



To: Planning Committee
From: Terry Crowe
Manager, Policy Planning
Re: MITCHELL SCHOOL

Date: May 22, 2002
File:

Staff Recommendation

That, as per the report from the Manager, Policy Planning dated May 22, 2002, the Heritage Commission recommendations be implemented by the School Board and City as appropriate, namely:

1. That the City advise the School District that the City has been unsuccessful in finding an economically sustainable adaptive re-use for the old Mitchell School building;
2. That the School District be encouraged to properly document the building prior to demolition and make the documentation available to the Richmond Archives; and
3. That, in considering re-development plans for the site, the School Board and City encourage the developer to incorporate at least one of the oldest portions of the structure, the original 1906 portion of the building and/or the 1922 portion, into new development plans and the City explore the possibility of offering incentives to encourage this.

Terry Crowe
Manager, Policy Planning

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CONCURRENCE OF GENERAL MANAGER

Staff Report

Origin

In 1998 the School Board indicated to the City that within five years time the historic Mitchell School would no longer be required. It was also discussed that, while the School Board would discuss preservation options, it would be up to the City and the Heritage Commission to undertake any work in this regard. The Heritage Commission has completed an assessment and the full report is attached (**Attachment 1**).

Analysis

The attached report from the Heritage Commission shows that it is not financially feasible to preserve Mitchell School in its existing configuration.

The report provides three recommendations, namely:

1. That the City advise the School District that the City has been unsuccessful in finding an economically sustainable adaptive re-use for the old Mitchell School building;
2. That the School District be encouraged to properly document the building prior to demolition and make the documentation available to the Richmond Archives; and
3. That, in considering re-development plans for the site, the City encourage the developer to consider incorporating at least one of the oldest portions of the structure, the original 1906 portion of the building and/or the 1922 portion, into new development plans and the City explore the possibility of offering incentives to encourage this.

Staff recommends that the Council-School Board Liaison Committee consider the three Heritage Commission recommendations and, in turn, recommend that the School Board and City implement them.

Financial Impact

None.

Conclusion

After looking at preservation options, the Heritage Commission has determined that the preservation of Mitchell School is not financially achievable. Staff recommend that the Heritage Commission recommendations be implemented by the School Board and City as appropriate.



Jenny Beran, MCIP
Planner, Urban Development

JMB:cas

RICHMOND HERITAGE COMMISSION

To: Richmond City Council **Date:** May 16, 2002
From: Richmond Heritage Commission
Re: Mitchell School Pending Demolition

Origin

On June 24, 1998, at a meeting of the Council/School Board Liaison Committee, the School Board's Secretary Treasurer advised that, within five years, the School District intended to relocate students from the 'old' Mitchell School building to the 'new' building. Representatives of the then Heritage Advisory Committee participated in discussion at that meeting and the School District advised that the City should take the lead in assessing options which might be available in terms of possible heritage preservation, but that because the buildings belonged to the School District, the District would be making the decision on the future of the facility.

As a result of those discussions, it was agreed that matters concerning the "life expectancy" of the 1928 building at Mitchell Elementary School would be referred to staff for investigation in conjunction with the Heritage Advisory Committee, with direction to report back on the options which could be considered for the future use of the building, including the feasibility and costs estimates to undertake such options.

The Council/School Board Liaison Committee in the form of motion passed at their September 22, 1998 meeting, as follows, gave further direction to staff:

"That School District and City staff review options for reuse of Mitchell School in consultation with the appropriate committees, and that a report be presented to the School/City Liaison Committee at its May 1999 meeting."

At a subsequent meeting of the Council/School Board Liaison Committee on April 19, 2000, the School Board's Secretary Treasurer requested an update on the City's response to the notice given two years previously that the 'old' Mitchell School building would be demolished if it were not removed from the site. Advice was given that the City had made no progress in finding realistic tenants for the facility because of the cost of making improvements.

