total Income Generated by CHPIF Funding	\$8,994,200	\$256,900

- Direct employment impacts of 112 person years of employment and a total (direct plus indirect) employment impact of 155 person years of employment.

CHIPIF Funding	Employment	Employment per CHIPIF project
Direct	112	3
Indirect Jobs Created	<u>43</u>	<u>1</u>
Total Employment Generated by CHIPIF Funding	155	4

- Direct income tax impacts of \$2.12 million and total (direct plus indirect) income taxes if \$2.48 million.

CHIPIF Funding	Income Taxes	Income Taxes per CHIPIF project
Direct Income Taxes	\$2,125,300	\$60,700
Indirect Income Taxes	<u>\$352,200</u>	<u>\$10,100</u>
Total Income Taxes Generated by CHIPIF Funding	\$2,477,500	\$70,800

Resulting from additional project costs:

- Direct spending impacts of \$128.44 million and a total (direct plus indirect) spending impact of \$188.18 million.

Leveraged Spending	Spending	Spending per CHIPIF project
Direct Expenditures	\$128,442,900	\$3,669,800
Indirect Spending	<u>\$59,732,700</u>	<u>\$1,706,600</u>
Total Impact	\$188,175,500	\$5,376,400

- Direct employment income impacts of \$59.65 million and a total (direct plus indirect) employment income impact of \$86.25 million.

Leveraged Spending	Income	Income per CHIPIF project
Funding towards Expenditures	\$59,653,100	\$1,704,400
Indirect Income	<u>\$26,594,100</u>	<u>\$759,800</u>
Total Income Generated by Leveraged Spending	\$86,247,200	\$2,464,200

- Direct employment impacts of 1,074 person years of employment and a total (direct plus indirect) employment impact of 1,465 person years of employment.

Leveraged Spending	Employment	Employment per CHIPIF project
Direct	1,074	31
Indirect Jobs Created	<u>391</u>	<u>11</u>
Spending	1,465	42

- Direct income tax impacts of \$19.87 million and total (direct plus indirect) income taxes of \$23.02 million.

Leveraged Spending	Income Taxes	Income Taxes per CHIPIF project
Direct Income Taxes	\$19,873,200	\$567,800
Indirect Income Taxes	<u>\$3,150,400</u>	<u>\$90,000</u>
Total Income Taxes Generated by Leveraged Spending	\$23,023,600	\$657,800

Qualitative Impacts

In addition to these quantitative impacts, the Commercial Heritage Properties Incentive Fund is also concluded to have imparted a number of additional benefits to communities across Canada. These impacts include:

- Reinstating and renewing heritage assets into functional and contributing structures;
- Initiating economic development;
- Retaining and utilizing local / regional trade skills;
- Building nationwide awareness and engagement;
- Shaping and preserving a community's and country's identity;
- Enhancing national diversity;
- Building a critical knowledge base; and
- Potentially supporting environmentally sustainable practices.

Additionally, five case studies are presented for properties / projects funded through the Commercial Heritage Property Incentive Fund, these include:

- CenterBeam Place - Saint John, NB
- Lougheed Block - Calgary, AB
- Fire Station No. 11 - Ottawa, ON
- Flack Block - Vancouver, BC; and
- Distillery District - Toronto, ON.

These case studies demonstrate how the Commercial Heritage Property Incentive Fund (CHPIF) has been utilized to successfully preserve, rehabilitate and restore heritage properties across Canada, and result in many of the qualitative benefits / impacts associated with the program.

Background

Our Study

Deloitte & Touche LLP (“Deloitte”) was retained by Parks Canada to inventory, measure and evaluate the impacts which the Government of Canada’s former Commercial Heritage Properties Incentive Fund (“CHPIF”) has had upon the social, economic, environmental and institutional environment.

Our review includes an economic impact study quantifying the economic impact of the CHPIF program, an overview of the qualitative impacts associated with the program (i.e., additional program impacts which are considered difficult to quantify), as well as five case studies of select properties that have been funded through the CHPIF program.

Heritage Conservation in Canada

Heritage conservation encompasses the identification, protection and promotion of those things that are considered important in our culture and history; it holds an important place in contemporary Canadian society because it provides both tangible and intangible connections to our historical roots.

Government organizations have long been aware of the need for heritage conservation in order to both preserve valuable cultural resources, and realize numerous socio-economic impacts on individual communities, larger regions and provinces, and on the nation as a whole.

In recent decades, it is estimated that over 20% of Canada’s historic buildings have been destroyed, with the loss among income producing buildings being the greatest.

CHPIF Program Background and Development

Historic Places Initiative and the Commercial Heritage Properties Incentive Fund

In 2001-2003 Canada’s federal, provincial and territorial governments embarked on an innovative collaboration to address and celebrate the conservation of Canada’s historic places, this was the Historic Places Initiative (HPI). Since that time, they have established a strong new foundation for the recognition and appreciation of Canada’s built heritage. All governments, including municipalities have implemented the tools to enable Canadians to learn about, value, enjoy and conserve the country’s historic places.

Purpose and Necessity

Collectively, the HPI focused on building Canada's culture of heritage conservation by:

- Providing the tools and information for citizens to take action and conserve the historic places that they value;
- Creating the Canadian Register of Historic Places (CRHP), an online public resource to share information about the value and history of Canada's historic places;
- Providing guidance for decision-making when planning for, intervening in and using historic places; and
- Supporting the continued use of historic places so that they remain an integral part of Canada's dynamic towns and cities.

Additionally, the Historical Places Initiative was a catalyst in building Canada's culture of heritage conservation, given that:

- There has been a dramatic deterioration of Canada’s built heritage over the past 30 years;
- Canada has lacked a pan-Canadian approach to heritage conservation;
- Canada has fallen short with regards to heritage conservation in comparison to other G8 countries; and
- Heritage conservation complements other issues, such as urban, sustainable and economic development, with which governments are currently dealing.

Commercial Heritage Properties Incentive Fund (CHPIF)

As a key component of the Historic Places Initiative, the Commercial Heritage Properties Incentive Fund (CHPIF) was developed to engage a broad range of taxable Canadian corporations in preserving Canada's heritage properties, to the benefit of Canadians and communities throughout Canada.

The program was designed to award financial incentives to eligible commercial historic places listed on the Canadian Register of Historic Places in order to:

- save threatened historic properties from demolition or destruction;
- preserve historic properties for future generations through effective conservation; and
- develop new or enhance existing commercial purposes for historic properties within the community.

The Commercial Heritage Properties Incentive Fund began in 2003 as a pilot project, and has been closed to new applicants since September of 2006. Project funding was granted from 2005 to 2008. A detailed list of CHPIF projects can be found in Appendix A.

Program Operations and Administration

In order to be eligible for funding under the CHPIF programs, applicants were required to:

- be a taxable Canadian corporation (as defined within the Income Tax Act) that is not controlled, directly or indirectly by a tax-exempt entity; and
- own the historic / heritage property (as listed within the Canadian Register of Historic Places) for which the contribution is being requested / applied for.

In order to be eligible, applicants had to meet a set of requirements with respect to the nature of the redevelopment / rehabilitation project and anticipated project expenses under CHPIF's terms and conditions (Appendix B provides a list of eligible costs). Prior to receiving funding, proponents had to pass through an extensive approval process and expenses were subject to an external audit. The maximum total contribution to any eligible recipient was \$1.0 million.

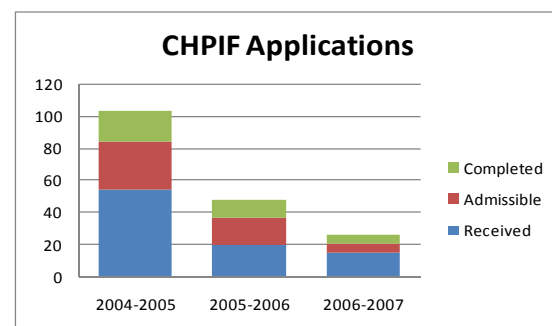
CHPIF Projects

In total, the Commercial Heritage Properties Incentive Fund (CHPIF) approved 44 projects, with 35 completed projects receiving CHPIF contributions, and 9 projects that were initially approved and later withdrawn, or not carried through to completion.

CHPIF Funding Applications

Fiscal Year	Received	Admissible	Completed
2004-2005	54	30	19
2005-2006	20	17	11
2006-2007	15	6	5
Total	89	53	35

Source: Parks Canada



Funded projects were geographically distributed throughout Canada, with most located in Ontario (ten properties), Manitoba (six properties), British Columbia (five) and New Brunswick (four). In total, some \$14.95 million was paid in CHPIF contributions between 2005 and 2008, representing an average property contribution of \$0.43 million. Funding contributions were largely concentrated in Ontario (\$4.25 million), British Columbia (\$3.18 million), Manitoba (\$2.10 million), Alberta (\$2.00 million) and New Brunswick (\$1.49 million).

CHPIF Contributions

Province	Number of CHPIF Projects	Total CHPIF Contribution	Total Project Costs
Alberta	2	\$2.00 M	\$34.90 M
British Columbia	5	\$3.18 M	\$39.70 M
Manitoba	6	\$2.10 M	\$17.45 M
New Brunswick	4	\$1.49 M	\$16.55 M
Nova Scotia	3	\$0.45 M	\$2.43 M
Ontario	10	\$4.25 M	\$23.29 M
Québec	3	\$0.75 M	\$4.93 M
Saskatchewan	2	\$0.72 M	\$4.14 M
Total	35	\$14.95 M	\$143.40 M
Average		\$0.43 M	\$4.10 M

Source: Parks Canada

In total, Project costs totaled \$143.4 million, or \$4.1 million per property (including CHPIF contributions and additional refurbishment / rehabilitation costs incurred). CHPIF contributions represented \$14.95 million in total.

