

# Does Adaptive Reuse Pay? A Study of the Business of Building Renovation in Ontario, Canada

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*Older buildings are important aesthetic, cultural and economic resources but in many jurisdictions hundreds of historic buildings have been demolished because developers and bankers argued that the cost of adapting them for new uses is too high. Still, a growing number of reputable developers are completing exciting projects featuring innovative building renovation. However, when particular development projects are presented to decision makers, generally only the developer/lender's cost analyses are presented and, therefore, they are unable to make truly informed judgments. This study examines the business of heritage development, which consists of building renovation or adaptive reuse, in order to determine the characteristics of success. In Ontario, Canada, there exists a group of dynamic and creative investors with a passion for older buildings. Some reuse projects are more costly than new building but not all and the return on investment for heritage development is almost always higher. This has important implications in Ontario where recent legislative changes have finally given local councils the authority to prevent the demolition of listed buildings, but the lessons for other jurisdictions are also important.*

*Keywords:* Heritage; Historic Buildings; Economics; Adaptive Reuse; Conservation; Ontario

Older buildings represent an important aesthetic, cultural and economic resource—as well as a non-renewable one. Yet dozens, and perhaps hundreds, of historic buildings have been demolished in the Canadian province of Ontario and other jurisdictions over the past decades largely because owners, bankers and developers have argued that the costs of renovating and adapting these buildings for new uses is too high.<sup>1</sup>

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Demolition of the existing buildings and replacement with new structures, the story goes, is the only way for investors to make a reasonable profit from the use of the land. Some even go as far as asserting that new-build is always more economical, renovation universally more expensive.<sup>2</sup> At the same time reputable developers, architects and investors seem to be able to complete exciting and profitable projects which feature innovative building renovation.<sup>3</sup> Many older buildings are not only suitable for new uses but often become key sites in renewal schemes.<sup>4</sup> Some developers argue that reusing older buildings always represents a financial advantage.

This is an important debate for a number of reasons. Researchers and policy makers have recognised the desirability of having more residents in downtowns as a catalyst for central business district revitalisation.<sup>5</sup> Similarly, the recently adopted concept of *Smart Growth* has done much to spur the redevelopment of brownfield sites.<sup>6</sup> Nevertheless, it is difficult to balance the desire to preserve older buildings for historical and aesthetic reasons, the need for regeneration, and the legitimate expectation of owners to make their properties profitable. Further complicating the matter is the fact that sometimes these aims are incompatible while sometimes they are complementary. Local councils and other decision makers are generally presented only with the owner/developer/lender's cost analysis and are, therefore, unable to make truly informed judgments. While this problem has been less prevalent in Europe, where there is stronger regulation regarding historic conservation, it may become more pronounced, especially with more international investors.

In order to shed light on the debate this study examined the costs of heritage development, which consists of building renovation or adaptive reuse, in Ontario. The intent was (a) to determine as far as possible what the characteristics of successful renovation projects are in terms of factors such as building type, architectural and marketing approach, financing and the regulatory environment, and (b) to make recommendations on public policy and effective citizen involvement. While this study looks at one Canadian province the lessons may well be applicable in many other places.

## Methods

The Heritage Resources Centre at the University of Waterloo undertook this project with funding assistance from the Ontario Trillium Foundation. In order better to understand the business of adaptive reuse, people from across the province were asked to identify successful projects that could be examined. This network of informants came primarily from the membership of the Architectural Conservancy, a well-established public interest group, and from local planning departments. They provide lists of adaptive reuse projects with contact information for developers or owners. A total of 132 projects were identified. Building characteristics were available for 75 and financial information for 23 (see Table 1).

