

The London Free Press

NEWS LOCAL

Council buys into Capitol idea

Tue, September 30, 2008

CITY HALL

By JONATHAN SHER

London city council voted last night to spend more than \$5.6 million to save the facade of the Capitol Theatre and convert the interior for civic offices, agreeing to a 20-year lease that nearly split politicians down the middle.

By a vote of nine to seven, council rejected calls for a better deal for taxpayers, arguing the lease was the best that could be done to save the Capitol and jump start the central core along Dundas Street.

"If we turn our back on (Capitol landlord Shmuel Farhi), we're turning our back on heritage and downtown revitalization," Coun. Steve Orser said.

"This is an opportunity to show the rest of the community we mean business," Coun. Harold Usher said.

While critics said the lease was too costly for taxpayers who have already spent \$100 million trying to revitalize downtown, Controller Gord Hume said all that spending was necessary.

"I've been supportive of every dollar we've spent downtown . . . We knew, very clearly, from the start, that this (lease) would be very costly."

Just how costly was not clear earlier this year, when council asked the city's finance chief Vic Cote to negotiate a 10-year lease at rates comparable to those in the marketplace for heritage buildings.

Cote estimated the city might spend an extra \$350,000 beyond what it would cost to lease from a conventional office building to make it worthwhile for Farhi to preserve the facade and completely redo the interior so it can be used as an office.

The lease council approved yesterday is much richer, paying an extra \$1.46 million over 20 years.

The city can do better for taxpayers, Coun. Nancy Branscombe said. Soon, council will consider a bylaw that would require landlords of heritage properties to maintain them. With the bylaw around the corner, city hall has leverage to get a better lease than one Branscombe described as the longest and costliest ever.

She took issue with Cote, who acknowledged when questioned he had agreed to a lease rate without finding comparable heritage properties other than the one the city owns -- the J. Allyn Taylor building.

"I do support heritage, but I don't think it's at any cost," she said.

Her concerns mirrored some found in a letter sent to councillors by developer David Tennant, president of the Hampton Group.

"This proposal is not a good deal for the taxpayers," Tennant wrote.

Tennant questioned Cote's numbers and suggested the amount paid to Farhi above market rates was about \$2 million and that the deal will only motivate other landlords to seek bailouts.

Farhi has maintained the lease is as good or better than at his other heritage buildings and that it will cost him \$1 million more than he'll get back.

If the costs to convert the Capitol are more than expected, Farhi pays.