

The Revitalization of International Avenue

PEOPLE AND PLACE

ALBERTA REAL ESTATE FOUNDATION GRANT



PROJECT 2:

50th Street SE Liner Building
Business Plan

October 2007

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FACULTY
OF
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1.0 • EXECUTIVE SUMMARY

1.1 • REPORT PURPOSE

This report has been written by a People and Place Initiative project team in fulfillment of the terms of Project Two of the Revitalization of International Avenue Alberta Real Estate Foundation Grant. The title of Project Two, *50th Street SE Liner Building Business Plan*, addresses the primary purpose of this study – a business rationale and strategy for the development of a mixed-use affordable housing/business incubation liner building along the 50th Street SE edge of the new Sobeys Market that is being constructed on International Avenue (17th Avenue SE) in Greater Forest Lawn.

1.2 • PRIMARY FINDINGS

The findings of this report are that the project as originally conceived—a 13 unit live/work loft—is economically feasible given the successful address of the following three challenges:

1. Securing the appropriate policy, technical, and legal entitlements from the City of Calgary, the landowner (SunLife), and the leaseholder (Sobeys).
2. As a function of entitlements, but of singular importance to the project's potential as affordable housing, securing the land from the landowner and the leaseholder either as a complete donation or significantly discounted below market value.
3. Also in order to increase efficiency, reduce costs, address potential parking issues that could derail City entitlements, and increase the affordability potential, building the project in conjunction with the redevelopment of the Town and Country Hotel site across 50th Street.

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1.3 · RATIONALIZING LINER BUILDINGS

Additionally, this report addresses the planning rationale for liner buildings at two scales of consideration:

1. Specifically, as it pertains to the project location along Calgary's International Avenue.
2. Generally, as a strategy for capturing additional real estate value that should be applied to big box commercial–neighborhood interfaces across Calgary.

1.4 · ALIGNMENT WITH THE ALBERTA REAL ESTATE FOUNDATION'S MANDATE

From its inception through to its anticipated conclusion, this project has been a non-market undertaking:

1. It was conceived out of the International Avenue Design Initiative (IADI), a University of Calgary, Faculty of Environmental Design-led community outreach project that was initially supported by the International Avenue Business Revitalization Zone, and then also by the City of Calgary and a consortium of local developers and land owners.
2. Following up the IADI conceptualization of a Liner Building at this location, this report was undertaken as a collaboration of the Faculties of Environmental Design and Social Work – the People and Place Initiative – through the support of the Alberta Real Estate Foundation (AREF).
3. The goal is the construction of a mixed-use liner building as a non-market business incubation and affordable housing reservoir in the heart of a new neighborhood node along International Avenue called the 50th Street East Urban Centre.

However, the lessons learned, and the barriers and opportunities identified through this process are all intended to serve the market goal of influencing policy and law, and educating developers and the public as to the role liner buildings should play in the further diversification of Calgary's Real Estate Market.

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2.0 • BACKGROUND

2.1 • A BRIEF HISTORY OF INTERNATIONAL AVENUE AND GREATER FOREST LAWN

International Avenue is the name that the ethno-racially diverse merchant community along 17th Avenue SE gave their 35 block stretch of the corridor in 1993. This renaming took place in conjunction with the City of Calgary's formation of the International Avenue Business Revitalization Zone (BRZ) which, along with City Council's 1995 approval of the Forest Lawn Area Redevelopment Plan (ARP), was intended to spark needed redevelopment in the area. By the mid 1980's, the working class character originally ascribed to the Town of Forest Lawn had significantly decayed into both real and perceived issues of social disorder. In the two decades following the 1961 annexation of the Town of Forest Lawn, as part of the general degradation of established communities that accompanied post-war suburbanization, two City policies had particularly taken their toll:

1. The era's automobile-dominated approach to transportation planning led to the development of the Deerfoot Trail which created a barrier between the Communities of Greater Forest Lawn and the rest of the City and provoked the reordering of 17th Avenue SE from a nascent main street into a parking lot fronted suburban commercial strip.
2. The tri-level funded large-scale social housing projects of the era were, through design or circumstance, significantly concentrated into the Communities of Greater Forest Lawn, creating an over-saturation that contributed to increased issues of social disorder, altered the area's demographic character, and depressed real estate values.