It was easy to find examples of heritage development projects but difficult to find people willing to share the detailed financial information needed to compare these projects with other property investments. Like most entrepreneurs, those working in

**Table 1** Projects identified

	Small ( $<18,000 \text{ ft}^2$ )	Medium ( $18,000\text{--}50,000 \text{ ft}^2$ )	Large ( $>50,000 \text{ ft}^2$ )
Residential		17	9
Commercial	8	19	4
Institutional	10	8	

Note:  $1 \text{ ft}^2$  is  $0.0929 \text{ m}^2$ .

the heritage development field are fairly hard-nosed business people and even when they did share financial information they generally asked that the specifics remain confidential. We are not alone in facing such problems. In his recent analysis of 272 studies relating to the economics of historic preservation, Mason found that ‘the methods of determining the value of historic preservation vary widely, and several challenges persist in applying economic methods to the field’.<sup>7</sup> Notwithstanding these limitations this study has undertaken to gather as much hard data as possible and present it in a standard form in order to facilitate comparison. Because each project surveyed is unique we have concentrated much of our interpretation on the 16 interviews with developers which were rich in opinion and informed by a great deal of experience.

For the purposes of analysing the data, projects were categorised by size in square feet and building type. The information was then placed in a nine-cell matrix indicating residential-, commercial- and institutional-type properties in each of the three size categories, namely small, medium and large (see Table 2). The difference between small and medium size categories was determined by applying aspects of the Ontario Building Code. The large category was arrived at in consultation with architects. Two of the cells, small residential and large institutional, remain blank since in the first case most projects were private and too numerous while in the latter there was insufficient data to report. To the best of our ability we have expressed the financial data provided in a common form representing the total cost per square foot to complete a project and bring it to market. That includes purchase as well as hard and soft costs and takes into account any incentives, such as the waiving of fees. For comparison, the average costs per square foot for new development are shown in Table 3.<sup>8</sup>

**Table 2** Cost per square foot of renovation reported in this survey

	Small ( $<18,000 \text{ ft}^2$ )	Medium ( $18,000\text{--}50,000 \text{ ft}^2$ )	Large ( $>50,000 \text{ ft}^2$ )
Residential	Too numerous	\$144	\$231
Commercial	\$111	\$169	\$102
Institutional	\$212	\$200	Insufficient data

**Table 3** Cost of new construction

	Small (<18,000 ft <sup>2</sup> )	Medium (18,000–50,000 ft <sup>2</sup> )	Large (>50,000 ft <sup>2</sup> )
Residential		\$155	\$130
Commercial	\$95	\$155	\$165
Institutional	\$195	\$195	

### Interview and Survey Findings—Benefits of Older Buildings

Comments from the developers involved in adapting and renovating older buildings tended to fall into four categories when it came to identifying the reasons for success: the special qualities of particular buildings, building location and site advantages, return on investment, and government assistance. We outline the responses here and provide summaries of the data gathered.

#### *Special Character*

One interviewee said that ‘fundamentally, builders love buildings’. Developers told us that it is the building itself that usually catches their interest first. While conventional real-estate development usually involves a use in search of a site, heritage development almost always features a site in search of a use. Another investor emphasised that ‘you have to have the vision, the ability to see the opportunity where others do not’. Often this potential comes from some unique quality in the style or construction of the structure itself. When a developer had the chance to purchase a relatively small site near the centre of downtown Toronto, but one that provided the opportunity for a multi-storey tower, he looked at what was next door. The former Dominion Bank headquarters not only had room for about 200 suites itself but the grand old banking halls on the ground floors would provide a spectacular entrance to a luxury hotel (see Figure 1).

Not all unique heritage features that might provide character, sales appeal or convenience need to be so spectacular. Many existing warehouse-type buildings simply provide big open, flexible spaces that can be used in a variety of ways. This is the case with the old Carpet Factory buildings in the east end of Toronto (see Figure 2). It has been easy and relatively inexpensive for the owners to accommodate new uses by simply moving a partition here and replacing an entrance there. A particular advantage of renovating existing buildings is sequential redevelopment. Tenants can be accommodated in one part of a building, providing ongoing income, while other parts of the structure are being remodelled. There can also be a sequential upgrading of facilities and consequently increases in rent. An open space suitable for tenants such as a dance studio or gym, for example, might subsequently be divided into separate offices.

