

Mayor Fontana and Members of London City Council

On Wednesday, September 12, 2012, I appeared before the London Advisory Committee on Heritage to request their approval of the demolition of the building at 199 Queens Avenue.

I shared my belief that my record in this community clearly shows I am a supporter of heritage preservation, having spent millions of dollars in related efforts. And I pointed out that preserving heritage sometimes requires us to look beyond an individual building to the welfare of many others.

I further explained that the heritage buildings I own in the core are all at risk because I am unable to find tenants to fill them and keep them alive, in large part because I cannot provide parking for them. Keeping such buildings in productive use is key to ensuring their long-term survival.

In the past, some people in our community have questioned why anyone would buy such buildings knowing of this very serious impediment to fully renting them, then complain about a shortage of parking. The answer is simple: Until the Galleria failed as a retail mall and was re-purposed as primarily offices, we were able to lease as many parking spaces as we needed or would need for our office buildings.

But when the now-Citi Plaza went into general competition for office tenants, they refused to lease any spaces to other landlords. That has remained a very large problem for us ever since.

I told the LACH members I do not relish seeing the loss of any old building that still has hope for a useful future, but I believe 199 Queens Avenue has reached the end of its meaningful life.

I am very pleased to say that after hearing my presentation and debating my request, LACH voted to approve the demolition.

It occurred to me that members of council might be interested in knowing the full story of my presentation to LACH and I have had this booklet prepared to provide the relevant information.

Should you have any questions I would be pleased to do my best to answer them. I can be reached at 519-645-6666, 519-671-5151, or via email at farhi@farhi.ca.

*Shmuel Farhi,
Farhi Holdings Corporation,
London, Ontario*



This beautiful historic structure at **229-231 Dundas Street** was built in 1877 as the Majestic Theatre and is now most commonly known as the Scott's Building. The front half of its 3rd floor has been empty for 8 years and the entire 4th floor has been

unoccupied for 22 years. They are unrentable for many uses because they do not offer accessibility to the handicapped, and the cost of retrofitting is not an economically viable proposition.

We and the former owner spent \$1.5 million restoring the beautiful façade, and an additional \$3.5 million on base building and leasehold improvements to bring the structure up to modern office standards (save for the upper-floor accessibility issues). Even for prospective clients for whom that would not be a problem, its desirability is limited because (like most of our other downtown heritage buildings) it has no parking.

Total empty space: 17,000 square feet

We were recently advised that the major tenant in the building, the Federal Tax Courts, will be vacating 8,000 square feet at the end of this year and leaving the city. They were a unique user in that they required only 4 parking spaces and were able to negotiate them with Citi Plaza, something that can no longer be arranged since it became primarily an office building and no longer rents space to 'competitors'.

Below is **197-199 Dundas Street**. Built in the late 1800's, it was long known as the Fairweathers building. The majority of the 3rd and all of the 4th floors have remained



vacant for the past 25 years. It has a negligible 4 parking spaces to the rear of the building.