Key Program Highlights

The CHPIF program has resulted in a number of measurable impacts / benefits for the commercial heritage properties assisted through the fund, including significant growth with respect to:

- Building Occupancy Rates – properties experienced an average increase of 60% in building occupancy as a result of CHPIF project funding;
- Business / Tenant Revenues – properties experienced an average increase in business / tenant revenues of \$0.3 million, with a total increase of \$8.0 million in business / tenant revenues for all funded properties under the CHPIF program; and
- Property Values – properties experienced an average increase in property value of \$4.16 million, with a total increase of nearly \$100.0 million in property values for all funded properties under the CHPIF program.

Key CHPIF Program Highlights

Average CHPIF Contribution: \$0.43 M

Total CHPIF Contribution: \$14.95 M

	Before CHPIF Contribution	After CHPIF Contribution	Variance
Average Building Occupancy Rates	31.0%	91.0%	60.0%
Average Business / Tenant Revenues	\$0.12 M	\$0.42 M	\$0.30 M
Total Business / Tenant Revenues	\$2.46 M	\$10.46 M	\$8.00 M
Average Property Values	\$2.49 M	\$6.65 M	\$4.16 M
Total Property Values	\$59.71 M	\$159.55 M	\$99.84 M

Source: Parks Canada

Economic Impact

Economic Impact Defined

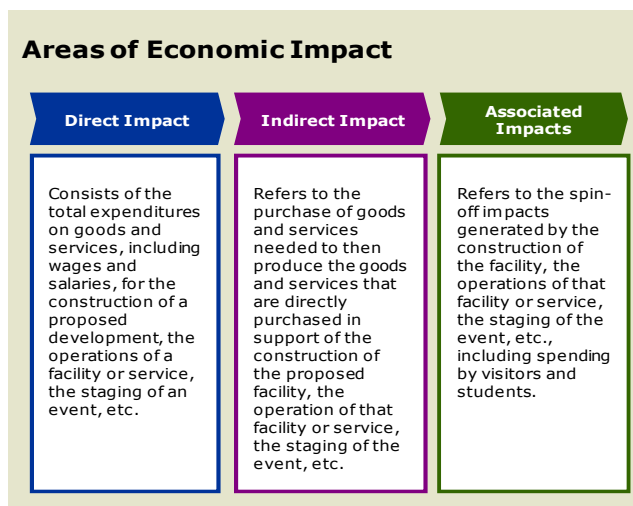
Economic impacts are generally defined as changes to an economy as a result of a development, undertaking or activity. As such, economic impacts measure changes in the size and structure of a jurisdiction's economy when goods and services are purchased using money generated from outside a region, or as the result of an infusion of capital for the construction of a new facility or service. Almost all activities can generate economic impact; however in its strictest sense, activities and expenditures that result in "new" spending are the types of activities which local officials most greatly desire.

In evaluating and quantifying the economic impact of a facility, service, program offering, etc., four types of impacts are typically reviewed:

- **Direct Economic Impacts:** the total expenditures on goods and services, including wages and salaries, for the construction of a proposed development, the operations of a facility or service, the staging of an event, etc.
- **Indirect Economic Impacts:** refer to the purchase of goods and services needed to then produce the goods and services that are directly purchased in support of the construction of the proposed facility, the operation of that facility or service, the staging of the event, etc. Indirect impacts therefore measure the magnitude of interactions with other businesses which supply the necessary materials and services, which lead to indirect demand for goods and services from other industries.
- **Induced Economic Impacts:** refer to the impact of personal expenditures by people who have been paid wages and salaries for the construction of the facility, the operations of the facility or service, the staging of the event, etc., and for the production of indirect goods and services.
- **Associated Economic Impacts:** refer to the spin-off impacts generated by the construction of the facility, the operations of the facility or service, the staging of the event, etc., including spending by visitors and tourists.

For the purposes of this assignment, we have not quantified the induced economic impacts, focusing principally on quantifying the range of direct and indirect impacts associated with CHPIF projects and their various components. Associated impacts are identified and discussed in a subsequent section.

Economic Impact Elements



Nature of Economic Impacts Evaluated

In completing this assignment, we have quantified the following economic impacts of the Commercial Heritage Properties Incentive Fund:

- **Spending Impacts:** the impacts resulting from the purchase of goods and services;
- **Employment Impacts:** the increases in employment resulting from the purchase of goods and services;
- **Income Impacts:** the increases in personal income resulting from increases in employment; and
- **Tax Impacts:** the amount of personal income, property and sales taxes (PST and GST) which various levels of government could reasonably expect to receive as a result of the Project's development and subsequent operation.

Methodology

In assessing the economic impacts of the CHPIF program, Deloitte developed an econometric model that utilized the following inputs:

- CHPIF program operating expenses;
- CHPIF contribution amounts, by individual project;
- Additional project costs, by individual project; and
- Input-Output Multipliers for the Canadian economy were sourced from Statistics Canada. Specific multipliers utilized included "output" multipliers, "wages and salaries" multipliers, and "employment" multipliers, for various industry classifications (for example, "non-residential building construction", etc.).

The various Statistics Canada Input-Out multipliers were then applied to the various spending / output, salary and other measures to generate estimates of economic impact.

CHPIF Operating Budget

During Program Operations

- Direct spending impacts of \$1.98 million and a total (direct plus indirect) spending impact of \$2.67 million.

Operating Budget	Spending
Operating Expenditures	\$1,977,000
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Indirect Jobs Created	<u>1</u>
Total Employment Generated by Operating Budget	5

CHPIF Project Funding

Resulting from CHPIF contributions:

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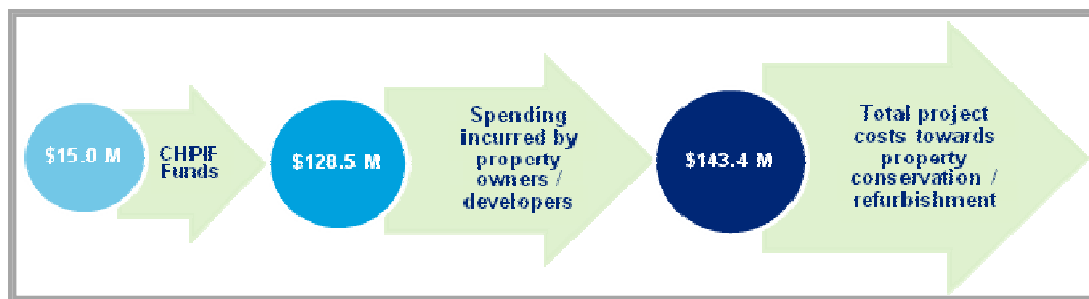
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Total Income Taxes Generated by CHPIF Funding	\$2,477,500	\$70,800

Leveraged Spending

Although the Commercial Heritage Properties Incentive Fund provided \$14.95 million in funding in total, projects funded under the program essentially resulted in the spending of nearly nine dollars for each dollar provided by CHPIF.

CHPIF funding supported and leveraged significant additional construction and refurbishment costs to restore and preserve the 35 properties that received funding, including the coverage of professional fees, permit / approval fees, interior and exterior refurbishment costs, landscaping / archaeological costs and interest payments on related loans, as outlined in Appendix B.

In total, developers / owners incurred costs of \$128.5 million in the construction / rehabilitation of these heritage properties, resulting in a total of \$143.4 million in project costs. On average, costs per property totaled \$4.10 million.



Resulting from additional project costs:

- Direct spending impacts of \$128.44 million and a total (direct plus indirect) spending impact of \$188.18 million.

Leveraged Spending	Spending	Spending per CHPIF project
Direct Expenditures	\$128,442,900	\$3,669,800
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Total Income Generated by Leveraged Spending	\$86,247,200	\$2,464,200

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Leveraged Spending	Income Taxes	Income Taxes per CHPIF project
Direct Income Taxes	\$19,873,200	\$567,800
Indirect Income Taxes	<u>\$3,150,400</u>	<u>\$90,000</u>
Total Income Taxes Generated by Leveraged Spending	\$23,023,600	\$657,800

Qualitative / Associated Impacts

Overview

As a result of funding under the Commercial Heritage Properties Incentive Fund (CHPIF), a number of previously aging / underutilized heritage buildings throughout Canada have undergone significant rehabilitation and revitalization. There are numerous key qualitative benefits and opportunities that potentially result from the CHPIF program and its support for effective conservation and preservation of Canada's heritage buildings / structures. Some of these include:

