

Business Meets Heritage



By David Lennam

A day before renovations were to start at the Rogers' Chocolates store on Government Street, Steve Parkhill woke up to read a startling headline in the *Globe and Mail*: "Rogers' Chocolates threatens to destroy heritage site." This was in January 2008 and Parkhill had been president of the company for exactly one year. "We've owned the building since it was built," he says, "and have been stewards of this building and it felt very ironic that it was thought we'd be destroying something."

The trigger for all the fuss was a \$250,000 renovation that would have moved a wall back six metres inside the century-old brick commercial building that Victoria had designated as heritage 35 years ago. It would almost double the 950-square-foot retail space. Rogers' tried to negotiate, but Parkhill says, "Their compromise was 'Don't touch anything.' This wasn't a compromise. Nothing happened for almost two years. No dialogue, period." Parkhill says the city then passed a bylaw declaring the interior of the store a heritage site. "That was the first dialogue we had with the city. We just wanted to move a wall back. To them that was like painting a moustache on the Mona Lisa."

From his office over the shop, Parkhill had spent the previous year watching customers line up out the door. They'd check their watches, bow their heads, and wait. Some would leave. Others would walk by, look at the lineup, and move on. Rogers' was losing customers because it was just too small.

Heritage advocates like the Hallmark Society's Nick Russell calls Rogers' "a time capsule from 1917." He says the room was "almost sacred." But the tight quarters didn't make business sense to Parkhill.

Under the Local Government Act, the owners of a property with a heritage designation have the right to pursue compensation if they can demonstrate a loss in market value. Rogers' made the claim and won. The city paid \$650,000 in compensation, plus 85 per cent of Rogers' \$150,000 in legal fees. That's most of a million dollars to keep a charming chocolate shop the way it's been for almost a century. It represents two heritage firsts: the first time a property was designated without the consent of the owner, and the first time an owner successfully won compensation for that municipal action.

Parkhill suggests the city may need to change its heritage regulations to consider commerce and to avoid scaring away investors. Someone who buys a building with the intent of preserving it can live with strict heritage rules, he says. But imposing restrictions on property owners who are trying to do business — and trying to abide by the spirit of heritage — tells them they should stay away.

"Unless it's a museum, who's going to put money into it and do the seismic upgrades and repair the wood that's a hundred and something years old? You have to have some spirit of compromise if there's any sort of wish for continued investment and continued commerce at that site," says Parkhill.

Putting a building off limits not only stifles economic opportunity, but jeopardizes the city's heritage inventory, explains pub owner Matt MacNeil, who converted heritage structures at both the Bard & Banker and Irish Times pubs a block apart on Government Street. "You can put a plan in place to develop your heritage or it will rot... and never be brought back," he says, mentioning properties like the Janion and the recently sold Northern Junk.

One tiff with the city won't undo more than a century of Rogers' co-operation on heritage issues, although Parkhill implies that he may take his business elsewhere. "It's going to force us to consider doing things out of Victoria and off the Island. Our next 10 stores, where are they going to be?"

Maybe lower Yates, thanks to new life for some old addresses.

"It's amazing the attraction of a red brick wall," says Dale Olsen. The city's hippest men's clothier can spot the trends before they become trends. It's been the same way with the digs where he has chosen to hang his shingle. Both have a sense of the

timeless classic. Olsen's Outlooks for Men has never dressed customers in a room that wasn't vintage. He's always sold from the brick and old-growth timber of heritage buildings, whether it was the old A&B Sound location, the Oriental Hotel on Yates, or, since 2008, the revamped Thomas Earle warehouse on Lower Yates — another in Chris Le Fevre's urban rehab portfolio. "People love old buildings," says Olsen. "Definitely, it's a factor in doing business."

Thomas Earle and Simon Leiser built the three-storey warehouse in 1900 for the Klondike trade, beside their wholesale grocery business in the Leiser building, built in 1896. (More recently, the buildings were head office for the Capital Regional District.) Le Fevre spent \$6.3 million in 2008 transforming the properties into 30 loft apartments and ground-level retail space.

"They sell ridiculously tiny condos and the attraction is one red brick wall," says Olsen. He's laughing, but he knows it makes good business sense.

Heir Apparent

Before Le Fevre, there was the late Michael Williams, a visionary whose entrepreneurial desire to protect heritage structures made him a linchpin in revitalizing a part of Victoria's old downtown where Gold Rush memories mingled with the opium trade and the city's red light district.