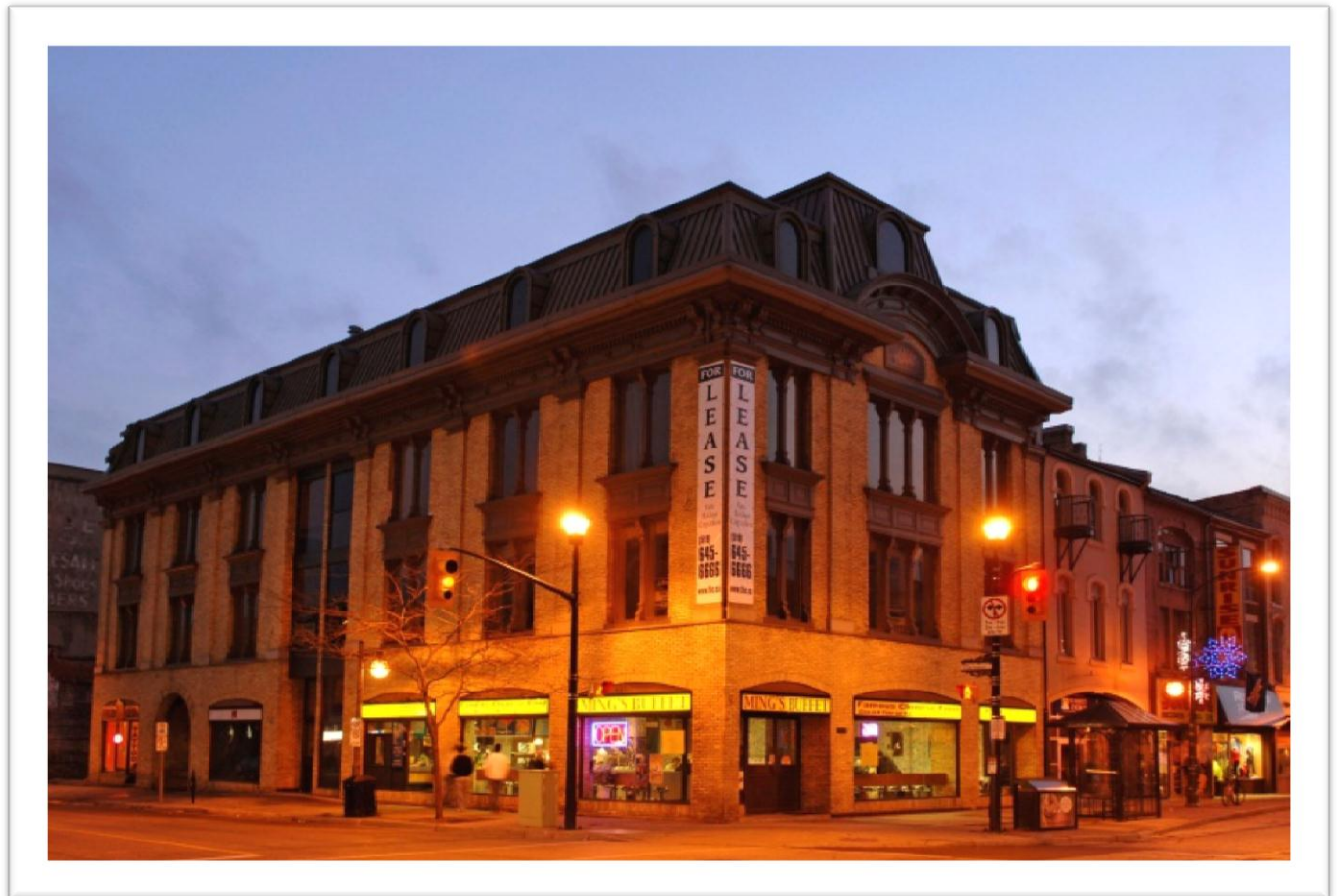
Total empty space: 15,000 square feet.

This is **204-206 Dundas Street**. The former Capitol Theatre and Bowles Lunch buildings were essentially reconstructed literally from the ground up at a cost of \$3.5



million, a sum that will not be recaptured even after a 20-year lease to the City of London (*please see London Free Press article on last page*). These buildings actually have some very limited contiguous parking to the rear, but not nearly as much as could be put to use.

The below photo is of **215 Dundas Street**, the Duffield Block, built in 1871. Currently empty except for a fast-food restaurant on the ground floor, its 2nd floor has been



vacant for over 10 years and the 3rd for 5 years. It is a beautiful building that suffers the common downtown fate of having no attached or convenient parking.

Total empty space: 10,000 square feet.



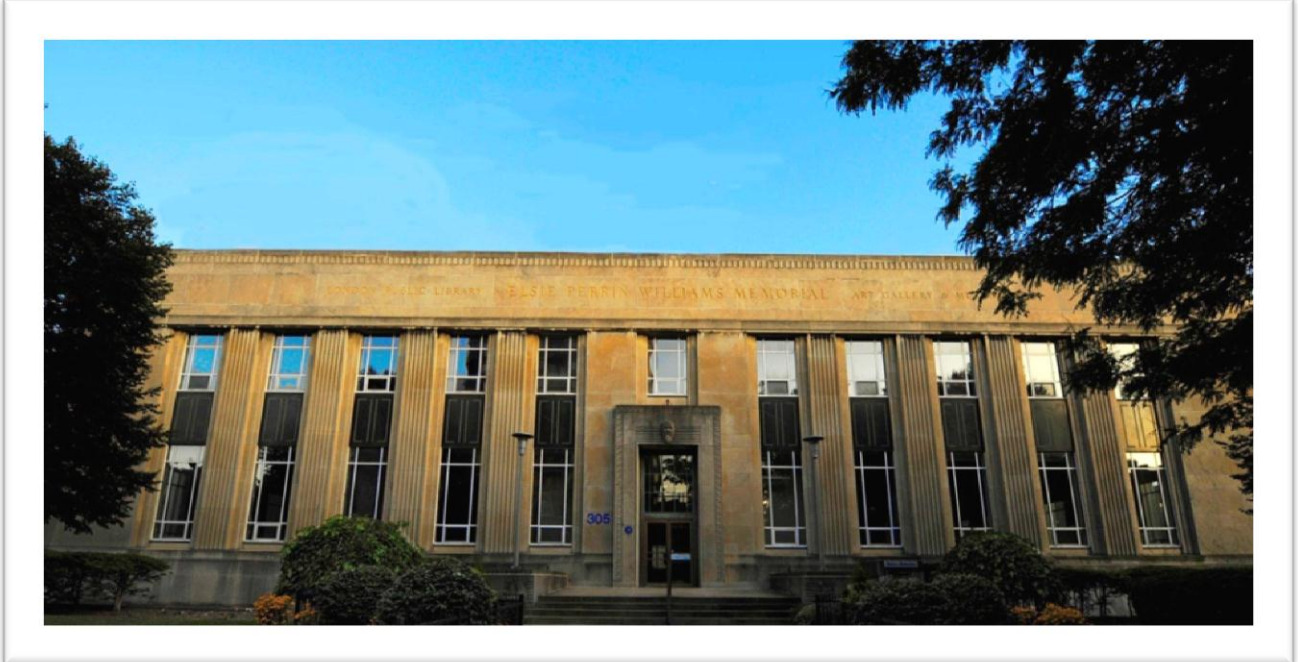
Above is **220 Dundas Street**, built in 1931 as the original home of the Huron and Erie Savings and Loan, forerunner of TD Canada Trust. With the 3rd, 5th and 7th floors vacant for the past 11 years, it is currently sitting at just over 60% occupancy. It, too has no attached parking.