- **Reinstating and renewing of heritage assets into functional and contributing structures** – the CHPIF program has led to the conservation, extension of useful life and adaptive reuse of aging / underutilized / left vacant heritage buildings that now serve new or enhanced uses and provide significantly enhanced functionality to their local neighborhoods. In many instances these buildings are located in prime areas and benefit from close proximity to population density, transportation, and other commercial / business operations.
- **Initiating economic development** – such programs and rehabilitated heritage properties contribute to the economic vitality of local communities and regions through:
 - enhanced job creation / employment opportunities;
 - investment attraction towards business development, area redevelopment, etc.;
 - additional investment and additional spending through retail spending, tourist activity, etc.;
 - the rehabilitation / revitalization of derelict areas, creating favorable locations for new business / commercial, tourist and social / public activity; and
 - facilitating new business opportunities / business growth through the development of new, functional commercial space.
 - CHPIF funding is found to have resulted in total economic impacts of: \$188.18 million in spending, \$86.25 million in employment income, 1,465 in employment and \$23.02 million in income taxes.
- **Retaining and utilizing local / regional trade skills** - heritage property rehabilitation requires critical traditional skill sets / craftsmanship (i.e., masonry / stone carving) which in turn results in the preserving of such skill sets and supporting of such industries that are required to maintain and treat structural heritage features and characteristics.
- **Building nationwide awareness and engagement** - such heritage preservation programs and funding effectively increases national public understanding of heritage and active engagement of a broad range of national corporations / organizations for heritage preservation through various partnership and incentive programs. For example, the CHPIF case studies presented in subsequent sections of this report showcase the collaboration between municipal, provincial and federal governments, as well as private property developers / owners, in the rehabilitation and restoration of Canadian heritage properties.
- **Shaping and preserving a community's and country's identity** – the retention and continued use of these historical assets develops a greater sense of connection among citizens and within communities, as well as with national history, identity and symbols.
- **Enhancing national diversity** – the loss of heritage assets has been linked to “cultural globalization”, whereby the history, culture and uniqueness of regions and countries around the globe is being lost, and exchanged for a common, modern global sense of identity. A heritage-focused program such as CHPIF works at retaining unique, historical and cultural assets and providing local community access to these significant structures and places, as well as their history.
- **Building a critical knowledge base** – the CHPIF program has and will strengthen the potential success and viability of future heritage rehabilitation projects through the building of critical knowledge, skills and best practices.

Environmental Impacts

Introduction

Another key qualitative impact linked to heritage property preservation and rehabilitation is the potential fostering of environmental sustainability and minimizing environmental damage. Climate change and environmental sustainability are top of mind concerns worldwide, and there is an increasing global sense of urgency to take action and mitigate current environmental damage, while protecting future generations against the consequences of such damage.

Given the critical social responsibilities that government bodies, corporations, and other major organizations face at a time when environmental issues are at the forefront of citizens' minds, implementing policies supporting greater environmentally sustainable practices sits at the top of most national government agendas.

Preserving and Rehabilitating Heritage Properties

While a number of factors are acknowledged to have contributed to climate change and global warming, buildings (via construction and operations) are consistently noted as one of the largest contributors to the current state of climate on a global scale, through their large-scale consumption of fossil fuels and natural resources. Thus, the preservation and rehabilitation of heritage properties is found to play a significant role in building environmental sustainability and minimizing environmental damage. Many environmentally focused architects, designers, builders, analysts and researchers find that the “greenest” or most environmentally friendly buildings are those that are already built.

For example, the Heritage Canada Foundation Annual Conference showcases such findings; the 2009 conference was focused on “The Heritage Imperative: Old Buildings in an Age of Environmental Crisis”. The motivation behind this conference was to show how rehabilitation and reuse of older buildings and existing neighborhoods can help save the planet – and how to integrate the green movement and architectural conservation along the way. Over 50 contributors and 300 delegates representing firms, researchers, institutions, municipalities and other organizations, were represented, all with the common goal of demonstrating and exchanging information on the number of ways in which retaining and adapting heritage structures for reuse can lead to positive environmental impacts and limit carbon footprints.

Potential positive environmental impacts include:

- ***The functional use of existing structures rather than initiating new development / construction on greenfield / undeveloped land*** - Research conducted by the department of Architectural Science at Ryerson University finds that new building construction has a large impact on the environment. In Canada, construction accounts for 50% of natural resource use and 52% of water consumption; the production and transportation of building materials also creates volumes of greenhouse gas. Canadian construction and demolition creates 11 million tonnes of waste annually. Building waste now makes up about 20% of landfill dumpsites while the rate at which we are using new materials for construction is unsustainable. In addition, use of existing structures over new development can help keep greenfield land available for wildlife.
- ***A potential reduction in emissions and energy consumption*** - The annual energy used to construct commercial buildings is estimated at 0.0012 gigajoules (GJ)¹ / square foot of building; Canada has approximately 444,000 commercial buildings, comprising 7.23 billion square feet. Given an average of roughly 16,300 square feet per building, this would translate into annual energy of 19.71 GJ in constructing a commercial building.

According to various sources including Heritage Canada, heritage property preservation, rehabilitation and renovation uses less than half the energy of new development / construction. Thus, in total, the 35 CHPIF funded heritage properties essentially saved approximately 345 GJ per year of construction. This amount of energy savings is comparable to annual savings of 10,400 litres of gasoline, 13,500 litres of propane, or 96,000 kilowatt-hours of electricity.

¹ The gigajoule (GJ) is equal to one billion joules. A joule a standard unit of energy; one joule is defined as the amount of energy exerted when a force of one newton is applied over a displacement of one meter. One joule is the equivalent of one watt of power radiated or dissipated for one second.

- ***The potential adapting / upgrading / retrofitting of structures through the implementation of energy efficient materials and energy saving tools such as:***
 - enhanced use of natural lighting or LED lighting;
 - solar panels or films;
 - geothermal heating;
 - green power via wind turbine energy;
 - thermal glazing;
 - water conservation fixtures / products (for example, taps, toilets, etc.);
 - energy efficient boilers;
 - insulation material; and
 - recycled materials.

Reuse of existing buildings with sustainable design and operations are also important in the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. The LEED system sets out voluntary standards for developing high performance, sustainable buildings. It looks at factors such as sustainable sites, materials and resources, water efficiency, energy and atmosphere, indoor environmental quality, and design innovation. Many rehabilitated heritage buildings have received LEED recognition, including the CHPIF funded Flack Block in Vancouver.

The upgrading and retrofitting of commercial buildings to be more environmentally sustainable and energy efficient not only leads to reduced greenhouse gas emissions and less strain on energy supplies, but for building owners and managers it can also result in lower utility bills and increased resale values.

- ***Potential neutral capital costs and potential cost savings in operations through the implementation and use of energy efficient materials and energy saving tools*** – the Centre for Indigenous Environmental Resources finds that green building projects can possibly be capital cost neutral primarily because of all of the elements they take out of the building. Such projects reduce the building's mechanical requirements and dematerialize the building. They can achieve cost neutral goals even when having to phase in on-site electricity generation while waiting for costly solar panels and wind turbines. It is also estimated that the use of energy efficient materials and tools (such as those listed above) can potentially translate into savings in the range of \$1.00 per square foot for commercial building operations.
- ***A potential reduction in the need for new infrastructure*** – property rehabilitation utilizes / optimizes existing infrastructure rather than resulting in the need for new site servicing and new infrastructure development such as new roads, sewers, and hydro for the construction of new buildings in more undeveloped areas. This leads to less development and less infrastructure operations, both of which utilize a great deal of energy and natural resources.

Many, if not all of the CHPIF funded projects have been able to benefit from existing infrastructure, given that they are generally located in city cores that tend to be largely developed and densely populated.

Case Studies

CentreBeam Place – Saint John, NB

Property / Project Summary

Property Owner / Developer: Commercial Properties Limited
 Building Use / Size: Office, Retail / 110,000 SF
 Total Project Costs: \$13.6 million
 CHPIF Contribution: \$1.0 million (7.4% of Total Project Costs)

Description and Location

CenterBeam Place comprises a city block of 12 (based on the owner's literature: <http://www.commercial-properties.ca/selectedproperties/centerbeamplace.html>) heritage buildings (1878-1880), intended for a mix of office and retail use. These buildings are located at the edge of the harbor in the centre of the

business district in Saint John, within the Trinity Royal heritage preservation area. In 2003, John Irving and his team commenced a \$6.7 million project to rebuild and restore these buildings, resulting in a high profile heritage preservation and renewal project in Saint John.

CenterBeam Place exterior shown below at the corner of King and Prince William streets, pre (left) and post (right) rehabilitation



CenterBeam Place courtyard shown below, pre (left) and during (right) rehabilitation



Historical Background

Following the “Great Fire” of 1877, Saint John took the opportunity to rebuild and redevelop its downtown core. This included development at Prince William Street and King Street, the major intersection where CenterBeam Place is now located. The buildings constructed on this block were designed by some of the City’s more prominent architects, with their construction completed within two years following the fire. CenterBeam Place originally comprised a city block of twelve buildings constructed from 1878-1880.

The City believes that CenterBeam Place holds much relevance in local history, with various contributions to local life in the City. For example, based on available information, during the period of 1878-1880 CenterBeam buildings have served several significant functions such as the housing of:

- the military recruiting office and discharge depot during World War I;
- two major Canadian banks (Maritime Bank and Bank of Montreal);
- rooms to accommodate individuals who made special contributions to the areas of history, arts and education;
- an art studio for prominent artists including J.C. Miles, a prominent 19th century New Brunswick landscape painter;

- a dance academy; and
- additional retail, restaurant and office space.

Heritage Recognition

In more recent years, CenterBeam Place has been officially recognized for its heritage value on numerous occasions, including:

- Prince William Street was designated as a National Historic Site given its unique streetscape; this was the first such designation in Canada (1981);
- the Province of New Brunswick enacted the Heritage Preservation By-law for Saint John, which was followed by the City of Saint John designating 20 blocks of south Saint John as the “Trinity Royal”, a heritage preservation area (1982); and
- the Prince of Wales Prize for Heritage Preservation was presented to the City of Saint John, an honour which Heritage Canada gives to one city each year (2002).