Williams preserved the character of aging properties while giving them new life with a contemporary flair. Le Fevre has been pursuing the same work in creating 152 residential suites in seven Old Town buildings that he owns, with conversion projects like the 500-block Herald Street, the revamped Oriental Hotel on Lower Yates, and, recently, with the Morley Soda Water Factory in Waddington Alley. Construction costs are estimated at \$6 million for the Oriental and \$2.5 million for the 1875 soda factory — figures he calls speculative because of the hidden costs of renovating old buildings.

"Any of these old buildings you tackle have got unknowns in them, so you can't fix a price. Until you open up the carcass of the building, you can't tell the state of the physical improvements," says Le Fevre.

The skeleton of the soda works had rotted and crumbled. The interior had to be torn out, leaving only a shell of brick and foundations beneath a dirt floor. "It's the worst building I've ever done. Worse than I'd ever believed it might be, but at the end of the day, I'm accomplishment-driven and I'm thrilled to see what has become of it."

Will he make any money on the project? Le Fevre won't say, but admits it's not a quick buck. "If you're preoccupied with making money, then being involved with heritage conversions is not the way to go."

The rehabilitation of Old Town is not for the fainthearted, he says. It favours gutsy, passionate visionaries, who have lots of patience. Le Fevre is banking on a desire that people, particularly the younger generation, want to live downtown in older but affordable buildings. In the 32-suite Oriental, a 428-square-foot live/work unit, zoned for vacation rental and exempt from property taxes for 10 years, sells for \$287,500. Older buildings also usually mean cheaper lease rates for business owners, particularly those starting out and looking for a retail space without the sterility of a strip mall.

Does heritage pay?

Heritage is more difficult and more expensive than just building a new building. The external architecture has to be preserved. Windows in designated heritage properties need to be wood frame, which Le Fevre says "costs one helluva lot more than putting in a modern glazing system."

And in Victoria, there's the seismic upgrade to be factored in, a higher cost on the Island than anywhere else in Canada, and sometimes prohibitively expensive. Recent examples include the Finch building and Portland Hotel rehab in the 700-block of Yates. Seismic upgrading for the Finch is \$319,000, and for the Portland, it's more than \$581,000. That's a fair percentage of the estimated \$4.8 million being spent in total for all the buildings.

Danilo Danzo put \$10 million into the tired Douglas Hotel and remade it as the Rialto, a boutique property with an Italian flavour reflecting the Veneto region where Danzo came from. Built by Chinese merchant Lim Bang in 1912, it was once prestigious lodgings. By the time Danzo bought it 10 years ago, the Dougie had reached its nadir. Like Le Fevre, Danzo wasn't betting on a quick buck. Asked if it will ever pay off every penny he put in, the 78-year-old smiles. "It might not be in my time."

Danzo says the city was generous and co-operative as he bargained over incentives, which included a 10-year holiday from city property taxes. Luckily for him, the city did not consider his old Douglas Hotel a "don't-touch" heritage building like the chocolate shop on Government, or the Rialto would still be the Dougie. "I wouldn't have touched it," he says.

Danzo's righthand man, Eric Donald, president of the Danzo Group, says the city made it work financially for the owner while keeping heritage elements. Danzo never considered it, but it would have made bottom-line sense to demolish the century-old building. "It would have been much cheaper, but, in my case, the value was turning this 'disaster corner' into something I believe is going to be kind of the centre of town. Financially — well, we should've put a bulldozer through."

Heritage Incentives

In many cases, incentives have acted like the mortar holding those old bricks in place. One allows an extra floor on top of a heritage building. One to be introduced here in Victoria will be a density transfer used in Vancouver. If a developer wants to rehabilitate a building in Old Town, the city might agree to a density bonus to transfer to another project elsewhere in the city.

Victoria wants to encourage others and assumes that, where Williams and Le Fevre and Danzo retrofit heritage buildings, others will, too. Look at the prosperity of shops in old buildings along LoJo. What's next? LoYa? LoPan?

"I wouldn't call it a domino effect, but when owners see other owners being successful, they're encouraged to do it themselves and there's a kind of spillover that occurs. It's quite exciting to watch," says Catherine Umland, executive director of the Victoria Civic Heritage Trust. It has handed out nearly \$4 million in funding to private developers since 1990, helping to stimulate \$111.3 million in private investment in 106 commercial, industrial, and institutional heritage buildings. The grants have resulted in 62 heritage building designations in a decade. Nearly \$29 million has been spent directly on heritage rehabilitation.