Principally, those we interviewed suggested that they took great pride in achieving sound heritage development projects. As the developer of the Bridgeport Lofts in Waterloo explained, ‘Pride is an important factor—to think of what it looked like then



**Figure 1** 1 King St. W.

and what it looks like now. We assist with the municipal vision by taking an eyesore and turning it into gold.’ Other developers and architects noted that heritage development provided a special opportunity to make a statement and also to employ a set of skills that are far from universal. Their personal drive and commitment to achieve their vision trumped other considerations.



**Figure 2** The Carpet Factory in Toronto.

*Building Location and Site Advantages*

As is the case with other real estate ventures, the old adage of ‘location, location, location’ often applies to heritage development. The former Merrittton Cotton Mill in St. Catharines, is an example (see Figure 3). In spite of its apparent advanced state of decay, the building featured an old chimney that was in clear view of the major highway. An investor with restaurant experience saw the marketing potential of the site. The chimney now sports the characteristic illuminated red sign of the KEG restaurant chain.

Marketing is not the only location advantage of potential heritage development sites. Often an existing building, which pre-dated current land-use regulations, might present a density opportunity. The Lofts on Mansion building in Kitchener has four floors, but is located in a neighbourhood of single family residences with good access to transport and amenities. The building offered the chance to create an exciting project where a floor was added and 30 new units created without disrupting the surrounding neighbourhood as the building, along with on-site parking, already existed. In fact, the neighbourhood itself can be a key component in the



**Figure 3** The Old Merrittton Cotton Mill in St. Catharines, Ontario, as it was in 2000 and as it appears today.

decision to redevelop an older building. The architect for the condominium conversions of the Loretto College and Tip Top Tailor buildings in Toronto said of the new units: 'because they are in established, desirable neighbourhoods, they pre-sold in a week'.

Other respondents echoed these points, citing location, historical façades and the right combination of market and demand as equating to success. However, each older building is unique. There are very few rules and very few easy answers when it comes either to refurbishing them for continued use or adapting them for new purposes.

### *Return on Investment*

While it was not easy to get developers to share the financial details it appears that a central motivating factor in heritage development is the potentially high return on investment (ROI). One interviewee told us that 'within ten minutes, I can figure out if the project will make sense financially'. However, it proved difficult to reach a precise conclusion on the return anticipated by developers. Some suggested that a 20–30% ROI is the industry standard but others suggested that 10–15% is the expectation. There is, of course, a continuum that ranges from loss to bonanza. One developer interviewed forecast an ROI of 60% at the beginning of the project which was reduced to 20% as the project progressed. In the end, he claims to have made only 10%. Running three years over the original time projection was cited as the reason for the lower return. At the other end of the scale, a developer told us of earning 22% over an eight-month period. Overall, the figures we gathered indicate that the business of adaptive reuse seems to be very lucrative, if not always immediately. One developer discussed the risks involved in adaptive reuse: 'Our pro forma indicated that the property would have made more money as a parking lot. We had to believe that the use for the building was there.'

Comparing the costs of heritage development to new-build represented one of the most interesting aspects of this investigation. The range of responses from those interviewed varied greatly. While some developers focus only on heritage development, others make comparisons constantly when approaching lenders for project backing. Some claim that ROI is enhanced because of the savings involved in reusing existing buildings. A developer who works primarily in the medium-sized cities of Kitchener, Waterloo and Brantford claims that reusing existing buildings generally represents a saving of between 10% and 12% over building new. Carlos Ventin, one of Canada's leading restoration architects, was quoted as saying that 'using existing buildings can cut construction costs by as much as 22% because you already have walls and a roof and floors'.<sup>9</sup> If any of the existing building systems (hot water heating, plumbing, etc.) can be reused, that can also result in considerable savings.