Property Rehabilitation

Prior to rehabilitation, CenterBeam Place was considered a tired, deteriorating set of heritage buildings, in need of much repair and refurbishment. While a few tenants remained at ground level, it was generally concluded that the only thing sparing the Victorian-era buildings from demolition and new development was their heritage designation.

During the late 1990's, members of the Irving family recognized that this area of Saint John was underutilized and poorly maintained, and felt that a restored heritage location could attract new tenants and new businesses to the central core of the City.

A combination of municipal, provincial and federal funding (through Parks Canada's Commercial Heritage Properties Incentive Fund) was obtained in order to support the development of CenterBeam Place. CHPIF funding totaled \$1.0 million, with total project costs totaling \$13.6 million. The restoration of these properties started in 2002, with the first phase of the project opening in 2005; the final phase reached completion in 2008.

Commercial Properties Ltd, the promoters of the CenterBeam Place project faced various significant challenges; the existing buildings didn't meet modern building codes, they had considerably deteriorated, and they required contemporary modifications to suit modern tenants. Each building also had separate entrances for water and power, different floor elevations and substantial foundation walls.

Post-Rehabilitation Impacts

CenterBeam Place is generally considered to be the first Canadian heritage restoration project to face the structural challenge of joining a city block of 19th century commercial buildings together. Multiple 19th century structures have been incorporated into a single 100,000 square foot complex supported by 21st century engineering and mechanical systems.

Key project elements include:

- ***Retention and utilization of original heritage building materials and features, including:***
 - all of the brick, stone walls and windows were assessed and restored as needed;
 - workers saved approximately 10,000 original bricks to use in phase 1;
 - nearly every post and beam was restored and not replaced; and
 - interior spaces have retained exposed wood beams and original arched windows.
- ***Updated / upgraded buildings meet current building codes and functionality requirements-***
All the buildings had to be structurally reinforced at every floor, and structural modifications had to be made in order to meet building codes and loading conditions for contemporary buildings. In an interview with John Irving, he noted that bringing the electrical, plumbing, heating and ventilation up to today's standards was the greatest accomplishment of the project.

- **Creation of functional and efficient office space** - CenterBeam is now considered to have some of the most interesting and unique Class "A" office space in the City. Building tenants now include anchor CenterBeam, Inc., a North American leader in outsourced IT services, as well as Ambir Technology Group, CSO Customer Solutions Online, Cunningham Lindsey and Irving Oil Limited.
- **Revitalized, quality street front retail space** - CenterBeam Place now also features what is considered some of Saint John's best sidewalk shopping, with quality retail tenants including Birks, Handworks Gallery, Opera Bistro, Salon Circa, Wellington West Financial, Kane Travel and a bookstore lining the King and Prince William Street façades.
- **Expanded usable space** - Many of the block's buildings held previously underutilized upper level floors, with limited storage as their sole use. By removing the barriers between the upper levels of the individual buildings, more than 2,800 square metres of continuous and usable space was created.
- **New outdoor tenant / community space** - Originally, CenterBeam Place's tall, narrow commercial buildings only had front street-facing windows and all the buildings shared a flat, windowless rear wall. Through redevelopment, this unused yard was transformed into a Victorian-inspired courtyard which now serves tenants and the community. A new brick façade with three stories of windows now overlooks a garden courtyard and summertime outdoor café. The rear wall of windows also fills CenterBeam Place interiors with natural light. Both the courtyard and new lobby are frequently used for various public functions.

The transformation of this "diamond in the rough" from a deteriorated structure to high-end office and retail space has generated substantial attention. A great deal of community and tenant feedback, as well as media attention regarding the newly developed CenterBeam Place has been positive, and unexpected, according to property owner and developer John F. Irving.

CenterBeam tenants are pleased with the building and its unique heritage features. For example, the owners of the building's art gallery note that they "selected this location for our gallery because we recognized that the immediate location would continue to attract the sort of residential and commercial development that would be very compatible with our own venture". Other tenants note that "we wanted a location with prestige in the heart of the city where tourists and residents would easily find us", and that "the personality of an older grand Victorian building is often copied but rarely duplicated; we consider ourselves fortunate to be able to live in a city where these types of buildings are accessible".

In 2008, CenterBeam Place received two CUI Brownie Awards, one for "Best Medium Scale Project" and one for "Excellence in Project Development". The CUI Brownie Awards are sponsored by the Canada Mortgage and Housing Corporation (CMHC), and are awarded annually to projects and programs that reflect leadership and innovation in brownfield redevelopment. Saint John Member of Parliament Paul Zed commended the Irving family for their vision, leadership and commitment to the project. He believes that they are "breathing life into these fine old buildings in a way that will create employment, foster the renewal of Saint John, enhance the vitality of the City, encourage growth, add economic security to the uptown core and increase the tax base".

Additionally, these rehabilitated late-Victorian buildings now form a focal point at the key block to Trinity Royal, the City's designated heritage preservation area. This revitalized complex not only showcases the City's heritage, but it is believed to have contributed to rejuvenating its surrounding City block and Saint John's main business district and waterfront area, while also encouraging similar redevelopment in the surrounding area. Recent real estate activity in the area shows others have recognized the commercial potential of heritage properties. For example, Canterbury Dental Clinic is a 130-year old downtown structure located near CenterBeam Place on Canterbury Street, which was renovated and restored in 2009, in order to retain its original heritage features while transforming into a modern and innovative clinic. The clinic's owner notes he was "inspired by the Beam building and others who have taken the time to turn old, forgotten buildings into the beautiful pieces of architecture they were meant to be". "We would like to think," says John Irving, "that we have proven heritage spaces can be rehabilitated and restored for 21st century business. I hope it will stimulate serious interest for other neglected 19th century buildings in Trinity Royal."

Subsequent to rehabilitation, CenterBeam Place has experienced an increase in market value of approximately \$2.5 million, from \$0.7 million to \$3.4 million (an increase of 357%). Annual revenue increased approximately \$1.2 million, from \$0.4 million to \$1.6 million (an increase of 300%).

Commercial Heritage Properties Incentive Fund (CHPIF) Assistance

The rehabilitation of CenterBeam Place was granted funding from the City of Saint John, the Province of New Brunswick, and the Government of Canada, directed at the heritage restoration of commercial properties. Parks Canada's Commercial Heritage Properties Incentive Fund (CHPIF) comprised the federal level funding, which the developer found to be instrumental to this project.

According to Mr. Irving, *"this federal funding supported infrastructure and repairs essential to making the buildings usable, and freed up cash in the project budget for some ineligible building features such as the courtyard. Unpleasant surprises were allowed for in our budget. But knowing these will happen, it's encouraging to have an incentive to begin a project. Both the federal CHIPF program and the provincial Property Tax Abatement Program were extremely important to the CenterBeam project"*.

Irving also notes that there is a great need for continued support and encouragement for the preservation of heritage buildings. He feels that many commercial properties in need of rehabilitation work that are waiting for encouragement and financial incentives. In 2004, of the 13 New Brunswick buildings on the Register of commercial properties in Canada, 10 were part of the CenterBeam project. Today, New Brunswick has 330 historic places on the list with 1,100 more waiting to be entered.

The project also greatly benefited from the guidance of a Parks Canada appointed advisor, who oversaw the heritage preservation work in connection with the CHPIF program.

Recommendations for the project's windows based on federal heritage standards, as well as various other preservation information and techniques proved to be very helpful to Commercial Heritage Properties Limited.

Lougheed Block - Calgary, AB

Property / Project Summary

Property Owner / Developer: Heritage Property Corporation
Building Use / Size: Office, Retail / 90,000 SF
Total Project Costs: \$28.1 million
CHPIF Contribution: \$1.0 million (3.6% of Total Project Costs)

Description and Location

The Lougheed Block consists of two separate buildings, the Lougheed Building and the Grand Theatre. The Lougheed Building is a pre-World War I, six storey mixed-use commercial building, occupying portions of nine lots in downtown Calgary. In 2003, Heritage Property Corporation purchased the Lougheed Building and subsequently obtained grants / funding (including CHPIF funding) to restore the building. The Lougheed Block is located in the heart of downtown Calgary, on the northerly edge of the historic commercial centre of the City and sits adjacent to the former Sherman Grand Theatre.

Lougheed Block, shown below in 1912 (left), 1998 (right) and 2009 (below), respectively



Historical Background

Senator James Lougheed constructed the Lougheed Building in 1912, and the building remained in the Lougheed family until 1973. Senator Lougheed was a prominent lawyer, landowner, and considered a member of Calgary's business elite; he was also knighted in 1916.

The six-storey, 90,000 square foot Lougheed Building was originally designed to house 15 retail stores at street level, and 156 offices on upper level floors. It was built in conjunction with the Sherman Grand Theatre, which was considered the premiere place for performances and public gatherings in the City of Calgary for several decades. There was also some residential space on the top floors, as well as access through the Lougheed Building to the Sherman Grand Theatre.

The Lougheed Building is considered a representation of Calgary's commercial growth prior to World War I, and has served as a major centre of commercial activity in subsequent years, during which it was home to some of Alberta's most important political organizations and enterprises. From 1921 to 1935, building tenants included the United Farmers of Alberta, United Grain Growers, Calgary Petroleum Products, Home Oil, Dominion Bridge Co., Calgary Power, the Bank of Nova Scotia, and the Alberta Wheat Pool. The Progressive Conservative Association of Alberta later had its offices located in the building penthouse, as Peter Lougheed prepared his successful bid to become Premier of Alberta.