However, this depression of real estate value created the circumstances whereby the increasingly international influx of immigration into Calgary could find affordable housing and establish supportive communities of their own. By the late 1980's it was clear that the Greater Forest Lawn area was home to Calgary's highest and most integrated concentration of ethno-racial diversity.

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2.1.1 · FUTURE OBJECTIVES FOR INTERNATIONAL AVENUE AND GREATER FOREST LAWN

The major challenge confronting Greater Forest Lawn has evolved to be understood as a three-fold balancing act:

1. Socially just revitalization through:
 - a. Internally focused social programs addressing crime, poverty, and other social disorders;
 - b. External investment funding redevelopment and intensification.
2. Maintaining, celebrating, and better integrating the area's defining ethno-racial diversity.
3. Increasing the area's socio-economic diversity through:
 - a. Retaining populations whose success ("moving up") is typically resulting in diaspora ("moving out");
 - b. Encouraging the influx of Calgary's growing "creative-class," a broad demographic of artists and professionals that aspire to lifestyles supported by diverse urban environments.
 - c. Establishing a suite of affordable and market-rate housing options that will ensure the retention of, and better integrate, a full economic range of residents.

2.1.2 · ACHIEVING THESE FUTURE OBJECTIVES

While the City's policy moves of the early 1990's attempted inchoately to accomplish these tasks, a decade later there had either been little change, or further decline. In addition, over-exaggerated and pervasive media characterizations of the area as crime-ridden and dangerous served to both deter outside investment, and contribute internally to the sense of inescapability that is a key characteristic of the cycle of poverty.

Within the Communities of Greater Forest Lawn, ethnic and community associations, and the BRZ, social work and faith-based NGOs, and local politicians and municipal employees were banding together to address these internal issues, but the challenge of provoking outside investment remained unaddressed. In late 2003 the Faculty of Environmental Design (EVDS) was approached by key area stakeholders and invited to work with the Communities of Greater Forest Lawn to develop a vision and strategy for redevelopment. In early 2004, the International Avenue Design Initiative (IADI), "a growing partnership working together for the future of Greater Forest Lawn," was formed as an EVDS-led, University of Calgary community outreach project.

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2.2 · THE INTERNATIONAL AVENUE DESIGN INITIATIVE

In order to develop a vision and strategy for Greater Forest Lawn, the IADI first had to establish a process to achieve this vision and strategy. It was understood that such a process would have to inclusively involve both the stakeholders that had invited University expertise into the community, as well as the myriad stakeholders that were not represented within the founding stakeholder group. Given the desired outcomes and the given parameters, the Design Charrette was chosen due to its proven ability to:

1. Collaboratively bring together the three stakeholder categories essential to successful redevelopment within a democratic context:
 - a. Citizens and Citizen Groups;
 - b. Government;
 - c. Development/Real Estate Industry.
2. Establish a coherent framework for balancing the (sometimes) partial interests of local expertise with the (ideally) impartial disinterest of professional expertise.

2.2.1 · IADI CHARRETTE 1: ENVISIONING INTERNATIONAL AVENUE

IADI Charrette 1: Envisioning International Avenue was a six-day process held in March of 2005 out of a shop front on International Avenue. *Charrette 1* was a full-scale demonstration/test of the Design Charrette process. It was considered a demonstration because it involved the active participation of only the Citizen Stakeholder category. Government and Industry stakeholders were brought in to observe the process but did not actively participate within their respective roles. Two factors contributed to this:

1. The process (and the design team) was too new and untested for (both literal and figurative) buy-in from Government and Industry.
2. The scale of the project - which expanded during the Charrette from the Greater Forest Lawn Area to include Calgary's entire Central East Corridor - transcended both the interests of individual developers, and the policy scope of the City's planning teams.