Since its inception in November 1998, the Heritage Commission has been aware of the need to consider the pending demolition of the school building and assess the options that might be available for preservation in anticipation of responding to the original five-year notice given by the District.

Background

In the fall of 2001, the Heritage Commission's Sub-committee on the Mitchell School embarked on an analysis to determine whether or that 'old' school building could be retained, adapting it for a re-use that would be economically sustainable given current market realities.

The Sub-committee retained Rositch Hemphill Architects to review previous engineering/architectural reports on the 'old' Mitchell School building, conduct an on-site visual review and formulate preliminary designs for the adaptive re-use of the building based on market uses.

These designs were presented in the form of schematic plans that assessed optimum space utilization, re-using the existing structure within the constraints of Richmond's Zoning Bylaw. Three options were presented, all of which contemplated office uses or a combination of office and retail/restaurant uses.

Each option contemplated a relocation of the structure to a new foundation on-site, with a reconfiguration of the site and the building to accommodate parking, circulation and grade changes. Requirements for certain zoning variance were identified for each option.

The Sub-Committee used the data provided by this analysis to prepare a preliminary financial feasibility analysis. General market information was also assembled to assess estimated construction costs, potential tenant uses and potential market lease revenue.

Analysis

The preliminary architectural analysis indicated:

- that the structure appeared generally sound and likely could be entirely relocated on-site, with the provision of a new foundation;
- that the current configuration of the building, with its two floors, could be adapted to better address the current street grades, while at the same time providing better head-room on the lower floor;
- that the planned reconfiguration would yield between approximately 26,000 and 28,500 square feet of gross marketable floor area, depending on parking configuration and site area dedicated to the project.

The financial feasibility analysis indicated:

- that the cost of rehabilitating the building for the adaptive re-uses contemplated would range from approximately \$2,525,000 to \$3,456,000, depending on the

specific use. These costs do not include any value attributable to the underlying land;

- that market lease rates, depending on the specific use, would support an estimated capitalized value after rehabilitation ranging from approximately \$2.1 million to \$3 million, applying current market cap rates of 9.5%;
- that, given current market financing conditions, equity in the range of approximately \$512,000 to \$1.2 million would be required, depending on the specific use;
- that the return on equity would range from 6.8% annually to 18%, depending on the specific use.

It is vital to understand that this financial feasibility analysis was based on the assumption that the building would remain on-site and that the School District would make the site area required available at no cost.

However, it is also vital to understand that the School District's intention is to dispose of the land in order to generate a financial gain.

The financial feasibility analysis also considered the potential market value of the underlying land.

In order to estimate this value, it was assumed that the highest and best use for the land, if the building preservation project were not to proceed, would likely be a multi-family residential use, in a form similar to surrounding townhouse developments. Given typical floor area ratio yields approved for townhouse projects of this type and given the market value of development land of this type, the underlying land value ranges from approximately \$860,000 to \$1,350,000.

If these land values are applied to the development scenarios highlighted previously, they substantially alter the return on equity, driving returns to levels that would not justify the re-development schemes, especially given the market risks inherent in the uses contemplated for the site and in the potential cost variances inherent in adapting the heritage structure for re-use.

It is apparent from this analysis that adaptive re-use of the building can not be economically sustainable, given current market conditions, especially if a value is attributed to the underlying land area.

Conclusion

Given that the architectural and financial analysis clearly indicated that a marketable adaptive re-use is not financially feasible, the Commission realizes there is little hope of convincing the School District to preserve this heritage building.

We recognize that site will likely be disposed of for re-development. Given the realities preventing the preservation of the entire building, we suggest that, when future re-development plans are considered, the City encourage potential developers to consider the potential of at least retaining the one of the oldest portions of the structure, the original 1906 portion of the building and/or the 1922 portion. It is believed that these structures remain intact under the existing roof structure. Given their relatively small size, it may be feasible to retain a small portion of the structure on site, perhaps for incorporation into a development scheme as a part of a public amenity. For example, if a townhouse development were to be designed for the site, one of these structures might form part of an on-site common amenity building. The City may also be able to provide some incentive, as part of re-designation of the land use for the site, to encourage integration into a new development one portion of this heritage building.