While the Lougheed Building played an important role in the business and political life of Calgary for many years, it began to lose its appeal in the late 1970's. Due to underutilization, it had been at risk of demolition since 1998. Despite a petition signed by over 4,000 residents calling for the protection of the Lougheed Building, in January 2001 a development permit was granted by the City of Calgary which would have resulted in its demolition and replacement with a 22-storey office and retail complex.

The deferred maintenance of the Lougheed Building began to take its toll on the property and began affecting its ability to be financially self-sustaining. The roof developed numerous leaks and continual patching was no longer a feasible repair alternative. One of the two elevators in the building failed and the

required replacement parts could not be located. Ad hoc repairs were no longer economically feasible and it was clear that a comprehensive rehabilitation and restoration program was required. In June 2003, Heritage Property Corporation purchased the Lougheed Building to commence its rehabilitation and restoration.

Property Rehabilitation and Restoration

Subsequent to purchasing the building in 2003, Heritage Property Corporation successfully fought to secure historic designations for the Lougheed Building at both the municipal and provincial levels, and planned to refurbish and maintain it as a combined office and retail structure. Prior to commencing this work, Heritage Property Corporation also obtained grants / funding at the municipal, provincial and federal level (CHPIF funding) to assist in the restoration / refurbishment of the building. CHPIF funding received totaled \$1.0 million, with total projects costs estimated at \$28.1 million.

The redevelopment and rehabilitation work undertaken included rehabilitating the north and west façade, some of the interior spaces including the entrance foyer, central staircase, the upper floors, the penthouse and the roof.

Specific work undertaken throughout the Lougheed Block included:

- re-grounding flooring to remove stains and repair scratches / gouges, and re-sealing floors;
- cleaning marble walls and cutting in new marble to repair chips and cracks;
- gutting the sixth floor penthouse suite and restoring it to be used as functional office space;
- replacing drywall to meet code and re-plastering the walls to achieve their original finish;
- installing modern, energy-efficient windows throughout the building in the original window frames;
- replacing first floor store fronts and constructing new doorways for main entrances;
- re-pointing the building's red brick exterior and replacing missing bricks with reclaimed brick from other parts of the building;
- removing all existing electrical and mechanical systems and replacing them with upgrades that complied with current building codes; and
- installing full fire alarm and fire sprinkler systems while preserving the aesthetics of the building's architecture and finishes; the Lougheed had never been outfitted with fire alarm or sprinkler systems.

The Heritage Property Corporation essentially preserved key heritage aspects of the Lougheed Building, while incorporating essential modern conveniences and technologies. Repair work and replacement materials were designed to be as historically accurate as possible, in order for the Lougheed Building to appear as it did when it was originally constructed.

Post-Rehabilitation Impacts

The grand re-opening of the Lougheed Building took place in June 2008, where hundreds of guests toured the halls of the newly rehabilitated landmark. Owner Neil Richardson noted that “with the restoration, occupants enjoy the aesthetics of the historical finishes and, at the same time, benefit from mechanical upgrades and modern systems that have been retrofitted to the building”.

In July 2008, Heritage Property Corporation received a Calgary Heritage Authority Lion Award in the category of Building Restoration for the Lougheed project. The Lion Award for Building Restoration recognizes the rehabilitation or restoration of a heritage building. Recipients are those who have demonstrated a strict adherence to appropriate heritage conservation standards as well as a dedication to quality of workmanship and the overall heritage integrity of the building or feature.

The market value of the Lougheed Building is estimated to have increased from approximately \$20.0 million to \$38.0 million following restoration (an increase of 90%). Additionally, annual business revenues for the property are estimated at \$1.8 million.

Some area residents feel that the rehabilitation of The Lougheed Block has already served as a catalyst in the proposed rehabilitation of adjacent buildings in downtown Calgary. The surrounding area is also developing as an arts and culture centre, suggesting potential spin-off activity generated in part through the revitalization of the Lougheed building and the Grand Theatre, both valuable heritage assets to downtown Calgary.

President Neil Richardson notes that Heritage Property Corporation elected to purchase and restore the Loughheed Building largely because of Parks Canada's Commercial Heritage Properties Incentive Fund. This Fund helped garner municipal support for the project, which in turn supported the rehabilitation of the Loughheed Building.

Fire Station No. 11 - Ottawa, ON

Property / Project Summary

Property Owner / Developer: Fire Station 11 Limited
Building Use / Size: Office, Retail / 4,800 SF
Total Project Costs: \$0.33 million
CHPIF Contribution: \$0.06 million (18.2% of Total Project Costs)

Description and Location

Built in 1923, the Parkdale Fire Station is one of only three pre-1930 fire stations still remaining in Ottawa. It is considered an example of pre-1930s fire-fighting technology, while reflecting the period when the Ottawa Fire Department evolved from a poorly equipped fire fighting force to a professional fire department. The Station is located at 424 Parkdale Avenue in Ottawa, directly off of Highway 417 Queensway at Parkdale.

Historical Background

This building was used as a fire station up until 1986, after which fire station operations were discontinued. Thereafter, the building housed a food bank and artists' studios and galleries. In 1996, Fire Station No. 11 was officially designated as a municipal heritage site and later designated under the Ontario Heritage Act at the request of the Hintonburg Community Association. In 2004, while vacant, the Station was purchased for redevelopment by Fire Station 11 Ltd.

Property Rehabilitation and Restoration

Upon purchasing the Station, Fire Station 11 Ltd. obtained CHPIF funding to rehabilitate the vacant building for multi-purpose use, such as artists' studios, artists' galleries, a bookstore, a florist shop, a personal service business, or a design studio or office. This vision was expected to tie in with many of the goals of the City of Ottawa, which focused on developing vibrant artistic and cultural districts.

In April 2003, Ottawa City Council adopted the new "Arts and Heritage Plan", which acknowledged the desirability of establishing new arts districts: "The City will spark and sustain urban and neighborhood revitalization through the partnered development and nurturing of arts and cultural districts". The plan notes that one in every seven Ottawa residents belongs to the "creative class". This segment includes individuals practicing or interested in artistic and cultural fields, including actors, dancers, filmmakers, multi-media artists, musicians, painters, performance artists, playwrights, poets, printmakers, sculptors, singers, songwriters, video artists, and writers, to name a few.

The project was considered part restoration and part redesign; while changes to the exterior were not permitted, the owners were free to redesign the interior. Work and restoration of the interior included re-installing an original fire pole as a décor feature, installing large interior windows, replicating the original exterior windows (which were retained) and the retention of 14-foot ceilings. Maintenance and clean-up also played a significant role in making this vacant, deteriorating space usable. CHPIF funding received towards this project was approximately \$62,000, with total project costs totaling nearly \$400,000.

Fire Station No. 11, shown below pre-rehabilitation (left and right) and post-rehabilitation (centre, below)



Post-Rehabilitation Impacts

Since rehabilitation, the market value of the Station is estimated to have increased by \$350,000, from \$500,000 to \$850,000 (an increase of 70%). Additionally, building occupancy has risen from 0.0% to 100.0%

The Station has also sparked interest from the community. The Parkdale Fire Station is considered one of the few architect-designed buildings in the neighborhood of Hintonburg, and is included in area historical walking tours. "It is a very elegant building. It is utilitarian but nicely designed, as buildings of those days were", says Linda Hoad, President of the Hintonburg Community Association and area resident of roughly thirty years.

Fire Station No. 11 is currently being utilized by:

- The Urban Element - a higher end restaurant, cooking school and catering service, recognized in culinary circles for its innovative menus;
- Storm Communications - a communications firm, specializing in innovative marketing / advertising; and
- Renaissance Therapy - a small massage therapy clinic offering a variety of treatments.

The Station's tenants were drawn to the mix of heritage and modern details that make up their distinct offices. For example, Renaissance Therapy owners note that they "didn't want their clinic to be too corporate", and "looked at other office buildings, and couldn't imagine themselves in those spaces". Another tenant finds that the building now has an "urban-industrial feel that's kind of Manhattan-style", with a "renewed openness". The building now appears to combine a unique mix of preservation and entrepreneurship, which has essentially brought the building back to life.