2.2.2 · IADI CHARRETTE 1 FINDINGS

The findings of *IADI Charrette 1* were twofold:



Calgary's Central East Corridor – Urban Neighborhoods

- i. Calgary's Central East Corridor was envisioned as a string of walkable mixed-use neighborhoods, connected by transit, that would stretch from the East Village, through Inglewood, up along International Avenue in Greater Forest Lawn, and out into the countryside to the Town of Chestermere. International Avenue would be reconfigured from its current state as a parking lot fronted suburban commercial strip, to a mixed-use building fronted multi-way boulevard.



Looking eastwards on an International Avenue reconfigured as a Multi-Modal Boulevard

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2. The Design Charrette was deemed so successful that it was recommended as the strategic process whereby the neighborhoods identified in the vision would be addressed on an individual and more comprehensive basis. This incremental and flexible neighborhood-by-neighborhood Charrette process is the basic implementation strategy of the IADI. Given the success of Charrette 1, and given the more manageable size of the neighborhood unit, future IADI Charrettes were anticipated as being full-fledged processes with active participation, not just from Citizens, but from Government and Industry as well.



The Neighborhoods of Greater Forest Lawn – Future IADI Charrettes

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2.2.3 · IADI CHARRETTE 1 OUTCOMES

To date, *Charrette 1* has achieved a series of outcomes that have established a clear path towards the achievement of the IADI's goals. These include:

1. *IADI Charrette 1: Envisioning International Avenue* was awarded a 2005 Charter Award from the Congress for the New Urbanism, further verifying the success and viability of the IADI's vision and strategy.
2. The City of Calgary has subsequently turned considerable attention towards the long ignored Greater Forest Lawn area involving:
 - a. A yearly grant from City Council called the Greater Forest Lawn Enhancement Fund—which has been spent on capital projects compatible with IADI recommendations;
 - b. The Southeast 17 Corridor Study—which is currently being undertaken by City Planning to establish as City Policy many of the findings of *Charrette 1*—most notably the redesign of International Avenue into a multi-modal boulevard.
3. *IADI Charrette 2: 50th Street East Urban Centre* was held in June 2005 as the first of many anticipated neighborhood-based IADI Charrettes. *Charrette 2* was a full-fledged Charrette in that:
 - a. All three stakeholder categories (Citizens, Government, and Industry) actively participated;
 - b. It was facilitated by a professional design firm (the Civic Design Group);
 - c. It was financially supported by a consortium of private real estate interests (SunLife, Sobey's, and the Town and Country Hotel), the International Avenue BRZ, the City of Calgary, and EVDS/People and Place.
4. There has been a clear shift in media portrayals of the Greater Forest Lawn area, ranging from a greater sensitivity towards and reduction in purely negative portrayals, to a growing and international recognition of the area's investment potential – most recently and notably in the August 25, 2007 Financial Times of London.

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5. The idea of a unified, mixed-use, urban future for Calgary's Central East Corridor has been influencing planning in both the historic community of Inglewood (to the west of Greater Forest Lawn) as well as in the newly annexed lands between the City and the Town of Chestermere (to the east of Greater Forest Lawn).

The University of Calgary has formalized its commitment to the Communities of

6. Greater Forest Lawn, through the ongoing support of the People and Place Initiative. People and Place has taken many forms including:
 - a. Participation in *IADI Charrette 2*;
 - b. A People and Place Course dedicated to Greater Forest Lawn;
 - c. The Revitalization of International Avenue Alberta Real Estate Foundation Grant comprised of:
 - Project 1: IADI Charrette Support
 - Project 2: 50th Street SE Liner Building Business Plan
 - Project 3: Images in Action: Youth Engagement in GFL

2.3 · PEOPLE AND PLACE

The People and Place Initiative was in the process of being developed as the *IADI Charrettes 1 & 2* were underway. Conceived through the vision and generous support of local architect, Dr. Martin Cohos, People and Place is a unique collaboration between the Faculties of Environmental Design (EVDS) and Social Work (SW) at the University of Calgary, and partners within the broader Calgary community. The initiative explores the relationship between people and the places in which they live, work and play. Through People and Place community partners are actively involved in providing guidance, direction and support to community-based projects. The vision of the initiative is a place where residents and businesses have defined their own quality of life and have determined the types of spaces that will provide their ideal sense of community.