Victoria's downtown heritage building incentive program gives up to \$50,000 per project for rehabilitating a designated heritage building. The city also offers a 10-year exemption from property taxes

"The value goes up and the city collects increased revenues, and there are more spillover effects of more people living downtown," says Steve Barber, the city's senior heritage planner. Heritage preservation is a good economic decision, and it put Victoria on the map as having the nation's best heritage conservation program, he says.

Victoria's success is due to having an incentive program beyond what other municipalities offer, while giving some heritage-

regulation leniency to property owners to do the job properly, Umland says. The tax incentives, which can amount to more than \$1 million over a decade, are a make-or-break on some jobs. "It's really what makes the project viable," she says. In 2009, the VCHT processed 17 building incentive program grants, plus five major projects under the tax incentive program. It expects about a dozen major building conservation projects in 2010. The civic trust gets its grant money — \$420,000 this year — directly from the city of Victoria, which also covers an additional \$103,000 in operating costs for the organization. Owners of Victoria's 374 designated heritage homes can take advantage of monies offered through the Victoria Heritage Foundation if they want to paint, put in new windows, or get a new roof, for example. But it's not a fortune. The foundation receives only \$140,000 from the city each year to hand out. Foundation executive director Brigitte Clark says roughly 50 people apply for grant money annually and most of them get something. Approved projects can receive a maximum of \$4,125, which might work out to 25 per cent of the cost of a new roof. "You can spend \$100,000 on a home reno and \$4,125 is kind of a drop in the bucket, but that's all we can afford."

Clark says it usually costs more to get work done on a heritage house and you have to be careful whom you hire. "A lot of contractors are clueless when it comes to heritage work. It's like restoring an old car. It costs a lot of money to do a good job. And you need to find someone qualified to do it."

Heritage experts will tell you there's only one tradesman in town qualified to do restorative chimney work. Similarly, there are limited choices if you want to restore antique light fixtures or have turn-of-the-century hardware installed. Hallmark Society president Nick Russell says it's mostly micro businesses, tradespeople operating independently and working from home, that do the bulk of heritage restoration work.

Heritage As Business

There are 610 homes on Victoria's heritage registry, meaning that they're not yet designated but have heritage value. Hundreds more with vintage character exist throughout Greater Victoria. All are potential clients for trades and suppliers dealing with heritage renovations. There's definitely business in old buildings for architects, planners, engineers, designers, painters, and trades like Vintage Woodworks. The business has had a hand (or a hammer) in virtually every rehab of a major commercial building in Victoria and a growing number in Vancouver. They've been involved in big projects like Townline's conversion of the Hudson Bay store, St. Ann's Academy, B.C.'s legislative buildings, and numerous Le Fevre buildings. What started in 1980 as one man, Jim Stiven, working out of his basement, now employs 35 people, has offices in Victoria and Vancouver, manages a 9,000-square-foot factory just off Burnside Road, and has experienced growth of 20 per cent each year.

"It's very hard to find a heritage building we haven't been part of," says Vintage Woodworks co-owner Ken Coley-Donohue. While Vintage does heritage millwork for doors, mouldings, and brackets, they're known for their windows — traditional in their wood style and handcrafted construction but Energy Star rated. They are double hung, triple-glazed windows that look heritage.

"A lot of windows in Victoria are over 100 years old and just halfway through their lifetimes. Don't give up on them and rip them out. They just need maintenance," explains Coley-Donohue.

"For the Victoria market alone, we probably do 1,000 storm windows every year," adds Stiven.

And when peering through those Vintage windows, you just might see a wall papered in a William Morris design. It will have come from Stuart Stark. He's a heritage building restoration consultant and retailer of fine heritage wallpapers and fabrics through his Charles Rupert Designs. And he lives in an 1892 home with all its heritage windows intact. Stark is part of what he calls a subculture of businesses that assist people in retaining the heritage quality of their older homes. It has grown by specializing in William Morris wallpapers and is now represented internationally. Stark started in 1989 after clients he was consulting for kept asking where he got all the great stuff he was using in his own home reno. Charles Rupert started selling online in 1999 when web-based commerce was just starting to grow.

"I started out in Oak Bay, one person in the shop six days a week. Now it's four people five days a week and lots of online orders," says Stark.

He quotes the Roman architect and engineer Vitruvius: a structure must exhibit firmness, commodity, and delight. "Why do people want old houses? A gut feeling of familiarity, comfort, and warmth," Stark says.