Flack Block - Vancouver, BC

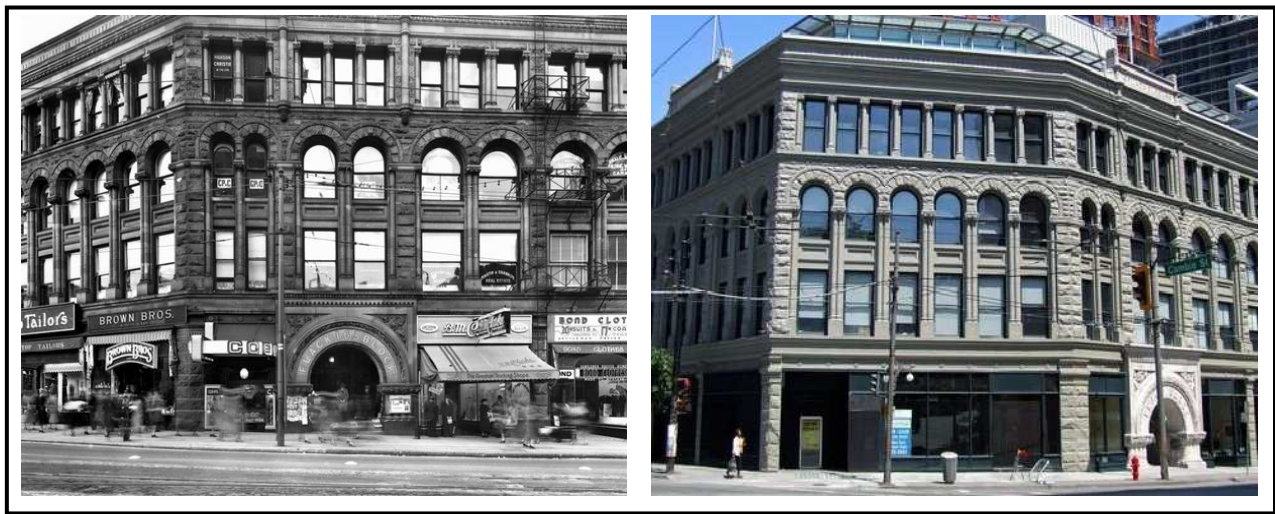
Property / Project Summary

Property Owner / Developer: The Salient Developments
Building Use / Size: Office, Retail / 50,000 SF
Total Project Costs: \$18.8 million
CHPIF Contribution: \$1.0 million (5.3% of Total Project Costs)

Description and Location

Built in 1898, the Flack Block is a five storey office building located in downtown Vancouver. In 2007, the building underwent an intensive two-year, \$19.0 million restoration that was completed in 2009. The Flack Block is one of seven buildings that owner / developer The Salient Group is completing, or has completed in the Gastown area.

Flack Block, shown below pre-rehabilitation (left) and post-rehabilitation (right)



Historical Background

The Flack Block was built in 1898 by Thomas Flack, one of the first successful prospectors during the Klondike Gold Rush, during which the expansion of mercantile trade largely impacted Vancouver, and building construction began to grow.

Flack Block architect William Blackmore ranked among Vancouver's most respected practitioners at the time. Located at the commercial centre of the City and across from the first courthouse, the Flack Block was the original home to the Bank of Vancouver. The building was also home to an array of professional tenants, including lawyers, brokers, medical professionals, and several retailers. One of the more prominent commercial locales in turn-of-the-century Vancouver was considered to be Hastings Street, and one of its largest and most noteworthy commercial structures was the Flack Block.

Hastings Street was Vancouver's primary commercial and shopping street until the first half of the 20th century, when the entire area began to fall on difficult times. By the 1990s, Hastings Street was virtually devoid of retail life, and the Flack Block building fell into significant disrepair.

In particular, the building's façade had weathered badly and was not kept up. In addition, the building's ornate sculpted archway had been completely removed and the rest of the ground level consisted of mismatched doors, windows and cladding, unrepresentative of the original architectural features and design of the building.

Property Rehabilitation and Restoration

In 2005, Flack Block was purchased by The Salient Group for refurbishment and restoration; construction was a two year process, with the project reaching completion in 2009.

Features from later periods were removed, and surviving original elements were preserved and restored. The Flack Block's main structure, composed of local sandstone, has been carefully rehabilitated and upgraded, and all new building systems introduced. Additionally, more office space was incorporated with the addition of a fifth floor. A wraparound deck was also constructed, providing views over the revitalized Victory Square Park and historic cenotaph.

A principal component of this massive restoration effort was the re-creation of the original carved stonework. According to the stone masonry team, the exterior of the Flack Block was in poor condition, including dramatically weathered sandstone, wind erosion damage, and structural deterioration to the point that certain elements were potentially unsafe. The restoration of the archway also included the hand carving of some 80,000 pounds of stone in order to recreate the historic entry, including griffins, sage faces and elaborate ornamentation. The carved-stone phase of the restoration of the Flack Block's facade was successfully completed in April 2008.

Flack Block entrance archway, shown below post-rehabilitation



Federal Government funding totaling \$1.0 million was provided through the Commercial Heritage Properties Incentive Fund (CHPIF), while project costs totaled nearly \$19.0 million. This project also received funding from the City of Vancouver.

The Salient Group was founded in 2000 with a focus on revitalizing Vancouver's historic downtown through the restoration of prime architectural buildings. Currently they have completed or are nearing completion on the rehabilitation of over 100,000 square feet of heritage office space in Vancouver's historic districts. The company's listed projects include the redevelopment of the Taylor Building, the Terminus, the Alhambra Hotel, the Lumberman's Building the Paris Block, the Bowman Block, the Varsity, and the Trapp Block. Several of the company's projects, including the Flack Block, were supported under the CHPIF program.

Post-Rehabilitation Impacts

The market value of the Flack Block is estimated to have increased from \$2.5 million to \$16.0 million (an increase of 540%); occupancy is now at 100.0%.

Previously, the Flack Block was "leading to demolition by neglect", says Robert Fung of The Salient Group. "Today the Flack Block regains its stature as a premier commercial property, and will be the first new office space in Gastown in years." According to the City of Vancouver, this Project also "kick-started the revitalization of this long-neglected block".

Not only is the Flack Block a prime example of what can be accomplished in a partnership with the Government of Canada, the City of Vancouver, and the commitment from a private sector developer, but Mr. Fung feels that this project could never have happened without the City's heritage incentive program and the federal government's Commercial Heritage Properties Incentive Fund (CHPIF). "The Flack Block

is one of Canada's most important heritage restoration and rehabilitation projects," says Robert Fung. "In addition, it is a model for the way in which government and the private sector can combine forces to achieve levels of economic development, heritage rehabilitation, community growth, and investment that would otherwise be unattainable."

The Flack Block is currently home to the Tides / Renewal Centre, a collection of what are considered to be socially progressive businesses including Renewal Partners, Tides Canada, Hollyhock Leadership Institute, Forest Ethics, Rainforest Solutions Project, Penner & Associates sustainable design, and Raised Eyebrow Communications, among others. "Together, the Flack with the intro of Tides Renewal Centre is a model of sustainability, addressing economic, social and environmental imperatives," says Mr. Fung. "It also helps to create a connection to our past, while providing for our current office needs."

The Flack Block recently captured the City of Vancouver's highest level of heritage recognition, the Award of Honour, for the Project's "structural, seismic and building systems upgrading, sustainable interiors, locally crafted stone façade components, reinstated areaways, extensive exterior restoration, and a compatible contemporary rooftop addition". The Flack Block is also one of the first heritage buildings in North America to receive Leadership in Energy and Environmental Design (LEED) Gold Certification for Commercial Interiors certification from the Canada Green Building Council (CaGBC).

Distillery District - Toronto, ON

Property / Project Summary

Property Owner / Developer: Cityscape Holdings Inc.
Building Use / Size: Retail / 450,000 SF
Total Project Costs: \$6.7 million (first phase)
CHPIF Contribution: \$1.0 million (14.9% of Total Project Costs)

Description and Location

The Gooderham and Worts Distillery was founded in 1832, as a large producer of whiskey and spirits. After the Great War, prohibition set in and business began to slow, and in 1990 the distillery ceased operations. A large section of the site was purchased by Cityscape Holdings Inc. in 2001, and was subsequently rehabilitated. Now also known as the Distillery District, this area is recognized as a National Historic Site and is considered to represent the largest and best preserved collection of Victorian industrial architecture in North America, comprising more 30 heritage buildings and 10 streets. Located in downtown Toronto at 55 Mill Street, the Distillery District is north of the Toronto Harbour, and east of the main downtown business district.

Historical Background

During the 1800's the Gooderham and Worts Distillery was a large manufacturing district in the City of Toronto and the largest distillery in the British Empire. Founded in 1832 by brothers-in-law William Gooderham and James Worts, the Gooderham and Worts Distillery produced millions of gallons of distilled whiskey and spirits during the 1800's. After the Great War prohibition set in and business began to slow; in 1990, after over a century and a half of continuous production the distillery ceased operations.

The Distillery was designated for protection under the Ontario Heritage Act in 1976, and was designated as a National Historic Site of Canada in 1988 given its importance as a landmark containing a number of buildings that "collectively bear witness to the evolution of the Canadian distilling industry".

The Distillery District, shown pre-rehabilitation (top- 1860, right- 1994) and post-rehabilitation (below- 2004)



With the earlier de-industrialization of the surrounding area, and the termination of distillery operations, the District was left increasingly derelict. Many surrounding industrial and commercial buildings and structures were demolished, leaving the former distillery surrounded by empty lots.

The economic recession of the early 1990's, and the resulting crash in residential condominium prices and office lease rates in downtown Toronto delayed efforts to revitalize the area. While the site awaited redevelopment and reinvestment, the district's unique ambiance began to attract numerous film shoots. During the 1990's the empty distillery buildings became a top film location in Canada and continue to be used for that purpose. Since 1990, the site has served as a location for over 800 film and television productions. Past productions include Chicago, X-Men, Cinderella Man, Against the Ropes and The Hurricane. In 2001 the District was bought by Cityscape Holdings Inc., with significant plans for rehabilitation and restoration.

Property Renovation and Restoration

In late 2001, Cityscape Development Corporation and Wallace Studios purchased the Distillery property for an estimated \$15.0 million, and began massive restoration and development.

The poor condition of the Distillery's 19th century buildings required virtually everything within the buildings to be replaced or restored, and entirely new gas, hydro and water infrastructure had to be implemented. Major elements that were rehabilitated and renovated include the grist mill, the drying annex, the boiler house and the fermenting cellar.