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People and Place recognizes the inextricable connection between the social dimensions and the built environment during community planning, construction and/or revitalization. The critical link between the environment and the success and productivity in peoples' personal and professional lives are always paramount. The initiative includes five components:

1. Engaging the community;
2. Maximizing educational experiences;
3. Recruiting and educating tomorrow's leaders;
4. Recruiting a leading professor and researcher;
5. Dissemination of information.

These components connect organizations and community members with the ultimate goal of providing spaces that respect and reflect individual people's social, cultural, ethnic and economic needs and ideals. People and Place provided the perfect mechanism for managing and continuing the University of Calgary's commitment of service to the Communities of Greater Forest Lawn not only in terms of formalizing its internal approach, but also in terms of connecting to external funding sources such as the Alberta Real Estate Foundation.

2.4 THE ALBERTA REAL ESTATE FOUNDATION

The ongoing work of the IADI under the umbrella of People and Place was a perfect fit for the Alberta Real Estate Foundation (AREF). Established in 1991 to promote excellence in Alberta's real estate industry, the AREF has evolved its mandate of support from a focus on the education and training of real estate professionals to a broader commitment to the people of Alberta. In the winter of 2006, the AREF gave People and Place an initial grant to explore possible project work along International Avenue in consultation with stakeholders from the Communities of Greater Forest Lawn. The results of that exploratory study led to the three-part Revitalization of International Avenue Alberta Real Estate Foundation Grant.

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2.5 · REVITALIZATION OF INTERNATIONAL AVENUE ALBERTA REAL ESTATE FOUNDATION GRANT

Through consultation with stakeholders from the Communities of Greater Forest Lawn, three projects were approved for funding under the grant. These projects correspond with long, medium, and short term impacts on and improvements to the International Avenue corridor. Project 3, *Images for Action: Youth Engagement in Greater Forest Lawn*, derives from a social work focus and through youth engagement has worked in the short-term, forging immediate connections between young people in Greater Forest Lawn and the place in which they live. Projects 1 & 2 are derived out of the IADI's work and are focused on the transformation of specific places in the community for the eventual benefit of the people who live there. Project 1, *International Avenue Design Initiative Charrette Support*, is a long term project and provides funding to support the participation of easily marginalized and traditionally underrepresented members of the citizen category in the next IADI Charrette. Project 2, *50th Street SE Liner Building Business Plan*, is the medium-term project and is the focus of this report.

2.5.1 · PROJECT 2: 50TH STREET SE LINER BUILDING BUSINESS PLAN

This project emerged out of *IADI Charrette 2: 50th Street East Urban Center*. The goal of this project has been to establish a business case for the development and management of a mixed-use (retail and residential) liner building that will sit along the 50th Street edge of the new Sobeys' big-box supermarket that is currently under construction along International Avenue. The challenge confronted in *Charrette 2* was finding a balance between the immediate needs of Sobeys', and the long-term aspirations of the community as expressed through the IADI. A block-long blank wall facing the Town and Country Hotel was appreciated as working against both immediate crime-prevention initiatives, as well as the longer-term goal of reclaiming International Avenue as a pedestrian-oriented and transit-supported urban corridor. The liner building was proposed as a strategy for balancing the spatial demands of big-box retail with the intimate scale essential for high-quality people-oriented urban places. While liner buildings have achieved considerable success in this regard in other parts of North America, they are largely unprecedented within a Calgary context.