On the other hand it was reported that some conversions can cost as much as twice that of new buildings. The estimated total cost to convert an industrial building in Kitchener was \$7.9 million, as compared to approximately \$4 million for a new building of the same size. However, as the project manager stated, 'the retail value of loft units is already higher than conventional units and rising further still'.<sup>10</sup> Referring to

**Table 4** Cost difference between renovation and new building

	Small (<18,000 ft <sup>2</sup> )	Medium (18,000–50,000 ft <sup>2</sup> )	Large (>50,000 ft <sup>2</sup> )
Residential		Minus 8%	Plus 44%
Commercial	Plus 15%	Plus 8%	Minus 38%
Institutional	Plus 8%	Plus 2%	

another project, an interviewee said: ‘we found out as time went by that the market value was higher than expected’. A Toronto developer said: ‘heritage buildings are less efficient, but not so much so as to prevent the business plan from working’.

The numbers we collected echo this comment (see Tables 3 and 4). Even in the cases where the conversion costs and therefore the price to the purchaser are higher, there is not much difference and all of those we interviewed had confidence that the market would bear the elevated costs. The top end of this market is found in Toronto where in one project the developer spent up to \$300 per square foot to complete condominium units but sold most of them for over \$500 per square foot. At the other end we might find lofts in the university town of Waterloo where students pay less than \$400 a month rent. The point is that both projects are profitable. This is not to conclude that profits from heritage development are automatic. Heritage development projects in Ontario range dramatically in scope. Our survey identified projects where investment ranged from as little as \$12,000 to \$25 million.

#### *Government Incentives*

Municipalities can be very helpful in providing financial and other encouragement for heritage development. Incentives can act as a kind of loss-leader by encouraging development that has been shown to more than recoup its value for the local government through increased property values and corresponding tax revenues.<sup>11</sup> Cities faced with the challenges of intensification, downtown improvement, and brownfield redevelopments are those that benefit most from assisting potential investors. There are several legislative provisions in Ontario for assisting development.<sup>12</sup> The City of Waterloo waived development charges for the Seagram Lofts which would have amounted to approximately \$700,000. Prior to the adaptive reuse, the site was taxed as a vacant lot. The site now contains approximately \$24 million of real estate and is generating approximately \$270,000 a year in tax revenue (see Figure 4). This is a significant increase over prior income and the city will recover its investment in about four years. The City of Brantford granted the developer 25% of total development costs for Lawyer’s Hall under the Downtown Business Performance Grants Program. Along with that direct grant of \$317,000, the City of Brantford also waived development charges.

Incentive programmes are not offered in every municipality. We found that incentives are offered mainly in secondary markets such as Brantford, Hamilton, and





**Figure 4** Seagram Lofts in the City of Waterloo.

Kitchener. In Toronto we were told that ‘tax or grant incentives are insignificant for projects of the magnitude of 1 King West’ (see Figure 1). In such a major market the city must look to other means to assist developers. Height and density ‘bonusing’ is an option. In that arrangement a developer is allowed to build a taller building on some other site in return for saving an existing building. Another way that governments can become involved in reuse projects is as tenants. When this works, such as the case of the old Waterloo County Gaol in Kitchener where the provincial court is the long-term tenant, it can ensure success.

### **Interview and Survey Findings—Constraints of Older Building Reuse**

Comments on the constraints of heritage development mostly fell into the four categories of uncertainty, building code problems, heritage design requirements and the scarcity of people with the required skills. We summarise developers’ responses here.