Finding character homes for future Stark customers are real estate people like John West. "I like the old stuff," he says plainly. "They're not cookie cutter homes."

West works at Newport Realty and says there are about 25 or 30 real estate sales people from different firms who actively solicit heritage home listings. The 60-year-old has spent time on the city's heritage advisory committee and the Victoria Heritage Foundation, so he knows the value of "adaptive heritage," like Le Fevre's projects that breath life into old walls again. He also owns a few heritage rental properties that provide good income and, because they're character buildings, it's easier to find good tenants who stay longer, West says.

Move it or lose it

Jim Farrow bought his 1903 James Bay home in 1978 and had it designated so that it would be protected. Over the years, he's received several grants from the Heritage Foundation to assist with the cost of painting, re-roofing, and repairing the foundation. He doesn't mind paying more, because the quality is worth it. "Wooden windows are a lot more expensive than vinyl but more attractive, too. And they last."

Farrow's most notable heritage purchase, however, was the Redpath house that used to sit on King George Terrace in Oak Bay. In 2000, the 1907 home, once owned by heirs to the Redpath sugar fortune, was bought by Nickel Bros. House Moving Ltd. for \$1 and moved.

On the drive to the Swartz Bay ferry, Farrow passed the Nickel Bros. lot and spotted the house. He bought it for that same \$1 and paid Nickel Bros. \$85,000 to barge it to Saturna Island, where it sits today. Jim Connelly, Victoria-based marketing manager for Nickel Bros., says the company has done well by saving older homes from demolition by moving and reselling them. It's a family business that started in 1956 and now has five branches, including one in Washington State. They move or lift more than 300 houses a year and have between 50 and 75 in inventory at any time.

"It's only been the last few years that people have been thinking about moving their home first. It used to be demo, demo, demo," says Connelly. And those demolitions can cost developers as much as \$40,000.

Recycling older homes often means raising them to construct a full-height basement. Connelly says the cost to lift an average-sized house is between \$9,000 and \$11,000.

Recycling a home presents an argument for the sustainability of maintaining heritage buildings — whether they're moved or not. Demolish anything and the pieces go into landfill. Replace it and the pieces have to be manufactured... again. As much as 50 per cent of landfill space in high development areas is made up of demolition debris and construction waste. "The greenest building is an existing one," says Coley-Donahue.

If you don't touch it

The neglected and derelict Janion building at the foot of Fisgard stands as an example of waste and lost money. "It's an eyesore and an affront to citizens and has lowered the whole economy of that block around there," says the Hallmark Society's Russell.

There are numerous cases of heritage buildings falling into disrepair and sitting empty because the owners know as soon as they renovate, they'll have to abide by the heritage rules, including paying for seismic work.

"If I don't touch it, the city doesn't say anything," says Rick Arora, who owns five older buildings downtown and has spent considerably on upkeep. He put \$400,000 into the façade of a two-storey property at the southwest corner of Government and Johnson with leased retail and office space (including Page One Publishing, owners of Douglas magazine).

His Old Morris Tobacconist on Government Street, built in 1892, carries a heritage designation. So if Arora decides to tinker with the interior because he might want to lease the space to another business, would he face the same fate as Rogers'? He says the city has opened a can of worms with the Rogers' payout. "Is the city going to pay me a million dollars if I want to renovate and I'm not allowed to? Anyone who wants to renovate now will try to get money out of the city and it's taxpayer money."

Arora was thrust into a heritage uproar of his own when the public health authority, VIHA, told him to remove 90-year-old painted signs in his store windows advertising smoking products. Council went to bat for Arora and, in April, won an exemption for the signs.

Think about where the real money attached to heritage comes from: Victoria's tourism industry. "Let's just ask ourselves, what's the heritage business worth in Victoria?" muses Stark. "Well, take your entire tourism market and eradicate it. You could demolish all of downtown and replace it with strip malls and nobody would come. It's as simple as that."

Consider what kind of draw Victoria would be without Old Town? Think about the great cities of the world and how travellers are drawn to the old neighbourhoods. How you make them viable for development and make them livable for a new class that's trading back to an urban lifestyle is the trick, says MacNeil. He spent \$750,000 on seismic upgrades alone when he turned the old Christmas store into the Bard & Banker pub two years ago. His hope is that the heritage rules, which may have been outpaced by the economy, will be made more progressive to entice rehabilitation of old structures.

"I love heritage, but the numbers have to work."