

# Brighton Block and Strathcona Hotel

## Requests for Heritage Funding

### Recommendation

That the October 15, 2019, Urban Form and Corporate Strategic Development report CR\_7348, be received for information.

### Executive Summary

The Brighton Block and the Strathcona Hotel are both designated as Municipal Historic Resources. The owners of these properties are undertaking extensive rehabilitation of the properties and are seeking funding from the Heritage Program and the Heritage Resources Reserve for this purpose. While these properties are significant to Edmonton's built heritage, these requests are not consistent with the current terms of the City's Rehabilitation Incentive and Maintenance Incentive Programs, and exceed the current capacity of the Heritage Resources Reserve.

### Report

City Policy C450B allows for the provision of two types of grants to the owners of designated Municipal Historic Resources; rehabilitation incentives, and maintenance incentives.

Rehabilitation incentives are a one-time grant of up to 50 percent of eligible costs, provided to property owners at the time a property is designated. The property owner agrees to accept the grant in lieu of compensation required by the *Historical Resources Act*.

Maintenance incentives are a grant of up to 33 percent of eligible costs available to the owners of designated Municipal Historic Resources on an ongoing basis for the purpose of supporting the property's upkeep. Administration's practice has been to limit maintenance incentives to a maximum of \$10,000 for small-scale residential historic resources and \$50,000 for commercial/institutional/multi-family historic resources every 5 years. The City has no legal obligation under the provisions of the *Historical Resources Act* to provide maintenance incentives.

### Evaluation of Eligible Costs for Municipal Historic Resource Funding Requests

When reviewing cost estimates related to rehabilitation or maintenance work, Administration refers to the Hard Costs as defined in City Policy C450B in order to determine eligible costs. Where there is ambiguity as to whether a cost should be considered eligible, practice is to test the cost against the question: is the proposed cost directly attributable to the historic nature of the building or would it be incurred by new construction? Where a cost is determined to be directly attributable to the historic nature of the building, it may be considered eligible.

#### Brighton Block

The property known as the Brighton Block, located at 9666 Jasper Avenue NW (Attachment 1), was designated by Council as a Municipal Historic Resource by Bylaw 12605 on June 12, 2001 and was allocated a Rehabilitation Incentive of \$150,000 in lieu of receiving compensation under the *Historical Resources Act*. The owner had not previously requested a maintenance grant.

In the period since its designation, the Brighton Block had fallen into an advanced state of disrepair. The building's new owner, Primavera Development (Brighton Block Inc.), has initiated a program to stabilize and rehabilitate the building.

Primavera Development estimates the total cost of the project is approximately \$15 million, suggests that \$3.425 million of these costs merit consideration as eligible heritage costs, and requests that the City reimburse 50 percent of these costs, as a Maintenance Incentive, for a total of \$1.717 million (Attachment 2).

Administration reviewed the cost summary submitted with the funding request and determined that:

- Only \$1,717,081 would merit consideration as eligible costs under the current terms of the City's Maintenance Incentive Program (Attachment 3). A grant for 50 percent of these costs is \$858,540.
- As per Policy C450B, this property only qualifies for a Maintenance Incentive Grant as it previously received a rehabilitation grant at the time of its designation.
- A grant of 33 percent of eligible costs would total \$566,636.80.

#### Strathcona Hotel

The Strathcona Hotel, located at 10302 Whyte (82) Avenue NW (Attachment 4), was designated by City Council as a Municipal Historic Resource by Bylaw 14585 on May 31, 2007 and was allocated a Rehabilitation Incentive of \$128,000 in lieu of receiving compensation under the *Historical Resources Act*.

In 2018, after 127 years of operation, the Strathcona Hotel closed and was subsequently sold. The building's new owner, Beljan Development (The Strathcona JV Inc.) has initiated a program to repurpose the building as a commercial/community hub, which requires substantial upgrades to address deficiencies and new building code requirements. In March 2019, the building was damaged by a fire.

