

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

EXECUTIVE SUMMARY

This report provides an annual update on the status of the City-owned Historic Building Management Plan. The Plan was originally prepared in 2011 and included strategies to manage, fund, maintain and restore the City-owned historic building portfolio.

ADMINISTRATION RECOMMENDATION(S)

That Land and Asset Strategy Committee recommend that Council receive the annual status update for information.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2011 July 25, Council approved LAS2011-46, the City-owned Historic Building Management Plan, and directed Administration to prepare an annual status update to the Plan.

The 2013 Status Update report was presented to the Land and Asset Strategy Committee on 2013 July 25 and received for information by Council on 2013 September 09.

BACKGROUND

In July 2011, Council approved the City-owned Historic Building Management Plan which outlined a strategic, long-term view of the role and value of City-owned historic buildings. The Plan provided building descriptions; outlined a management approach for each building; estimated the restoration costs required to bring the buildings to “good” condition; and, provided capital investment scenarios. A key funding source identified in the Plan was the potential sale of historic buildings that are no longer required for City purposes. The proceeds of these sales are to be directed to the maintenance and lifecycle needs of the remaining historic buildings in the portfolio.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City-owned Historic Building Management Plan identifies 29 buildings. To be included in the Plan, a building must be listed on The City’s Inventory of Evaluated Historic Resources. When the Plan was originally prepared, building assessments were conducted on 20 buildings to establish baseline conditions and understand required maintenance and restoration costs. The remaining nine buildings were not assessed at the time, due to their renovation status or impending building plans.

Building assessments identify buildings as “excellent”, “good”, “fair”, “poor”, or “critical”. In 2011, while three buildings were rated in “excellent” or “good” condition, the average rating was “fair” to “poor”. The total cost to restore the portfolio to a minimum “good” condition was estimated at \$24.5 million, if spent from 2011-2014.

In 2011, four buildings were identified as potential candidates for sale, based on the rationale that there was no municipal use for the property. These buildings were: Fire Hall No. 3 (Hose & Hound Neighbourhood Pub), Hillhurst Cottage School, Capitol Hill Cottage School, and the A.E. Cross House. All the buildings currently included in the Plan are identified in Attachment 1.

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2014 Portfolio Update

The real estate activities over the past year are identified below.

Sales

In 2013 September, Fire Hall No. 3 located at 1028 9 Avenue SE was sold for \$2,304,000. The proceeds of the sale have been allocated to the restoration of remaining buildings in the portfolio.

Prospective Sales

The disposition of the Hillhurst Cottage School located at 455 12 Street NW is currently being negotiated by the Office of Land Servicing & Housing. An update on the negotiations will be provided to Land and Asset Strategy Committee on 2014 June 26.

Discussions regarding the sale of the Capitol Hill Cottage School located at 1522 21 Avenue NW have taken place with the current tenant. The Office of Land Servicing & Housing will also provide an update on these discussions to Land and Asset Strategy Committee on 2014 June 26.

Two additional buildings have been identified for potential sale in 2014. Both the Merchant's Bank Building located at 121 8 Avenue SW and the former Cecil Hotel located at 401 4 Avenue SE have recently been re-evaluated and are not required for municipal purposes. The Merchant's Bank building was acquired in 1970 and was used as the Calgary Parking Authority's head office until 1996. The building is currently leased a retail tenant. On 2014 May 12, Council tabled a report proposing a method of disposition for the Merchant's Bank building, to the 2014 June 23 regular meeting of Council. This tabling was to allow further consultation with the Calgary Parking Authority regarding the allocation of sale proceeds. The Cecil Hotel was acquired in 2009 and was used as a construction staging area for the 7 Avenue LRT Refurbishment Project. A report recommending a method of disposition for the Cecil Hotel building will be presented to Land and Asset Strategy Committee on 2014 June 26.

The A.E. Cross House located at 1240 8 Avenue SE was identified as a potential sale candidate in 2011 because no municipal purpose was identified for the building. The 2011 Management Plan did however, acknowledge that the property required further review since it was received as a donation from the original owner, the Cross family. In 2012, Administration met with members of the Cross family to discuss a potential sale and have been awaiting a response. Recently, members of the family indicated that their preference is for The City to retain ownership. Since this property was received as a donation from the original owner, Administration views it appropriate to respect the donor's wishes and retain the property in City ownership.

Acquisitions

In 2014 March, The City acquired the McHugh House located at 110 18 Avenue SW from the Roman Catholic Diocese of Calgary. This building is the sixth oldest residence in Calgary and a rare example of Queen Anne Revival-style architecture. The building was relocated to a park at 1515 Centre Street SW in early June. The future use of the building is to be determined.

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2014 Building Condition Update

Updated assessments have been completed for the 20 buildings originally assessed in 2011. Currently, the portfolio contains buildings ranging in condition from “excellent” to “critical”, as shown in Figure 1, below.

2	0	8	5	5
“Excellent”	“Good”	“Fair”	“Poor”	“Critical”

Figure 1 2014 - Number of Historic Buildings by Condition

While the condition of some individual buildings has deteriorated since 2011, most buildings continue to fall within the “fair to “poor” categories. In that same timeframe however, the condition of three buildings has improved (Calgary City Hall, Fire Hall No. 2, Reader Rock Garden Residence), due in large part to the restoration work following the 2013 flood. The condition of individual buildings is outlined in Attachment 2.