#### *Uncertainty and Site Remediation*

Any development project has to show the promise of making money. Our interviewees indicated that there is a range of profitability attached to adaptive reuse but usually there is a greater degree of uncertainty. There are a number of reasons for this, including unforeseen costs and site contamination, but the result is often difficulty in securing financial backing. Three sources for financing heritage development were identified by the interviewees: personal equity, private investment, and bank loans. A fourth source, government incentives, was noted by about a third of those surveyed. Banks are particularly hesitant to finance adaptive reuse projects because they believe the level of risk is higher than other real estate investments. Often, banks will place conditions on

the financing. 'Before the Bank would approve the loan', one developer told us, '65% of the units had to be pre-sold.' To reduce their level of risk, banks will often issue demand loans, a type of loan with no established maturity period that can be repayable on demand at any time. At the very least banks usually require the developer to have available a minimum of 25% of the total project cost.

Developers indicated that there are almost always unexpected costs. In some cases, these additional expenses arise from the inefficiencies of the building shape. The chief architect for a building conversion in Niagara Falls said: 'Heritage buildings are not purpose built.' Costs can rise by 10% or more in these cases for hallways and wash-rooms. Among our 24 questionnaire respondents, we learned that the adaptive reuse of buildings required a complete interior gutting in eight cases and major interior work in another four. While exterior work was less frequently required, where applicable it involved one or more of: brick cleaning, structural repairs, foundation improvements and landscaping.

One of the largest costs that can loom over many adaptive reuse projects is site contamination.<sup>13</sup> In the case of the KEG restaurant, the developer was faced with an unforeseen site remediation problem (see Figure 3). The site was formerly home to a cotton mill and then a rubber boot manufacturer. The factory was surrounded by reservoir ponds for the locks system of a former canal. The plant discharged effluent into the ponds during its operation and when the canal was diverted, the reservoir ponds were filled with debris. Contaminated material was discovered buried in the soil during construction and the cleanup of these ponds cost nearly \$200,000. A Toronto developer who had seen his share of site remediation costs in three major projects said: 'environmental issues are the most common, PCBs and asbestos, or lead-based paint on the walls. You have to budget for this type of stuff.'

Because of the difficulties in securing bank loans, developers sometimes seek private financing for their projects to avoid restrictions and time limitations on project management. We found this to be the case more often in the smaller and medium-sized markets but even in Toronto there were projects where the financing was primarily private.

### *Building Code and Parking*

Ontario's Building Code is a set of construction regulations that is meant to create standards for safety but also to be sufficiently flexible to permit the adaptive reuse of buildings. It contains a section critical to heritage developers that allows inspectors to accept alternative standards in existing structures. Along with the Building Code there are also separate fire regulations and planning considerations such as site-plan approval and zoning. In the opinion of many developers complying with all these regulations frequently results in major expenditures that could not have been foreseen and prevented. In the case of Waterloo's Seagram Lofts, the original plan called for using timber from the building's original interior to support mezzanine floors (see Figure 4). Unfortunately, the Code was interpreted as requiring steel beams in spite of research that shows timber beams are just as fire resistant. The same inspector then required that

the mezzanines be fire separated, the same as continuous floors, even though they were open at one end and could not have stopped a fire going from level to level. In other cases, fire exits proved to be the greatest problem. For the Ontario Power Generation building in Niagara Falls, the exceptionally small building footprint made it difficult to provide the requisite number of emergency exits while for the KEG restaurant in St. Catharines, not only was fire separation between the floors required for Code compliance but it was also necessary to add fire-rated windows adjacent to the fire escapes (see Figure 3).

While questionable requirements and the timing of inspection were mentioned, nothing was touched upon more frequently than the lack of coordination among inspectors from various enforcement agencies. It was also suggested that in some respects developers found the inspectors to be too lax in not requiring structural and safety aspects that were installed anyway. One interviewee said: 'the code is problematic, it should be handled case by case and not by fitting the project in to a very general category'. Another commented that 'building development agencies need to be a friendly partner'.

Over and over again we heard developers talk about the matter of parking. Even when people want to live, work and shop in the middle of cities, they seem to be unable to free themselves from car dependence. This means that even if municipalities are willing to waive parking requirements, many potential buyers or renters insist on parking spaces. People in Toronto, where there is extensive public transit, are beginning to see they can survive without cars but, except for student accommodation, this is not the case in most places. Creative solutions need to be found for this dilemma. Municipal parking structures, in which developers can buy spaces to meet their requirements, are one alternative.