Total empty space: 25,000 square feet.



This is **424 Wellington Street**, known as the Wright Lithography building. It does have limited parking to the rear, but that could change with potential redevelopment of that space. Another major disadvantage of this building is the high expense required to comply with newer building, safety and accessibility codes. The cost is so high that likely only a single company seeking a prestige location will be interested in leasing it. It has been unoccupied for the past 6 years and looks to stay that way for some time yet.

Total empty space: 16,300 square feet.



This is **305 Queens Avenue**. Built in 1937 as the Elsie Perrin Williams Memorial Library, Art Gallery and Museum. It has been without a tenant for more than 7 years. It does have limited parking but future development of the parking area could severely restrict the amount available. Removal of extensive asbestos, as required by law, left the building essentially an empty shell. It required a total interior rebuild to make it useable again, at an estimated cost of \$8.3 million. For the right tenant this will be well worth the investment and will make outstanding premises, but in the meantime it remains vacant.

Total empty space: 90,000 square feet.

If these beautiful and important pieces of London's architectural heritage are to survive, we need to find tenants to fill them. People are the lifeblood that keeps old buildings alive but in order to attract and keep them we must be able to provide parking for the now-empty office space.

Inset is **199 Queens Avenue**, the subject of our current concern. It has lost much of its exterior architectural originality thanks to successive add-ons, and major modifications have turned the interior into a dog's breakfast. Previous owners seriously neglected required maintenance and upkeep and the building has suffered accordingly. They also tacked on various additions almost at random, creating a very unsightly exterior covering serious structural deficiencies within.

But the biggest impediment to this building's future is the current Human Rights legislation that prohibits the use of non-accessible premises by any government or government-related organizations. I



discovered this the hard way when I offered office space to the City in the historic Labatt House overlooking Victoria Park. This is an outstanding location, and there was genuine interest at City Hall. But as soon as it was realized the building could not be made accessible for the handicapped, that was the end of all discussions.

The same restrictions apply to any commercial office use where public access is required. Could 199 Queens Ave be made handicapped-accessible? Not at a price that would allow it to be subsequently rented. The math just doesn't work.

Why not? Well, the existing interior doorways are too narrow to allow access to wheelchairs, requiring major and expensive structural re-engineering. There are differences in floor heights and internal steps between some of the rooms, too, further limiting wheelchair use unacceptably unless they are eliminated at additional significant expense. The placement of existing exterior doors and the internal layout of the building would mean the legally-required handicapped-accessible elevators would have to be located on the outside, which would be both unsightly and prohibitively expensive (approximately \$289,000).

Coupled with the purchase cost of the building, these added expenditures would drive our investment in the structure to the point where we would have to charge rents similar to those at One London Place just to break even. For considerably less per



square foot we could provide better space in nicer downtown heritage structures we already own within a block's distance.

Some people have wondered if the building could be converted back to a single-family home, or possibly a multi-unit rental. But the same hard realities reply- the expense of bring the building into compliance with modern building, safety and accessibility codes would drive the resulting rents far beyond what the market is willing to pay.