Therefore, we recommend the following:

1. That the City advise the School District that the City has been unsuccessful in finding an economically sustainable adaptive re-use for the 'old' Mitchell School building.
2. That the School District be encouraged to properly document the building prior to demolition and make the documentation available to the Richmond Archives.
3. That, in considering re-development plans for the site, the City encourage the developer to consider incorporating at least one of the oldest portions of the structure, the original 1906 portion of the building and/or the 1922 portion, into new development plans and the City explore the possibility of offering incentives to encourage this.

Bob Ransford

Mitchell School Adaptive Re-use Preliminary Financial Feasibility Analysis

OPTION 1

Use: Office on both floors

Gross Area (s.f.)	26,000
Efficiency	95%
Net Rentable Area (s.f.)	24,700
Construction Hard Cost/S.F. Main Area	80
Construction Hard Cost/S.F. Wet Area	100

REHABILITATION AND RE-USE SCENARIO

COSTS

Rehab Hard Cost	2,104,000
Soft Costs (20%)	420,800
Building Acquisition Cost - payment to RSD	1
Land Cost	0
TOTAL REHAB COSTS	2,524,801

REVENUE POTENTIAL

Market Office Lease Rate Ground Floor	7.50
Market Office Lease Rate 2nd Floor	9.00
Gross Annual Potential Rent Revenue	203,775
Less: Economic Vacancy Loss (2%)	-4,076
Net Annual Potential Rent Revenue	199,700
Less: Operating Costs	0