*Presentation to Stakeholders during
Charrette 2, June 2005*

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The aspiration of this project has been to establish a Calgary-based business rationale for this value-added type of real estate development which, in this pilot-project form, could function as business incubation and affordable housing within the ethno-racially diverse market of Greater Forest Lawn. The remainder of this report is structured in two parts. The first part introduces liner buildings as a real estate typology, discusses precedents from around North America, and establishes the important role this building-type can play in the Calgary context given both the affordability crisis, and emerging City Policy requiring increasingly walkable environments. The second part examines the 50th Street site and presents the findings of the financial analysis that was conducted, the opportunities and constraints that were identified, and the ensuing business strategy for the construction of a liner building on that site.

*The 50th St
SE Liner
Building*

*Looking westwards at 50th Street SE on
an International Avenue reconfigured as
a Multi-Modal Boulevard Charrette 2,
June 2005*

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3.0 • LINER BUILDINGS

3.1 • LINER BUILDING OVERVIEW

The Liner Building's origins could be associated with any smaller, infill building that results from market pressure in high rent districts. In these areas, tenants are more willing to accept non-standard, and often less efficient, floor space in favor of the superior location. As a trade-off, the higher rents that these tenants are willing pay can be used to support the more expensive construction and building operating costs that can be associated with the smaller development.



Liner Building, Retail + Office, Belmar, CO.



Liner Building, Retail + Residential, Belmar, CO.

Examples of such buildings are found in European cities and in some larger North American cities, particularly in their downtown areas (e.g. New York City). The closest example of liner buildings in Calgary involve the new development at the west end of Kensington Crescent and Kensington Road, currently under construction (by the “flat iron” building at the east end of Kensington Crescent) in Calgary’s Hillhurst Sunnyside neighbourhood. This kind of Liner Building does not actually “line” anything other than the property lines of their small lots: they back onto adjacent buildings; they front onto the public right of ways; and they help create the fine-grained, pedestrian-scaled urbanism that makes European Cities, New York City, and the Kensington area of Calgary great places to live, work, and visit.

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It is precisely due to the kind of high-quality, pedestrian-oriented urbanism produced by such buildings that the Liner Building has entered the North American real estate market as a distinct typology. As sustainability-oriented policy converges with growing consumer preference for walkable, character-based live-work-shop environments, there has been a growing backlash against the automobile-dominated landscapes that are typical of conventional comprehensive developments (e.g. regional town centres) and the negative impacts of larger less street-sensitive buildings (e.g. big boxes).



Big Box sans Landscaping, Greater Forest Lawn – Terrible



Big Box with Landscaping, Greater Forest Lawn – Better but has Safety Issues.

A Calgary-based example of an attempt to mitigate the negative impacts of big box commercial on a streetscape are the Commercial Retail Units (CRUs) that shield the neighborhood character of Garrison Gate SW from the Garrison Woods Safeway and parking lot behind them. However, while these particular buildings definitely ‘line’ the parking lot, they are conventionally sized—constrained only by how much parking the big box is willing or able to sacrifice.



Small Box with grass, Greater Forest Lawn – Useless Space.

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A true Liner Building, like the small urban infill-building discussed above, is constrained by neighboring structures, but like the Garrison Gate CRUs, is specifically built to create fine-grained, walkable urbanism where there would otherwise be the opposite. Conversely, and unlike the small urban infill-building, the Liner Building is built in an environment where there is not only little market pressure, but the complete absence of conventional demand. Therefore, the definition of a Liner Building is:

A narrow residential, commercial, or mixed-use development incorporating pedestrian-scaled frontages, that is generally a maximum of 30 feet (9m) deep, and that wraps around (or lines) a big box retail store or parking structure.



Liner Building, Retail + Residential, Denver, CO.



Liner Building, Retail + Residential, Belmar, CO.



Liner Building, Stacked Town Homes, Boulder, CO.



Liner Building, Retail + Residential, Providence, CO.