Specific characteristics that were addressed through renovations and restoration include:

- reinforcing buildings with thick stone walls, metal braces and timber framing;

- fortifying warehouse and tank house exteriors through the installation of iron bars on windows, heavy wooden doors, timber exterior shutters and iron hardware on windows / doors;
- maintaining a unified design and coordinated palette of material (brick, limestone, etc.) and paint colours throughout the District;
- maintaining original detailing throughout the District, including round-arched openings, segmented-arch windows, corbelled brickwork, and symmetrical arrangement of openings and organization of elevations;
- introducing a great deal of natural light through the extensive use of multi-pane glazing; and
- incorporating a neoclassical design of the four-storey distillery and mill building.

Within approximately 16 months, and with the help of over 400 skilled workers, the initial phase of rehabilitation and restoration was completed in 2003. Total project costs for the first phase of renovations were estimated at nearly \$7.0 million. Application was made to the Commercial Heritage Properties Incentive Fund (CHPIF) in 2004 for rehabilitation work on Buildings 2,3,4,5,6 and 7 and for a maximum contribution of \$1.0 million. In total, it is estimated that approximately \$20.0 million has been spent on renovating the District to date.

Major development and operating partners for the project include the Department of Canadian Heritage, City of Toronto, TD Commercial Banking, Ontario Trillium Foundation, Zeilder Grinnell Partnership Architects, and Dalton Engineering and Construction.

Post-Rehabilitation Impacts

Previous attempts to redevelop the Distillery District had failed to attract enough commercial tenants to allow financing to be viable. Cityscape created a unique vision for the Distillery District as an arts and entertainment district. Initial skepticism in the arts community and media faded quickly, and in little over a year, virtually all of the 440,000 square feet had been leased.

In 2003, the District was unveiled as a pedestrian-only village entirely dedicated to arts, culture and entertainment. The Distillery is considered the largest and best preserved collection of Victorian Industrial architecture in North America, comprising more than 45 heritage buildings (30 of which are included in the federal heritage district) and 10 streets.

The Distillery District is one of the most popular and unique destinations in Toronto, set among brick lined streets and European piazza styled areas. The new owners have noted that they will not lease any of the retail and restaurant space to chains or franchises, and accordingly, the majority of the buildings are occupied with unique art galleries, several performing arts theatres, a higher end shopping district, a variety of restaurants and cafes, as well as a well-known micro brewery (the Mill Street Brewery). It is said that Cityscape has turned down roughly eight out of ten applications for space, given their desire for prospective tenants to understand and blend in with the heritage qualities and character of the District.

Throughout the year, the Distillery also hosts many celebrations and special events such as the Distillery Jazz Festival, Partigras, Roots Music Festival, Antique Festival, art exhibitions and many more.

The preservation and active re-use of the historic buildings at the Distillery District has been widely praised. Many items were uncovered during archaeological projects preceding redevelopment; the scale of artifacts range from small tools to 40-foot distilling columns. The restored buildings retain many of the original features of the industrial complex, including the overhead bridges for pipes, the original brick streets, and 100-foot chimney.

Though quite different from its industrial uses of the past, The Distillery District remains a historical monument showcasing its previous architecture and practices, with more than 200 industrial artifacts remaining on display throughout the site.

The Distillery District shown below, post rehabilitation – outdoor summer festival (left) and indoor art gallery (right)



The heritage value of the Distillery resides in the unique sense of history and place it has created in:

- the completeness of the complex in illustrating the entire distillery process, ranging from the processing of raw materials, to the storage of finished products for export;
- the physical evidence that it provides about the history of Canadian business, the distilling industry and 19th-century manufacturing processes;
- the construction and craftsmanship of its focal buildings; and
- the physical relationships among the buildings and between the site and the railway to the south.

Since its re-opening, the District has been granted a number of high profile awards in recognition of its success in heritage preservation and adaptive reuse, including:

- Canadian Association of Heritage Professionals, Award of Merit, Adaptive Reuse Category (2007);
- Heritage Toronto Award of Merit (2007);
- Heritage Canada Foundation, Corporate Prize (2006);
- Heritage Toronto Award for Architectural Conservation and Craftsmanship (2004); and
- Ontario Association of Architects Award of Excellence (2004).

Additionally, the Distillery district is not only one of Toronto's few heritage districts and Toronto's first pedestrian only village, but it has also been somewhat transformed into one of Canada's largest centre for arts and culture. Toronto supports a large and growing "creative class" of individuals, including those interested or practicing in the fields of arts, culture, and production. The Distillery District has become an area associated with creative thinking and expression, and prides itself on "nurturing a growing creative zone, providing a forum for artists and creative industries and a platform where ideas can be performed, displayed and developed". The Distillery is home to roughly twenty art galleries and studios, a performing arts centre and numerous unique boutiques of arts and crafts, many of which have received national and international attention and acclaim. The District also continues to be a site location for international filmmakers.

The City of Toronto notes that Toronto is "forging a cultural renaissance through major expansions of its tourism infrastructure", and that the Distillery District is one such significant example. According to the City, attractions such as the Distillery District are undoubtedly "business-driving" and "will reaffirm Toronto's tourist magnetism". This is evident, given that the Distillery is also a top tourist destination in Toronto, welcoming visitors year-round. The District was listed by National Geographic magazine as a "top pick" in Canada for travelers, and has been described by the Globe and Mail as "a picture postcard draw". The redevelopment of surrounding vacant lands is also expected to have accelerated the district's transformation from an abandoned industrial site into one of Toronto's most distinctive, emerging neighborhoods, with the addition of new commercial and residential space entering the surrounding area.

The Distillery District shown below, post rehabilitation – coffee shop and exterior



Summary

There are a number of qualitative benefits that are associated with the preservation and rehabilitation of heritage properties, in the areas of:

- renewing buildings and implementing their adaptive reuse;
- economic development;
- retaining and utilizing local / regional trade skills;
- building community awareness and involvement in heritage preservation;
- preserving national / local identities;
- enhancing national diversity; and
- building a critical knowledge base.

There are also potential environmental implications of preserving and rehabilitating heritage structures. The construction and operation of buildings is responsible for the largest consumption of fossil fuels and natural resources in the world today. The rehabilitation and use of heritage properties is found to possibly result in several positive impacts towards environmental sustainability, including:

- The functional use of existing structures rather than initiating new development / construction on greenfields / undeveloped land;
- A reduction in emissions and energy consumption;
- The adapting / upgrading / retrofitting of structures through the implementation of energy efficient materials and energy saving tools;
- Neutral capital costs and potential cost savings through the implementation and use of energy efficient materials and energy saving tools; and
- A reduction in the need for new infrastructure

Five case studies have identified how the Commercial Heritage Property Incentive Fund (CHPIF) has been utilized to successfully preserve, rehabilitate and restore CenterBeam Place, Loughheed Block, Fire Station No. 11, Flack Block and the Distillery District. All of these properties showcase many, if not all of the eight qualitative benefits / impacts.

CHPIF Case Studies and Key Qualitative Impacts

[illegible]

Potential Growth Opportunities

Marketing and Communication

A key factor to the success of incentive programs such as Commercial Heritage Properties Incentive Fund (CHPIF) is an effective communication and marketing plan to optimize the potential of the program. The CHPIF program appears to have lacked such a plan, which potentially contributed to how many properties / developers applied for funding, and how many commercial heritage properties were actually funded and rehabilitated / refurbished.

The CHPIF program was communicated and marketed through:

- the Parks Canada website;
- the Historical Places Initiative (HPI) website;
- Various provincial partners;
- Public announcements and communication with the media;
- Communication with Members of Parliament; and
- Some activity / representation at relevant tradeshow / conventions (i.e., Federation of Canadian Municipalities, Construct Canada, Heritage Canada Foundation).

There are a number of factors that appear to have been lacking in CHPIF's approach to communication / marketing, including:

- In order to minimize costs, there was no active officer position assigned to leading / focusing on the communication / marketing of CHPIF;
- There was minimal communication or advertising geared towards target property developers / owners throughout Canada (i.e., advertising in trade magazines, direct mail marketing tools, etc.);
- A formal communications plan was only completed in the last year of the program; and
- Key elements such as use of media tools and tradeshow / convention representation were only implemented part way through program operations.

Additionally, in the future, an effective communication / marketing plan to all heritage property owners / developers in Canada may also serve to connect to commercial properties that are not currently listed on the Canadian Register of Historic Places (CRHP), including those that were unaware of the CHPIF program and might be interested in future such incentive or tax credit programs.

Thus, an effective communication and marketing plan is critical to the success of funding programs such as CHPIF, including the development of a formal plan, focused communication / marketing leadership and staff in place prior to program operations, as well as other key elements that were not addressed as part of CHPIF management / operations. Future incentive and tax credit programs could potentially be much more successful (with respect to the number of applications, eligible projects, and the number of rehabilitated / refurbished commercial heritage properties) than CHPIF by strengthening their focus and delivery in the areas of marketing and communication.