POTENTIAL NET OPERATING INCOME **199,700**

Market Cap Rate 9.50%

Value for Financing 2,102,100

Loan to Value Ratio 75.0%

Market Financing Available 1,576,575
Equity Required 948,226

Interest Rate on Loan 7%
Amortization (years) 25

Annual Debt Service Costs **-\$135,287**

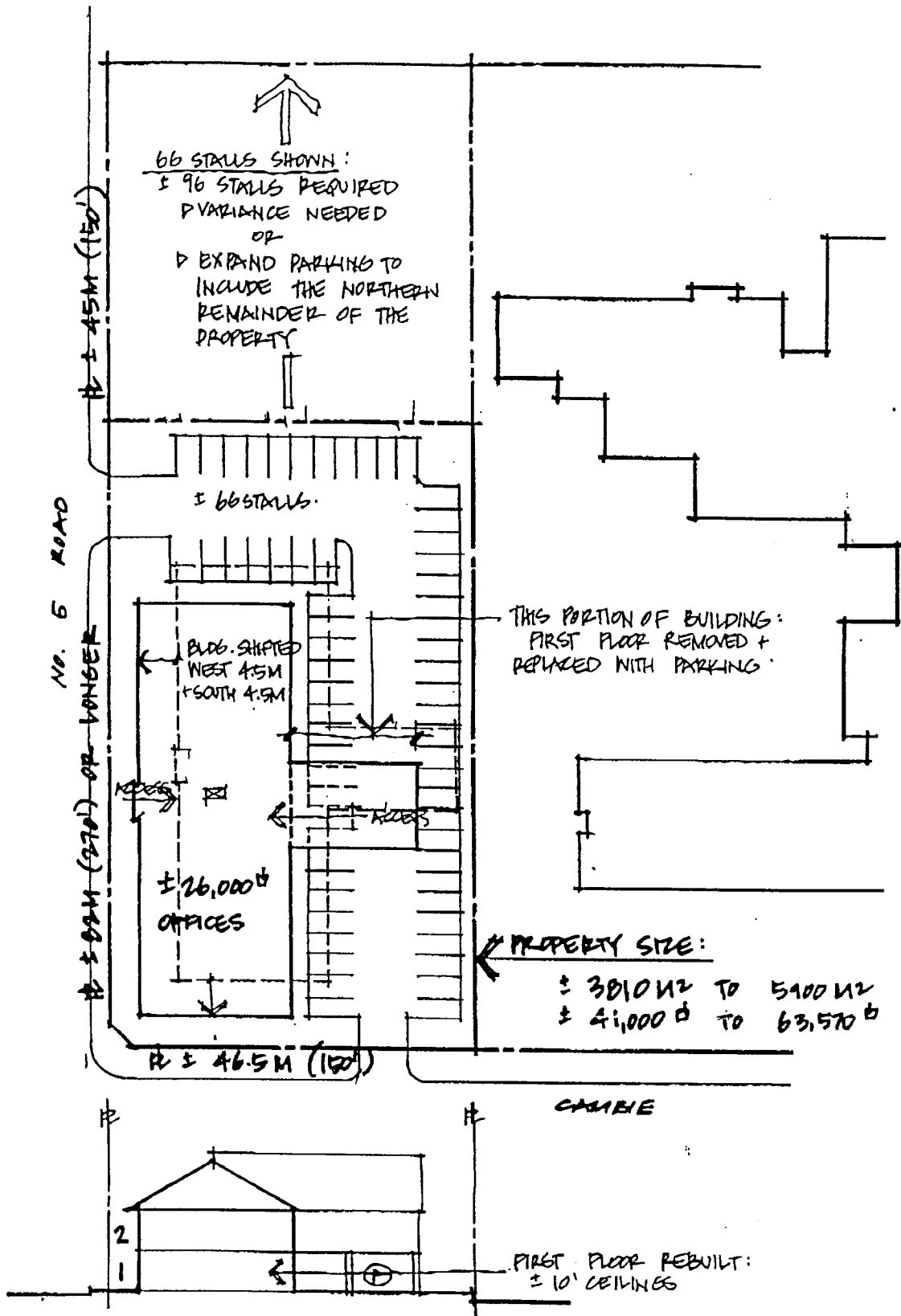
ANNUAL NET CASH FLOW **64,413**

Return on Equity **6.8%**

**Mitchell School Adaptive Re-use
Preliminary Financial Feasibility Analysis**

LAND POTENTIAL VALUE BASED ON RE-DEVELOPMENT

Gross Site Area (s.f.)	41,000
Potential F.A.R. for Townhouses	0.60
Gross Buildable Area (s.f.)	24,600
Market Land Value Per Buildable S.F.	35
Land Potential Market Value	861,000



MITCHELL ELEM. SCHOOL ANNEX OPTION 1

ROSTICH HEMPHILL ARCHITECTS

1:500 M

19 OCT 2001

Mitchell School Adaptive Re-use Preliminary Financial Feasibility Analysis

OPTION 2

Use:

Restaurant/Retail on ground
floor and office on 2nd

Gross Area (s.f.)	28,500
Efficiency	95%
Net Rentable Area (s.f.)	27,075
Construction Hard Cost/S.F. Main Area	80
Construction Hard Cost/S.F. Wet Area	100

REHABILITATION AND RE-USE SCENARIO

COSTS

Rehab Hard Cost	2,304,000
Soft Costs (20%)	460,800
Building Acquisition Cost - payment to RSD	0
Land Cost	0
TOTAL REHAB COSTS	2,764,800

REVENUE POTENTIAL

Market Office Lease Rate Ground Floor	12.50
Market Office Lease Rate 2nd Floor	9.00
Gross Annual Potential Rent Revenue	291,056
Less: Economic Vacancy Loss (2%)	-5,821
Net Annual Potential Rent Revenue	285,235
Less: Operating Costs	0

