



Building Better Homes and Communities

www.actprogram.com

Affordability and Choice Today

ACT Solutions

Converting Commercial Space to Revitalize the Downtown Area CADC, Charlottetown, PEI

The issue

Numerous commercial buildings in the historic core of Charlottetown have second and third floors that sit empty. At one time, businesses used them for warehousing supplies and general storage, but today warehouses are located in industrial parks. The City's Official Plan calls for residential development in the downtown core to keep the business area alive, especially in seasons when tourism drops off.

The plan

The non-profit Charlottetown Area Development Corporation (CADC) set out to determine the feasibility of using heritage structures for downtown apartments. The project identified empty and underutilized second- and third-floor spaces in the city core and evaluated their suitability for residential development. The work also included preparation of preliminary designs for converting second and third floors to residential space and identifying any regulatory conflicts.

The project team

CADC conducted interviews and discussions with property owners and drew on the expertise of architects, engineers, civic officials and contractors. Representatives from the following organizations participated with CADC on the project team: BRUMAC Contractors; City of Charlottetown Planning Department; and the Government of PEI.

The results

After a preliminary examination of several buildings, CADC focused on four that were thought to have the best potential for residential conversion. These were Cross Keys Tavern, Notre Dame Convent, Kays Brothers warehouse, and 43 Queen Street.

After assessing the structural integrity and the electrical and mechanical systems of each building, floor plans were drawn up for apartments that could be accommodated within existing



Source: CADC

Bookstore, 43 Queen Street

shells. Floor areas for the apartments ranged from about 46 m^2 (500 sq. ft.) to 158 m^2 (1,700 sq ft.).

The team projected rent revenues for each building, based on commercial rates in Charlottetown, to determine the return on investment. The target rental rates were set at \$600 to \$1,200 a unit, in the mid- to upper range for downtown Charlottetown.

It could work for you!

Program Partners:



The project team prepared cost estimates for renovation and general construction for each building and combined these with each building's purchase price to determine the total cost for each project. In discussing costs with property owners, some of them suggested that common areas, such as hallways, be finished with a heritage look, while apartments would have a more standard finish, to keep costs reasonable.

The only site proving to have a bylaw issue was the convent. Presently zoned "institutional", it would require an R3 designation to permit residential conversion. If Kays Brothers, located in the downtown mixed-use zone, were to be converted to residential use, a bylaw amendment would be required to permit shared parking. At present, spaces may be reserved only for office or commercial use.

Return on investment proved to be the key issue emerging from the study, according to Ernie Morello, CADC's Manager of Development. While the cost of materials and labour is roughly the same in Charlottetown as elsewhere in Canada, rents are lower than in other Canadian cities. The team projected that investors could expect at best a five per cent return on equity if conversions were carried out as proposed by the CADC team. In the worst case, the team projected a loss.

Mr. Morello noted that anyone undertaking conversions for any of the four buildings surveyed would need to increase the number of units beyond what the planners envisaged, by making individual units smaller, to achieve a positive return on investment.

This is what the owner of Cross Keys Tavern plans to do. Of the four buildings surveyed, it is the only one so far where a residential conversion of the upper floors is planned.

Mr. Morello said Cross Keys has no room for on-site parking. Even though the City does not require downtown residences to have parking, this feature would be needed to attract tenants willing to pay mid- to high-end rents. Cross Keys' owner plans to share parking with an adjacent commercial building he also owns.

Related report

Second and Third Floor Residential Development in Existing Commercial Buildings in The Charlottetown CBD
(Charlottetown Area Development Corporation, May 2003)

Reports may be obtained on loan from CMHC's Canadian Housing Information Centre (CHIC) at chic@cmhc-schl.gc.ca or by calling 1-800-668-2642 and asking for CHIC.

Contact

If you are interested in assessing the feasibility of converting heritage buildings in your community, CADC is willing to provide a free copy of the MS Excel "Estimated Revenues and Costs" assessment tool they developed for their project.

Ernie Morello, Manager of Development, Charlottetown Area Development Corporation
emorello@cadcpei.com
(902) 892-5341



Source: CADC

Cross Keys Tavern

Affordability and Choice Today

Got a housing regulatory issue? ACT may already have a solution! Find out about ACT regulatory reform projects carried out across Canada:

ACT

Program Administration
c/o The Federation of Canadian Municipalities
Tel: 613-241-5221 ext. 242
Fax: 613-244-1515
E-mail: info@actprogram.com

ACT solutions on-line!

www.actprogram.com

The United Nations Centre for Human Settlements recognizes ACT as a top global best practice for improving the living environment.

ACT is sponsored by CMHC.

It could work for you!