Handicap accessibility is a further barrier to the success of many potential renovation projects. If a space is going to be rented or leased to a public agency then wheelchair accessibility is usually a requirement. That can impact on a building in at least two ways. There are aesthetic considerations regarding how ramps alter the appearance of a structure and there are cost implications if, for example, an elevator is mandatory. However, like other challenges, these considerations can be accounted for through a combination of innovative design and flexible interpretation of regulations.

### *Heritage Design Requirement*

Generally speaking, investors and architects working on heritage developments do not have to contend with any heritage requirements. Only a few of the buildings in our survey are designated under Ontario's heritage legislation. However, developers are loath adversely to affect a building's appearance and/or structure. It is in their interest to preserve the aesthetic quality of their buildings since it is those details and character elements that attracted them in the first place and which will be integral to the market value of the finished product.

In cases where the buildings being refurbished are designated there are few problems. The transformation of the Old Waterloo County Gaol in Kitchener, owned

by the regional government, was marked by cooperation and good will between the government acting as developer and local heritage advocates. The process is not always as smooth. In our interviews we found that many developers were antagonistic toward local heritage committees and preservationists. At the same time it is common for members of the heritage groups to be suspicious of the development industry. Many developers related bad experiences and one investor said: 'It can be a challenge to deal with the heritage preservation people. Sometimes they are very inflexible and our experience is that flexibility *is* design.' Confrontations over design elements can seriously jeopardise entire projects. More alarmingly, a Toronto investor recounted a debate with the Toronto Historical Board. His plan was to reconstruct the façade of a downtown storefront, set back from the street and enclosed in a glass atrium. Historical Board members, whom he called 'tweedy academics', argued for a year with him and amongst themselves about the proper way to proceed. Not only did this cost him money in lost time but in the end the outcome was to demolish the building, dump the broken fabric into Lake Ontario and put up a plaque. The Historical Board may have a different story but no common ground was found between those who see themselves as defenders of heritage and someone who was prepared to spend his money to accomplish a degree of conservation.

Part of the problem was Ontario's legislation. In the past it provided for recognition of historic buildings but did not prevent their demolition. This led to uncertainty that was not conducive either to architectural conservation or good business. Toronto architect and heritage activist Catherine Nasmith said: 'The old *Ontario Heritage Act* led to a culture of compromise.' Proposed changes to officially designated buildings had to be reviewed by Municipal Heritage Committees and approved by Municipal Councils. However, when owners became frustrated, municipalities could only postpone demolition. Developers did not want to face delays and heritage experts knew that in the end the loss of the structures could not be prevented. In fact, a 2003 study found that over 400 listed buildings in 22 Ontario communities had been demolished over a 15-year period.<sup>14</sup> That meant that compromises about renovation were often made in ways which pleased no one. With the passage of important amendments to the Ontario Heritage Act in April 2005 a much greater degree of clarity around recognised heritage buildings will go a long way to stabilising the situation and providing the certainty that heritage developers need in making business decisions. While this still impacts only on some heritage developments where properties are designated, these buildings serve as demonstration projects in the industry.

### *Professional Experience and Skills*

Challenges can surface in any profession, but, in the opinion of those with whom we spoke, the obstacles to be overcome for heritage development projects are more acute. As a consequence it is often difficult to find adequately skilled and experienced people. This includes architects, engineers and appropriate tradespersons. One architect recalled a project he had taken over part way through completion. Due to lack of knowledge about heritage buildings the previous architect had advised the owner to

replace all 102 wooden window frames in the building with metal ones costing \$600 each. Our interviewee was able to repair the existing windows at a cost of \$200 each. Adapting buildings for new uses is a very challenging and complex process. Compared to new development where construction begins from the ground up, adaptive reuse projects are unique and therefore require a creative process in overcoming building challenges. In the case of the Seagram Lofts, the façades of the two warehouses were to be left intact (see Figure 4). The conventional method for reinforcing façades during construction is to shore them with steel support beams, while completely gutting the interior prior to construction. The development team here created a process of demolition followed by construction in a series of phases, which eliminated the need for shoring. This creative process saved the developers \$500,000.