Appendix A – Commercial Heritage Properties Incentive Fund Projects

Project	Location	Description	CHPIF Contribution (\$ millions)
Notre Dame Convent	Morinville, AB		\$1.00 M
Flack Block	Vancouver, BC		\$1.00 M
The Lougheed Block	Calgary, AB		\$1.00 M
Gooderham & Worts	Toronto, ON		\$1.00 M
Centerbeam Place	Saint John, NB		\$1.00 M
The Alton Mills Phase II	Caledon, ON		\$0.95 M
Chinese Freemasons Building	Vancouver, BC		\$0.79 M
The Alhambra Hotel	Vancouver, BC		\$0.74 M
The Leader Post	Regina, SK		\$0.71 M
Birks Building	Winnipeg, MB		\$0.66 M
Former Brockville/Post Office	Brockville, ON		\$0.65 M
Wesley Building	Toronto, ON		\$0.52 M
Roslyn Court Apartments	Winnipeg, MN		\$0.49 M
Hartt Boot & Shoe Factory	Fredericton, NB		\$0.47 M
Lumbermen's Building	Vancouver, BC		\$0.45 M
Prince George Hotel	Kingston, ON		\$0.43 M
Historic Properties	Halifax, NS		\$0.41 M
Scott Fruit Warehouse	Winnipeg, MN		\$0.40 M
Immeuble La Fabrique	Trois-Rivières, QC		\$0.37 M
Magasin Jesse Joseph	Montreal, QC		\$0.35 M
Welland Mills	Thorold, ON		\$0.33 M
Galloway Bros.	Gladstone, MN		\$0.26 M
1 Alexander Street	Vancouver, BC		\$0.20 M
The White House on Portage	Winnipeg, MN		\$0.19 M
Royal Alexandra Theatre	Toronto, ON		\$0.16 M
Casa Loma	Winnipeg, MN		\$0.10 M
22-26 Oxford Street	Guelph, ON		\$0.08 M
Bonner Worth Mills	Peterborough, ON		\$0.07 M
Fire Station No. 11	Ottawa, ON		\$0.06 M
Kinley Building	Lunenburg, NS		\$0.03 M
Restaurant Le Moulin de St-Laurent	St-Laurent/Ile		\$0.03 M
McNaughton Building	Moosomin, SK		\$0.02 M
47 Fleet Street	Moncton, NB		\$0.01 M
Annapolis Royal Train Station	Annapolis Royal, NS		\$0.01 M

Source: Parks Canada

Appendix B – Eligible / Ineligible CHPIF Contribution Costs

Eligible Costs

- Professional fees, including: conservation planning, architecture, engineering, site surveying, environmental assessment, financing and feasibility fees, and legal services.
- Approval fees including permits (Municipal fees and taxes related to project approval and development).
- All construction costs related to the envelope and interior rehabilitation of the historic property that are specifically linked to the rehabilitation project, e.g., walls, partition, floors, ceilings, permanent covering, components of central air conditioning or heating systems, plumbing, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkler systems, fire escapes, improvement/replacement of sewer/septic system, signage attached to the building.
- Landscaping and archaeological costs if related to features that are character-defining elements and contributes to the heritage value of the property.
- Interest payments on loans for construction costs during the period of construction.

Ineligible Costs

- Costs of acquiring the property.
- Fees or costs not directly associated with rehabilitation of the historic property.
- Demolition, removal or dismantlement of a building.
- Removal or dismantlement of a part of a building, unless specifically required as part of the planned conservation work.
- Additions to or enlargement of the historic property.
- Non-construction costs such as those related to movable equipment, interior appliances, furniture, non-permanent carpeting or cabinets, etc.
- Outdoor construction or improvement costs (e.g. paving of parking lots or sidewalks, addition of decks or terraces, installation of signage or outdoor lighting remote from the building, fencing, etc.).
- Costs representing any profit mark-ups by an entity not dealing at arm's length with the corporation claiming the program benefits would be ineligible.
- Overhead expenses in excess of 10% of total eligible project costs.

Appendix C – CHPIF Performance

Project #	Project Name	Value Before	Value After	Increase	Revenue Before	Revenue After	Increase	Occupied Before	Occupied After	Increase	Contribution Paid
CHPF 01-107	Welland Mills	150,000 \$	2,000,000 \$	1233%	0 \$	225,000 \$	100%	0%	100%	100%	331,700 \$
CHPF 01-112	Fre Station No. 11	500,000 \$	850,000 \$	70%	0 \$	75,000 \$	100%	0%	100%	100%	62,149 \$
CHPF 01-115	The Leader Post	0 \$	4,989,125 \$	100%	0 \$	399,130 \$	100%	0%	n/a	n/a	706,536 \$
CHPF 01-118	Gooderham & Worts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,000,000 \$
CHPF 02-102	Chinese Freemasons Building	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	787,401 \$
CHPF 02-103	Immeuble La Fabrique	n/a	6,200,000 \$	n/a	n/a	702,406 \$	n/a	n/a	n/a	n/a	373,195 \$
CHPF 02-104	Birks Building	850,000 \$	7,250,000 \$	753%	0 \$	474,500 \$	100%	0%	100%	100%	662,445 \$
CHPF 02-107	The Loughheed Block	20,400,000 \$	38,450,000 \$	88%	n/a	1,807,983 \$	n/a	n/a	n/a	n/a	1,000,000 \$
CHPF 02-110	Casa Loma	n/a	n/a	n/a	182,700 \$	300,000 \$	64%	n/a	n/a	n/a	99,627 \$
CHPF 02-112	The White House on Portage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	186,845 \$
CHPF 02-113	Centerbeam Place Phase I	862,810 \$	3,372,600 \$	291%	310,000 \$	867,000 \$	180%	58%	87%	50%	542,248 \$
CHPF 02-116	Historic Properties	16,400,000 \$	22,800,000 \$	39%	1,366,131 \$	1,786,942 \$	31%	92%	94%	2%	409,900 \$
CHPF 02-118	McNaughton Building	70,000 \$	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	15,012 \$
CHPF 03-102	Scott Fruit Warehouse	300,000 \$	2,800,000 \$	833%	15,000 \$	240,000 \$	1500%	50%	100%	100%	403,748 \$
CHPF 03-105	Lumbermen's Building	5,270,000 \$	9,280,000 \$	76%	0 \$	250,572 \$	100%	0%	40%	40%	454,710 \$
CHPF 03-110	Former BrockvillePost Office	513,080 \$	3,500,000 \$	582%	0 \$	236,280 \$	100%	n/a	n/a	n/a	648,324 \$
CHPF 03-112	Royal Alexandra Theatre	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	161,940 \$
CHPF 03-114	22-26 Oxford Street	525,000 \$	1,000,000 \$	90%	0 \$	57,600 \$	100%	20%	100%	400%	75,300 \$
CHPF 03-115	Magasin Jesse Joseph	300,000 \$	1,700,000 \$	467%	50,000 \$	100,000 \$	100%	100%	60%	-40%	350,764 \$
CHPF 05-005	The Alton Mills Phase II	500,000 \$	2,900,000 \$	480%	33,800 \$	205,000 \$	507%	n/a	n/a	n/a	953,984 \$
CHPF 05-009	Bonner Worth Mills	339,000 \$	1,100,000 \$	224%	n/a	8,855 \$	n/a	n/a	100%	n/a	74,400 \$
CHPF 05-010	Centerbeam Place Phase I	n/a	n/a	n/a	112,500 \$	750,000 \$	567%	n/a	n/a	n/a	457,752 \$
CHPF 05-011	1 Alexander Street	3,720,000 \$	9,500,000 \$	155%	286,452 \$	650,632 \$	127%	57%	89%	56%	204,094 \$
CHPF 05-012	Annapolis Royal Train Station	0 \$	225,000 \$	100%	0 \$	9,900 \$	100%	0%	100%	100%	9,504 \$
CHPF 05-013	Hartt Boot & Shoe Factory	540,000 \$	3,100,000 \$	474%	0 \$	357,600 \$	100%	12%	89%	642%	474,532 \$
CHPF 05-015	Restaurant Le Moulin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29,800 \$
CHPF 05-017	Galloway Bros.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	262,731 \$
CHPF 05-018	Kinley Building	650,000 \$	1,250,000 \$	92%	9,600 \$	24,000 \$	150%	75%	100%	33%	34,646 \$
CHPF 05-019	47 Fleet Street	120,000 \$	240,000 \$	100%	0 \$	19,192 \$	100%	0%	100%	100%	13,579 \$
CHPF 05-020	Wesley Building	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	515,701 \$
CHPF 06-001	Flack Block	2,500,000 \$	16,000,000 \$	540%	n/a	6,334 \$	100%	n/a	100%	100%	1,000,000 \$
CHPF 06-004	Notre Dame Convent	650,000 \$	5,800,000 \$	792%	0 \$	480,000 \$	100%	0%	95%	95%	1,000,000 \$
CHPF 06-005	Roslyn Court Apartments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	487,000 \$
CHPF 06-008	Prince George Hotel	1,045,469 \$	4,737,832 \$	353%	94,092 \$	429,405 \$	356%	n/a	n/a	n/a	429,144 \$
CHPF 06-010	The Athambra Hotel	3,500,000 \$	10,500,000 \$	200%	n/a	n/a	n/a	70%	n/a	n/a	735,262 \$
Total value		59,705,359 \$	159,544,557 \$	167%	2,460,275 \$	10,462,331 \$	325%	534%	1554%	191%	14,953,975 \$
Average		2,487,723 \$	6,647,690 \$	Estimated yearly	117,156 \$	418,517 \$	257%	31%	91%	191%	427,256 \$
fed tax											
Summary (based on 35 paid-out projects)		1,883,328 \$									
Average increase in market value:		8,002,656 \$									
Average increase in revenue:		167%									
Average increase in occupancy:		257%									
Average contribution amount paid:		191%									
427,256 \$											
n/a = no data	provided										
No numbers											

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