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3.2 · ADVANTAGES OF LINER BUILDINGS

The Advantages of Liner Buildings can be summarized as follows:

- Urbanism/Mixed-Use:** Liner buildings help mitigate the impact of single-use, car-oriented communities and aid in providing more human-scaled, pedestrian-oriented, lively, and integrated streets in big box environments; Liner Buildings diversify the real estate market providing market and non-market opportunities for affordable housing, business incubation, live/work units, and studio apartments.
- Aesthetics:** Liner Buildings replace the blank walls of big boxes, parking structures, and their automobile-oriented landscaping treatments with continuous and vibrant street frontage.
- Efficiency:** Liner Buildings capture value on land that would otherwise sit fallow and represent a maintenance expense. Liner Buildings are small enough to potentially allow for the sharing of servicing as with multi-family developments.
- Safety:** Liner Buildings provide “Eyes on the Street” and sense of ownership, both essential ingredients for community policed environments.



Wall without Entrances, Greater Forest Lawn



Behind Zeller's with Single Family Homes across the Street, Greater Forest Lawn

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3.3 CHALLENGES CONFRONTING LINER BUILDINGS

All of the challenges that confront Liner Buildings are associated with their physical limitations. In the first place, they effectively are only one sided, and that single side must function as both front and back. This creates the following challenges that must be overcome:

1. Waste removal for the Liner Building Units – particularly ground floor restaurants with grease traps;
2. Waste removal for the commercial big box structures that they line;
3. Parking for Liner Building Units must either be:
 - a. On Street – which competes with retail parking requirements and convenience;
 - b. Off Site – which is a barrier to convenience and represents a hidden cost that competes with affordability;
 - c. Integrated into the Liner Buildings – which competes with the streetscape objectives the building is intended to mitigate (See the garage plan option for the 50th Street Liner Buildings in Appendix 1.0);
4. Acoustics and Fire Codes – the common practice of separating main floor retail from upper floor residential/office uses with a concrete lid challenges the potential affordability of Liner Buildings; so too does the requirement of proper firewalls if the Liner Building directly abuts the big box it is lining.
5. Utility Line Assignments – many times the landscaped buffer that typically sits between the big box and the public right of way is used for shallow utilities; repositioning these after the fact can further challenge affordability.
6. Security – if there is a passageway between the Liner Building and the structure it is lining.

In addition to the physical limitations discussed above – with the associated financial costs – Liner Buildings suffer inefficiencies of scale, particularly when they are not developed as part of the buildings that they line. Finally, due to the unprecedented nature of Liner Buildings, they are unsupported by policy and securing appropriate entitlements and approvals represents a significant challenge and ‘soft’ cost. The next chapter reviews the rationale for, the financial analysis undertaken in order to determine the viability of, and the recommended strategy for achieving a Liner Building at 50th Street SE.

4.0 • 50TH STREET SE LINER BUILDING

4.1 • THE IMPORTANCE OF THE 50TH STREET SE LINER BUILDING

The 50th Street SE Liner Building is the make-or-break development move for transforming the intersection of 50th Street SE and International Avenue into the crossroads of an emerging Urban Centre. In turn, this 50th Street East Urban Centre, forming the historical eastern boundary of the Town of Forest Lawn, is a critical neighborhood revitalization project in the larger reconfiguration of International Avenue into a multi-modal boulevard, and Calgary's Central East Corridor into a sustainable, pedestrian-oriented and transit-supported chain of urban neighborhoods. The Town and Country Hotel—with its less than salubrious reputation—has traditionally been blamed for the unlikelihood of the redevelopment of this area. From a conventional real estate perspective, the investment that Sobeys' is bringing into the area represents a major coup for area regeneration. However, the blank wall that the back of the Sobeys' presents to 50th Street actually forms an incentive to increased social disorder in and around the Town and Country site, which, in turn will act as a disincentive to further redevelopment. Additionally, whatever redevelopment may occur with a blank wall spanning the length of 50th Street, will be insular and automobile dependent—in complete opposition to the current needs of residents and the IADI's vision for an inclusive and pedestrian-oriented redevelopment.