So we are left with a building we are unable to rent as-is, and the cost to make it physically rentable would leave it fiscally unrentable.

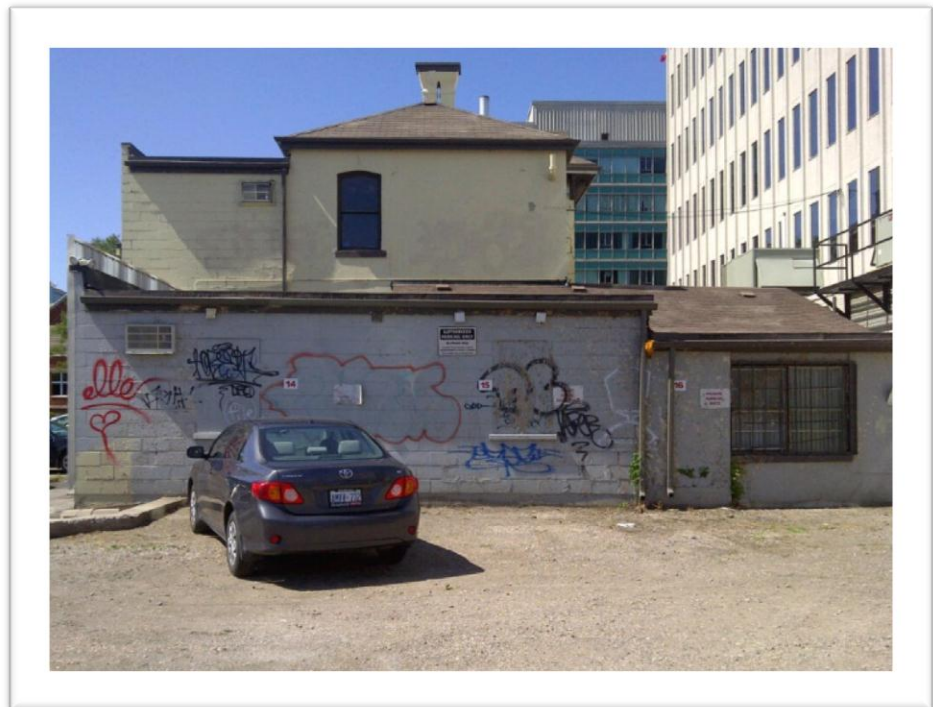
I base this statement on my discussions with several of the most prominent local real estate firms I asked to research the market. They all said the same thing: Given the current glut of empty office space in the downtown, none of them has any confidence they could find a tenant for the building, given its poor overall condition and lack of handicapped accessibility.

When I asked about its prospects if we were to bring it into compliance with the latest legislation and codes, and suggested the rent amounts we would require in order to recover our investment, none of the realtors even wanted the listing.



As a result, 199 Queens is empty now except for a small hairdressing shop in a rear addition, the proprietor of which has indicated her poor opinion of the condition of the property. But unsecured empty buildings in the downtown tend to attract squatters and vandals, creating potentially-costly liability issues. To protect the public and my company I would have no choice but to board up the building. Sadly, that would create an unneeded eyesore between the modern office building at 201 Queens and the venerable London Club.

A much more productive and useful solution would be to take the building down and construct an attractive new, multi-purpose structure on the site. I am prepared to do so.



We are currently working with our architects on the

design of a building that would include a main-floor retail component, several storeys of parking above, and additional floors of quality residences on top of that. The building would be well-built, attractive, and in mindful of the architectural values of the downtown.

The parking component is most crucial because of the restored heritage properties we have noted above, all located within a block or so of this site. In addition to significant vacancies, they have little or no parking available for potential tenants. That makes the remaining vacant space in them virtually unrentable. These buildings are heritage gems, but even where accessibility is not a problem we have found it impossible to fill them without sufficient parking close at hand.

When the Federal Tax Courts vacate 229-231 Dundas at the end of the year that will push our empty square footage in downtown heritage buildings to more than 180,000 square feet. If we were lucky enough to find tenants for all of them, we would require room to park an additional 720 vehicles, based on the standard of 4 parking stalls per 1,000 square feet of office space. Even if half the new tenants took public transit or rode bicycles, we would still need 360 new spaces. There is nowhere near that amount of

space available in the core and without it our chances of leasing these landmark buildings remain very slim.



I believe Farhi Holdings has proved its commitment to heritage preservation. We have invested millions in

improving and retro-fitting the buildings we own, and lost millions more because we cannot reduce our vacancies without being able to increase the parking we can offer.