In 2014, the estimated cost to restore the portfolio to an overall minimum “good” condition is \$20.6 million. This amount is lower than the 2011 estimate due to the extensive flood restoration work on Calgary City Hall and Fire Hall No.2. Individual building restoration costs are identified in Attachment 3.

Potential Dispositions

The 2011 Management Plan established a decision model to determine if a City-owned historic building and property were potential candidates for sale. The model specifies that if a building has a current or future municipal use, it is deemed a non-candidate for disposition (e.g. City Hall, Calgary Public Building, Glenmore Water Treatment Plant). The majority of the portfolio falls within this category. Should there be no municipal use for the building, it is deemed a potential candidate for sale (e.g. Hillhurst Cottage School, Capitol Hill Cottage School).

In this 2014 Status Update, three additional properties have been identified as potential candidates, bringing the total number of sale candidates to five.

It is yet to be determined whether or not five buildings in the portfolio will be used for municipal purposes in the future. These buildings are: Armour Block, Fire Hall No. 1, McHugh House, Rouleau House and St. Mary’s Parish Hall/CNR Station. The disposition potential for each building is outlined in Attachment 4.

Restoration Strategy

The Corporate Properties & Buildings asset planning team and the City’s Senior Heritage Planner convened to prepare a restoration strategy, identifying how to best allocate the proceeds from the first property sale (Fire Hall No. 3). These funds will be spent on the remaining buildings in the portfolio. Firstly, all urgent, critical and non-code compliant maintenance items will be addressed for each building. These repairs and improvements range from smaller items such as exhaust ventilation repairs to major items like fire protection systems. The estimated cost for all these components is \$1,498,000 and it is anticipated that this work will be completed in 2015.

The remaining funds will be spent on the building in the most critical condition, the Y.W.C.A. located at 223 12 Avenue SW. This building is currently used as office and meeting space for

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approximately 40 non-profit organizations that provide community and social services. Significant rehabilitation is required to prevent this building from deteriorating further. The current maintenance backlog for the building includes interior upgrades, window replacements, and electrical, plumbing and HVAC repairs. The total cost for these repairs is estimated at \$3,900,000. While there are insufficient funds to address the full maintenance backlog, the most urgent mechanical system items will be attended to. The fire protection system, identified as the only critical maintenance item, will be inspected and replaced in the short term if required.

Stakeholder Engagement, Research and Communication

Internal business units that are stewards for historic buildings and properties were consulted and reviewed the City-owned Historic Building Management Plan. The Plan was written in conjunction with the Land Use Planning & Policy, Urban Design & Heritage Division. There has been ongoing communications with the Senior Heritage Planner, the Manager of Real Estate Sales & Marketing, business unit stewards, building occupants, and potential purchasers.

Strategic Alignment

Council's Fiscal Plan for Calgary identifies the following priority area: "raise the care and attention that Council and Administration pays to restraining expenditures and continually seeking efficiencies". This report identifies historic buildings that are not used for municipal purposes or required for City use in the future and could potentially be sold. Selling these properties will reduce City maintenance obligations while raising revenue that can be allocated to the maintenance of the remaining City-owned historic buildings.

The City-owned Historic Building Management Plan aligns and supports other City initiatives including the Calgary Municipal Development Plan (2009), the Calgary Heritage Strategy (2008), the City Centre Plan (2007), and the Municipal Heritage Conservation Framework (1979).

Social, Environmental, Economic (External)

Calgary's *Municipal Development Plan* recognizes historic preservation as part of good city building. Historic buildings serve to enhance our perspective, understanding and awareness of our past and help to build a sense of identity and pride in our local communities.

Financial Capacity

Current and Future Operating Budget:

In 2004, Corporate Properties & Buildings annual operating budget was increased by \$200,000 for heritage building maintenance. There is no other on-going municipal, provincial or federal maintenance funding for the heritage building portfolio.

Current and Future Capital Budget:

At present, there is no on-going capital lifecycle funding program specifically identified for historic buildings. In 2013, The City received \$2,304,000 for the sale of Fire Hall No. 3. The sale proceeds were transferred to Corporate Properties & Buildings' Lifecycle Reserve.

A request will be made through Action Plan 2015-18 for capital budget of \$2,304,000 under Program 698, Heritage Properties. This capital budget request will be funded from Corporate Properties & Buildings' Reserved for Future Capital Reserve.

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Risk Assessment

As capital investment for lifecycle maintenance is deferred, the costs to achieve the same results increase. Additionally, annual operating costs increase due to deteriorating building conditions. Without investment, The City's liability for human health and physical safety will increase as our historic buildings continue to deteriorate. Decline in structural and building system integrity could result in building closure and subsequent tenant relocations. Significant future deterioration of buildings could eventually result in an unintended loss of the historic building.

REASON(S) FOR RECOMMENDATION(S):

The recommendation fulfills previous Council direction to report annually on the status of the City-owned Historic Building Management Plan.

ATTACHMENT(S)

1. Portfolio of City-owned Historic Buildings
2. 2014 Historic Building Conditions
3. Restoration Costs
4. Historic Building Disposition Potential
5. Historic Building Snapshots