POTENTIAL NET OPERATING INCOME

285,235

Market Cap Rate	9.50%
Value for Financing	3,002,475
Loan to Value Ratio	75.0%
Market Financing Available	2,251,856
Equity Required	512,944
Interest Rate on Loan	7%
Amortization (years)	25

Annual Debt Service Costs	-\$193,233
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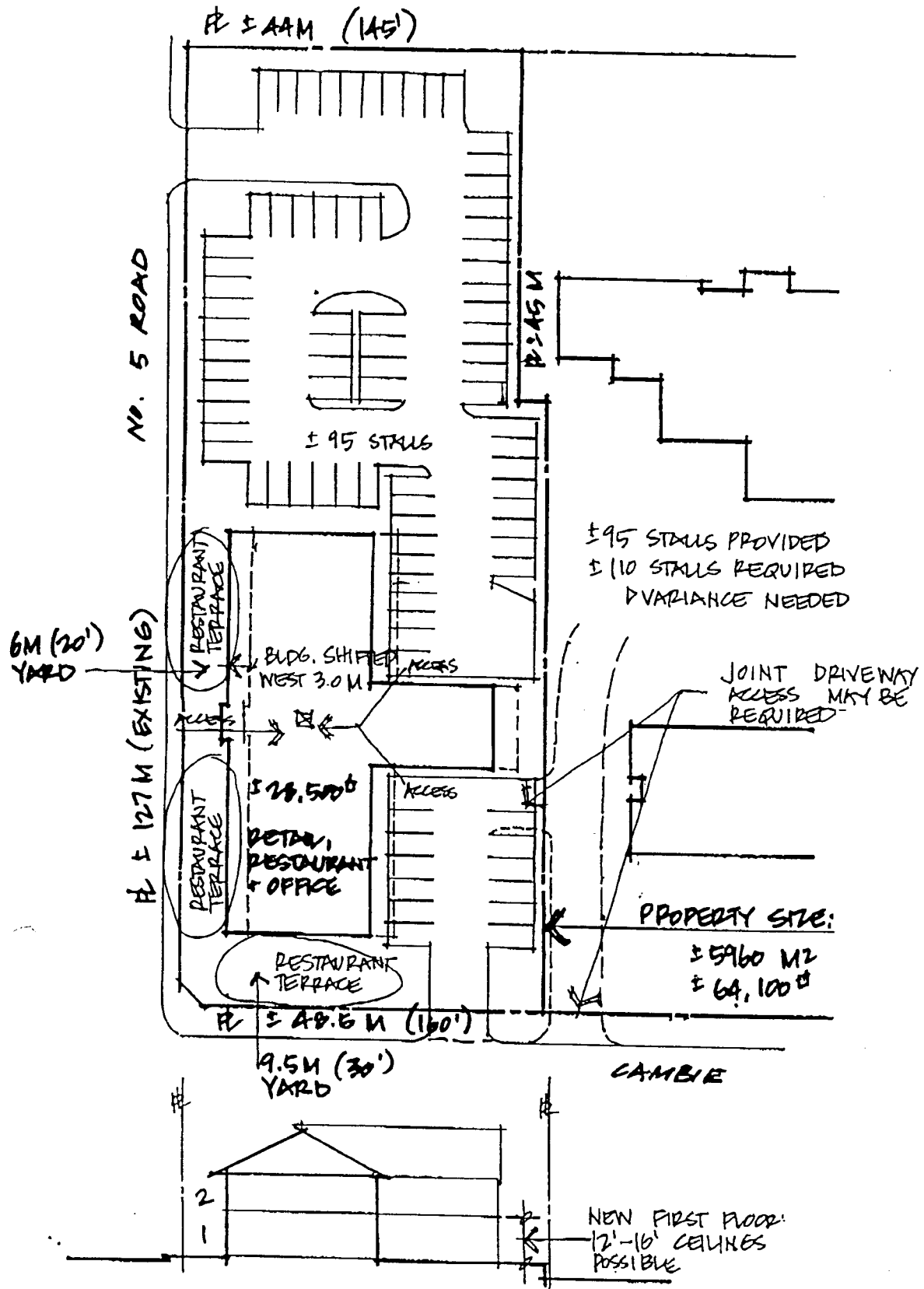
ANNUAL NET CASH FLOW	92,002
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Return on Equity	17.9%
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Mitchell School Adaptive Re-use Preliminary Financial Feasibility Analysis

LAND POTENTIAL VALUE BASED ON RE-DEVELOPMENT

Gross Site Area (s.f.)	64,100
Potential F.A.R. for Townhouses	0.6
Gross Buildable Area (s.f.)	38,460
Market Land Value Per Buildable S.F.	35
Land Potential Market Value	1,346,100



MITCHELL ELEM. SCHOOL ANNEX OPTION 2

ROSITCH HEMPHILL ARCHITECTS

1:500 M

19 OCT 2001

Mitchell School Adaptive Re-use Preliminary Financial Feasibility Analysis

OPTION 3

Use:

Restaurant/Retail on ground
floor and office on 2nd & parking under

Gross Area (s.f.)	28,500
Efficiency	95%
Net Rentable Area (s.f.)	27,075
Construction Hard Cost/S.F. Main Area	100
Construction Hard Cost/S.F. Wet Area	125

REHABILITATION AND RE-USE SCENARIO

COSTS

Rehab Hard Cost	2,880,000
Soft Costs (20%)	576,000
Building Acquisition Cost - payment to RSD	0
Land Cost	0
TOTAL REHAB COSTS	3,456,000

REVENUE POTENTIAL

Market Office Lease Rate Ground Floor	12.50
Market Office Lease Rate 2nd Floor	9.00
Gross Annual Potential Rent Revenue	291,056
Less: Economic Vacancy Loss (2%)	-5,821
Net Annual Potential Rent Revenue	285,235
Less: Operating Costs	0

POTENTIAL NET OPERATING INCOME

285,235

Market Cap Rate	9.50%
Value for Financing	3,002,475
Loan to Value Ratio	75.0%
Market Financing Available	2,251,856
Equity Required	1,204,144
Interest Rate on Loan	7%
Amortization (years)	25

Annual Debt Service Costs

-\$193,233

ANNUAL NET CASH FLOW

92,002

Return on Equity

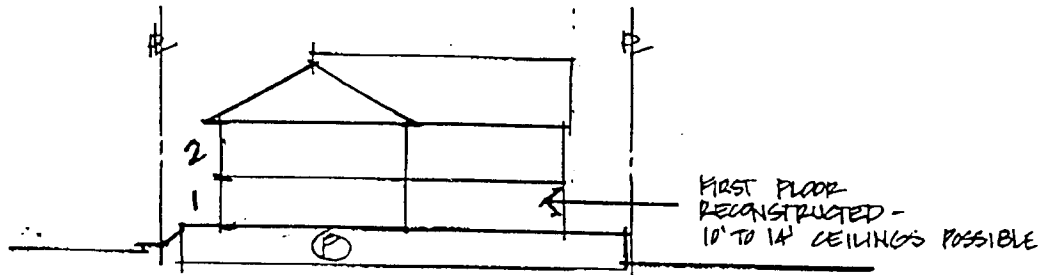
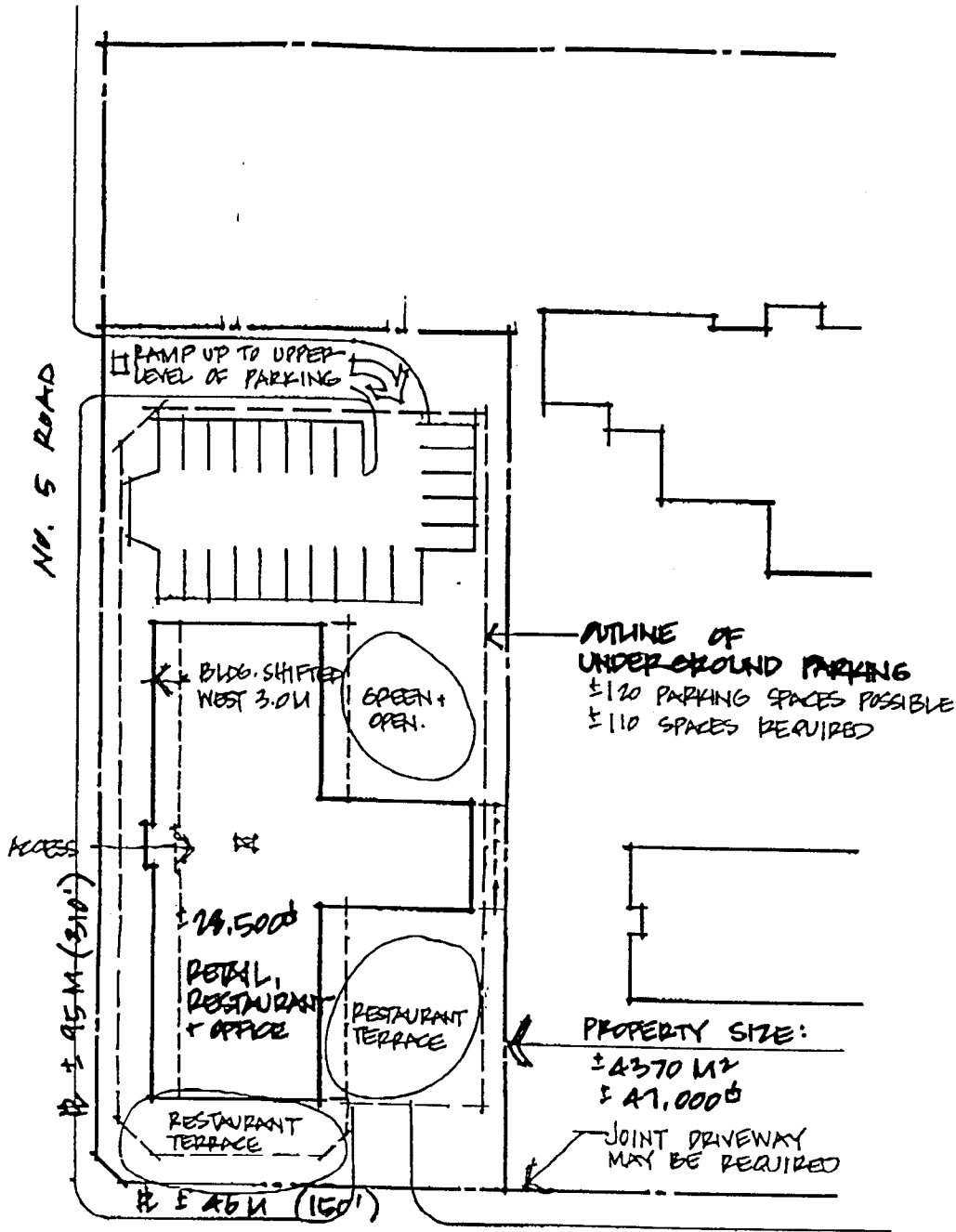
7.6%

as at 18 Apr 02
prepared by Bob Ransford and Dana Westermark

Mitchell School Adaptive Re-use Preliminary Financial Feasibility Analysis

LAND POTENTIAL VALUE BASED ON RE-DEVELOPMENT

Gross Site Area (s.f.)	47,000
Potential F.A.R. for Townhouses	0.6
Gross Buildable Area (s.f.)	28,200
Market Land Value Per Buildable S.F.	35



MITCHELL ELEM. SCHOOL ANNEX OPTION 3

ROSITA HEMPHILL ARCHITECTS

1:500 M

19 OCT 2001