Just as important as architects, engineers and project supervisors are the skilled trades that undertake the carpentry, brickwork, plastering and other work. There is such a critical shortage of these workers—the average age of bricklayers in Canada is 58—that a special task force has been organised by the federal government's Human Resources Development department. Developers valued their skilled craftsmen highly and were anxious to find, and if necessary train, more skilled workers. The analogy was made that building a successful heritage development team is like creating a good sports franchise. As one developer put it: 'we have a pretty good group and everyone has a specific role'. With daily challenges and unanticipated problems, experience is gained through the transference of skills and knowledge. This leads to an unavoidable conundrum. It is impossible to have the experienced professionals and trade workers necessary for success without at some point employing those who do not have such familiarity. To continue the sports metaphor—everyone has to start as a rookie.

It was not just the skill and experience of people working within the development industry that was addressed in our interviews. The most significant comments that we heard regarding the value of experience came with respect to the banking industry. Here experience seemed to matter little because the banks' set ideas did not allow them to see the advantages of heritage development, even for projects directly parallel with those successfully (and profitably) completed.

## **Conclusion**

The existence of dynamic, risk-taking and creative investors, with a passion for beautiful older buildings, is probably the most important single element in the heritage development industry. We found most of these entrepreneurs to be a volatile mix of vision, hard-nosed business practice and bravado. Vision is the ability and inclination to see what a project will look like when it is completed. Many people are impressed with renovated older buildings when they visit them in other cities or other countries, but will see derelict premises in their own city and think they should be torn down. The heritage developer sees past the current state of a building and can imagine its potential. Heritage advocates tend to see what the building used to look like and they value that. The heritage developer sees what the place might look like in the future.

The hard-nosed business sense required of successful developers can be a bit frightening. One interviewee told about asking two roofing contractors to show up at a building site. When they were both there with their crews, he negotiated the best price. Is this business practice at the edge of ethics? Perhaps so, but in some cases it may be what is required to get the job done. Part of the reason it proved difficult for us to collect actual costs of development projects was that our interviewees often gave contradictory information. Lamenting the high price of labour, complaining about the length of time for approvals and scolding municipal governments about taxes and fees are all part of the marketplace haggling behaviour that occupies much of developers' time and energy. These habits are hard to abandon when being interviewed.

What is clear, however, is that there is a healthy and growing business in heritage development and the people we talked to are in the vanguard. According to the numbers of projects identified in different building type categories, the bulk of the action seems to be in medium and large residential projects, medium-sized commercial and small institutional (see Table 1). Cost comparison with new-build proved interesting (see Table 5). In the medium residential category, reuse was actually lower than the cost of building new. To some extent that reflects projects such as the student housing developed in Waterloo and Brantford. In the case of large residential, the cost in our sample is considerably higher on average for reuse projects but included here were many condominium lofts in Toronto where much higher rates of return are being realised in spite of (or perhaps because of) the larger investment. The same seems to be true in medium-sized commercial projects where a slightly higher cost is generally rewarded by high rent, lease or sale prices. The number for large commercial is somewhat skewed by the small sample size, while for large institutional projects there was only one example and so no calculation of average cost was possible.