The total cost of the project is approximately \$5 million. Beljan Development has submitted a request for funding suggesting that \$1,405,477.74 of these costs merit consideration as eligible heritage costs (Attachment 5). Beljan Development has requested the eligible costs be considered for reimbursement at a rate of 33 percent, which meets one criterion of the Maintenance Incentive Program, but exceeds the \$50,000 cap for commercial buildings.

Administration has reviewed the cost summary submitted with the funding request and confirmed it would merit consideration under the current terms of the Maintenance Incentive programs. A grant for 33 percent of these costs would be \$463,807.65 (Attachment 6).

### **Request for Heritage Funding Risks**

Providing funding in excess of the terms of the current heritage grant programs to the owner of any municipal historic resource could be precedent setting. This could lead to greater demand from the owners of other municipal historic resources and put additional demands on the City's finances. Further, over 2019-2022, the Heritage Resources Reserve is not projected to have sufficient capacity to fund these grant requests, and to fund current and emerging grant requests associated with new Municipal Historic Resource designations.

An additional risk is the public may perceive that the City does not value its municipal historic resources. However, The terms of the heritage program are set to protect current investments in historic resources, and protect future reserve balances so additional resources can be designated.

### **Historic Resource Management Program Considerations**

Administration is aware that as the Historic Resource Management Program matures, and the number of properties listed on the Register of Municipal Historic Resources continues to grow, pressure to increase spending on maintenance grants will increase.

The program has now matured to the extent that the rehabilitation work associated with its earliest Municipal Historic Resource designations occurred more than 20 to 30 years ago. In some cases, this rehabilitation work was more incremental in nature, and

some Municipal Historic Resources are now reaching the point where they may require significant reinvestment.

To ensure the City is better positioned to respond to requests of this nature, Administration is pursuing changes to its Maintenance Incentive Program, which will include increasing the maximum eligible incentive for both small-scale residential and commercial, institutional and multi-family Municipal Historic Resources beginning in 2022 (refer to CR\_7432 Heritage Program Update: Reserve Projections, Emerging Issues and Interim Mitigation Measures).

At current budget levels, funding ongoing maintenance grant requests at the scale contemplated through these requests would make both the Maintenance Incentive Program and the Rehabilitation Incentive Program unsustainable.

### **Budget/Financial**

Based on current commitments, the Heritage Resources Reserve is expected to have a balance of \$2.17 million at the end of 2019. Based on other ongoing grant negotiations and potential emergent grant requests, the Reserve is projected to have an ending balance of \$339,176 for 2020, \$726,319 for 2021, and \$2.13 million for 2022. The projected ending balance for 2022 will likely decline as new designations are added to the Register of Municipal Historical Resources.

Should Council wish to provide maintenance incentives at the scale of these requests, Administration recommends that they be considered as a one-time exception to the Maintenance Incentive Program's current maximum grant amount of \$50,000 for commercial, institutional and multi-family historic resources. At 33 percent of eligible rehabilitation costs the resulting potential grants would be up to \$566,636.80 for the Brighton Block and up to \$463,807.65 for the Strathcona Hotel.

### **Legal**

The City is under no legal obligation to assist owners of Municipal Historic Resources with the cost of maintenance.

### **Public Engagement**

Public engagement was not undertaken in relation to this report. The report was informed by existing policy and procedures. Administration has engaged with the owners of the Brighton Block and Strathcona Hotel, in order to facilitate their requests for funding.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Condition of Success</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
Unique character and history of the neighborhood is preserved.	Number of designated Municipal Historic Resources	157 (as of October 15, 2019)	There is no target for the designation of historical resources.

**Attachments**

1. Background Information for the Brighton Block
2. Request for Heritage Funding for the Brighton Block
3. Evaluation of Funding Request and Summary of Eligible Costs for the Brighton Block
4. Background Information for the Strathcona Hotel
5. Request for Heritage Funding for the Strathcona Hotel
6. Evaluation of Funding Request and Summary of Eligible Costs for the Strathcona Hotel

**Others Reviewing this Report**

- A. Laughlin, Acting Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor