

■ **HERITAGE PRESERVATION:** Controllers back facade-saving leasing plan

# Capitol deal would cost city dearly

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London's board of control wants to preserve the facade of the Capitol Theatre by leasing the building at rates well above those of other downtown buildings, a lease that would cost taxpayers \$5.6 million over 20 years.

Controllers yesterday backed the proposed deal with landlord Shmuel Farhi, who once threatened to bulldoze the core landmark unless the city leased space there.

While the cost comes at a premium, more than double what the city paid per square foot to lease space from Farhi at the Citi Financial building, controllers said it was worth it to preserve and enliven a building so central to both the city's past and future.

"There's going to be increased costs. That's simply the reality we have to accept," Controller Gord Hume said.

The city has struggled for decades to improve Dundas Street and the deal with Farhi, which also preserves the facade of the adjacent Bowles Building, is an important step toward accomplishing that, he said. "It gets more people living on our main street."



Shmuel Farhi

A year ago, Farhi offered to give the city the building in return for a tax receipt — a deal city hall rejected for fear of rehabilitation costs.

Instead, council directed the city's financial chief, Vic Cote, to negotiate lease terms, a process he said yesterday was a formidable challenge.

"We learned a lot by going through the process . . . about what it takes to renovate a heritage property," Cote said.

That was clear from the numbers. In January, Cote estimated a 10-year lease might cost between \$1.15 million and \$1.6 million, but the proposed deal calls for \$5.6 million over 20 years — or annual payments of \$280,016.

That works out to a base rent of \$22.90 per square foot, compared to a lease for the Citi Financial building of \$9.18.

In a report to controllers, Cote paints a grim picture for attracting new office space downtown:

- ▶ The vacancy rate of office space downtown is 15 per cent.
- ▶ The market rent pays only a fraction of what would need to be collected to offset the costs of building new office space — a gap of 33 to 43 per cent.
- ▶ It's even costlier to renovate heritage buildings.

"If the city is simply looking for office space, there are considerably less expensive alternatives in existing buildings," Cote wrote. "However, if the

city wants to serve as a catalyst for heritage restoration and preservation along Dundas Street, the 20-year leasing proposal . . . appears reasonable."

Controller Gina Barber expressed reservations. "We have poured a lot of money into downtown and it looks like we're pouring more money for the foreseeable future."



Vic Cote

If council approves the lease Monday, Farhi would renovate the building and provide 8,190 square feet of office space to the city. The city would also have the option of extending the lease beyond 20 years at much lower rates — \$7.95 a square foot for the third decade and \$5.95 for a fourth.