The majority of buildings that are being given new life in Ontario are private-sector projects. In addition, many of the buildings are not formally recognised as heritage properties through designation under the Ontario Heritage Act. This is not particularly surprising, since the great majority of designated properties are private homes which have been left out of this study while many of the adaptive reuse projects involve former industrial buildings which have often been left out of the designation process. Where

**Table 5** Findings

Building type	Small	Medium	Large
New residential	Projects often private and too numerous	\$155	\$130
Reuse residential		\$144	\$231
New commercial	\$95	\$155	\$165
Reuse commercial	\$111	\$169	\$102
New institutional	\$195	\$195	Insufficient data
Reuse institutional	\$212	\$200	

*Note:* CAN\$1 is approximately 0.70.

listed buildings are the subject of heritage development a number of developers have had bad experiences that ranged from delays to squabbles over design. Developers also complain not about the Building Code as such but about applications of the Code and other regulations that are inflexible and unresponsive.

Many planners and political leaders see heritage—the valuing of existing structures—as an impediment but those who want to promote re-urbanisation, smart growth, intensification and dynamic place making should appreciate the role that can be played by heritage development. Municipalities should make the rules for heritage development clear. Some buildings should be preserved. Some neighbourhoods and districts should be subject to design guidelines that protect the character of the area and therefore protect the investment of those who have maintained or renovated properties. Building inspection should be timely and coordinated in a way that encourages safe and functional structures and should be performance based rather than rule based.

We concluded that heritage advocates should recognise that they have very dynamic and creative allies in the development world. They should find and support the developers who love older buildings as they do and are prepared to find new uses for them, bring their development skills to bear on them and spend money on them. Heritage developers do not pretend to be cultural experts. Their interest in older buildings is more instinctive, but they see value in these structures as much as the heritage community. We would not advocate that developers always have their way in the realm of urban planning and city building. But what they do they do well, and they are awesome to watch when in full flight.

## Notes

- [1] Shipley and Reyburn, 'Lost Heritage'.
- [2] Blackburn, 'What Developers Think of Historic Preservation'.
- [3] Kincaid, *Adapting Buildings for Changing Uses*.
- [4] Walljes and Ball, 'Exploring the Realities of the Sustainable City through the Use and Reuse of Vacant Industrial Buildings'.
- [5] Bunting, 'Housing Strategies for Downtown Revitalization in Mid-size Cities'.
- [6] Ontario Government, *Places to Grow Act (Bill 136)* (2005), available from [http://www.pir.gov.on.ca/userfiles/HTML/cma\\_4\\_40890\\_1.html](http://www.pir.gov.on.ca/userfiles/HTML/cma_4_40890_1.html)2005. These new policies are based on a range of research which concludes that more intensive, compact development of cities makes economic sense: CMHC, *Conventional and Alternative Development Patterns—Phases 1 and 2*; De Sousa, 'Measuring the Public Costs and Benefits of Brownfield versus Greenfield Development in the Greater Toronto Area'; Persky and Wiewel, *Brownfields, Greenfields*.
- [7] Mason, 'Economics and Historic Preservation', i. Some specific examples of work on evaluating the economics of heritage development can be found in: National Trust for Historic Preservation, *Appraising Historic Properties*; Rypkema, *The Economics of Historic Preservation.*; Rypkema and Wiehagen, *Dollars and Sense of Historic Preservation*; Wood, *The Economics of Rehabilitation*.
- [8] New construction cost estimates were provided by Mark Ravelle, a Quantity Surveyor working in St. Catharines, Ontario, and are estimates for the whole province.
- [9] The London Free Press (31 June 2004).
- [10] Loft units are open-concept flats or apartments and are a style typically created in reused, older buildings.



- [11] Barber, 'Municipal Tax Incentives in Victoria, British Columbia'; National Trust for Historic Preservation, <http://www.preservationbooks.org/>; Mason, 'Economics and Historic Preservation'.
- [12] The Ontario Planning Act, the Municipal Act and the Development Charges Act all provide for incentives including the Heritage Property Tax Rebates.
- [13] De Sousa, 'Contaminated Sites'.
- [14] Shipley and Reyburn, 'Lost Heritage'.

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