Yet we continue to make significant expenditures to ensure they remain in top-notch condition because we maintain our belief in downtown London's long-term future. If we could find a way to recover the cost of salvaging 199 Queens Ave we would certainly do so. Sadly, the numbers just don't add up.

But the good news is that we could see a phoenix rise from its demolition. Working with award-winning architects Tillman Ruth, we are developing plans for a new structure on the site that could help meet the needs of our recovering downtown and provide the additional parking that is vital to the long-term preservation of our most noteworthy heritage structures in the core. We own and hope to own other property abutting 199 Queens Avenue, providing us with a footprint large enough to accommodate our vision of this very attractive addition to London's downtown.

We see a multi-use, multi-storey building with two levels of underground parking, street-level retail, four additional levels of above-ground parking, and multiple floors of quality residential units on top of that.

The new retail and residential components will be important additions to the future of our downtown, but it is particularly the creation of so many new parking spaces that will play a crucial role in saving the most important landmarks of earlier generations.

As protective of our architectural heritage as they rightly are, the members of LACH understood the situation and saw the wisdom of sacrificing one marginal and financially non-viable older building in order to help ensure the ongoing survival and vibrancy of many of our most noteworthy downtown heritage structures.

I respectfully ask each member of council to consider the above facts, and lend your support as well to what is not a step backward in heritage preservation, but a clear step forward.

Excerpted from the London Free Press - Monday, February 8, 2011

Shmuel Farhi says it bluntly: "I love heritage." Then he adds: "Everybody loves heritage, but nobody wants to pay for it."

Actually, Farhi is one of the few who have paid for it. He put \$3.5 million of his own money into a painstaking restoration of London's old Capitol Theatre and the neighbouring Bowles Building on downtown Dundas St. and recently reached an agreement with the city that will pay him \$187,000 a year to lease the space for city offices for 20 years.

"At the rates I had to pay, that does not even cover my interest payments. In fact, when the city lease expires in 20 years, I will actually owe more on the building than I do now," Farhi exclaims. "But I made a personal commitment to this project because I believe having more city offices on Dundas St. is the best way to move downtown revitalization forward and support the growth of the downtown business tax base

Politicians at all levels sing the praises of preservation, but their own policies often amount to little more than empty gestures, Farhi says. Sometimes they're flat-out contradictory - such as when punishing tax increases are the first reward for saving some stately old pile, taxes that immediately remove the building from the realm of competitive rents.

Farhi should know of what he speaks. Apart from the traditional churches, he is the biggest owner of heritage properties in London. Farhi has 40 heritage properties in his London portfolio alone. His historic properties stand as milestones marking the history of southern Ontario from a raw frontier full of tree stumps and wood smoke, to the downtown towers and rolling fields of suburbia of the 21st Century. A lot of that history has been lost, but London historian Dan Brock thinks a lot more would have vanished if it weren't for the efforts of preservationists, of whom Farhi is the most prominent in Southwestern Ontario.

"He's one of the good guys when it comes to saving our heritage. He has done a tremendous amount," Brock says.

The answer to heritage preservation isn't the politically correct quick-fix solution of "passing bylaws to force landlords to maintain or restore heritage properties," Farhi says. "In the long run, it will not work. Not only is it unfair, it is counterproductive - who will want to buy, own or restore our old buildings? And the lack of a resale market will sink the value," he says.

In January, Farhi opened his confidential files to illustrate some of the unique but endangered properties FHC owns. He considers that they really belong to the people and he is really their custodian. He also wants to show the costly, painstaking work required to bring heritage buildings up to the demanding levels of modern building codes, often in the face of unexpected problems.

For example, he had to bring in heavy machinery to excavate nearly 2.5 metres below floor level to replace the Capitol Theatre's foundations. Stones brought in from Owen Sound, each custom made, had to be laid by hand and given time to settle. His crews had to deal with brick walls three courses thick. That handsome facade visible from Dundas St. had to be bolted to the main structure.

"You have to have deep pockets to do this work, and you have to know what you're doing," Farhi says. "Most of all, you need a tenant. You must be able to find a tenant who understands and appreciates the value of occupying a heritage building. They are not generally in great supply," Farhi adds.

Aggravating the problem, he says, is that federal and provincial governments won't rent space for more than competitive market rates, will not occupy old buildings with asbestos unremoved, or which are not totally accessible. And that, Farhi says, means many old residences will never be economically salvageable, leaving landlords little choice but to demolish them or convert them to student housing.

Even at that, the material and expert work are only 30% of the investment, he says. "The other 70% is love, the will to get the job done."

"Pat Currie is a London writer