Looking southwards on 50th Street, Prior to Sobeys', June 2005



Looking southwards on 50th Street, New Sobeys' in Place,



Looking southwards on 50th Street, Liner Building on left, T&C Redevelopment on right

To encourage more immediate and appropriate redevelopment of and around the T&C Hotel, 50th Street is envisioned as a small commercial street with residential and office uses over shop fronts. Live/Work liner buildings attached to the blank wall of the Sobey's form the eastern streetscape of 50th Street while a new mixed use building on the T&C site provides condos and/or office above shops. The hotel comprehensively redevelops with a new entry and port cochere on the east face forming a small court. The adult entertainment use is replaced with a small Irish pub, and the County Line Bar moves out to the street as a "Bar and Grill" within the new mixed use building. The old bar space converts into hotel amenity space. 50th Street is redesigned, retaining the current width, but providing on-street parking, continuous sidewalks from the curb to the building, street trees in grates, and pedestrian scaled lighting and amenities. Truck traffic is routed to the south.



T&C Hotel with parking lot in foreground, June 2005



T&C Hotel redevelopment with mixed-use buildings and forecourt

Again, the make or break proposition for achieving this vision is active uses on both sides of 50th Street. The challenge of placing a Liner Building on the Sobey's side of the street, and the opportunity such an inevitably non-market pilot project offers for affordable housing and business incubation within the context of International Avenue, forms the fundamental motivation of this project.

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EVOLUTION OF THE 50TH STREET EAST URBAN CENTRE



Step 0: Previous Conditions, June 2005



Step 1: Current Conditions, October 2005



Step 2: Redevelop 50th Street



Step 3: Establish Avenue Buildings



Step 4: Infill T&C Site



Step 5: Build-Out

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4.2 · ECONOMIC FEASIBILITY ANALYSIS

Before the Live/Work Loft was settled upon, an economic feasibility analysis was undertaken that considered a variety of potential configurations for the Liner Building. This conventional approach considered location and market factors for retail, office, live/work, and condominium residential along International Avenue. Extremely conservative assumptions were used and generally applied to four models in a discounted cash flow analysis. These were:

1. A one-storey, retail building (as a control);
2. A two-storey, office building;
3. A three-storey, 1-bedroom, live-work loft unit;
4. A three-storey, 2 bedroom, live-work unit with on-site parking.

4.2.1 SEVEN LINER BUILDING CONFIGURATIONS

These roughly corresponded to four potential architectural configurations for the Liner Building. Included within Appendix 1, these were:

- Option 1: Live/Work Loft – as envisioned in Charrette #2
- Option 2: Live/Work Two Bedrooms + Garages
- Option 3: Two Storey Office
- Option 4: Live/Work Loft + Garage + Outdoor Space

Additionally, three apartment options were also developed to demonstrate the range of the Liner Building typology, but these were assumed to be inherently more expensive to build, more difficult to achieve approvals for (in terms of parking and fire code), and generally less desirable. Also included within Appendix 1, these were:

- Option 5: 4-Pack Apartments + Garages
- Option 6: 8-Pack Apartments + Garages
- Option 7: Single-Loaded Corridor Apartments + Garages

4.2.2 DISCOUNTED CASH FLOW ANALYSIS

For the first four options, a pro forma was developed, which conservatively estimated:

1. Land and building costs;
2. Time frame for concept development, approval and construction;
3. Construction financing costs;
4. Gross and net rents;
5. Operating costs;
6. Net Operating Income;
7. Net Cash Flow.

With these assumptions in place, a discounted cash flow analysis was undertaken, which relied upon assumptions regarding certain investment parameters (e.g. discount and capitalization rates). The discounted cash flow analyses that were used were simple and exploratory in nature. They involved annual discounting as opposed to a more detailed quarterly approach. None of the development options fared well in this simple discounting exercise, but the Live/Work Loft option showed remote promise.

4.2.3 LIVE/WORK LOFT OPTION

A renewed look at the assumptions, combined with a series of new approaches, led to a feasible solution for the 13 unit Live/Work Loft Option. Offered as Appendix 2.0, this proforma reconsidered the ownership structure of the Liner Building and less conservatively (more realistically) estimated construction time with associated financing costs at just over 12 months. For the basic approach, with land costs assumed to be \$44/SF and building costs to be \$135/SF, the total cost of the project is \$2.2 Million, with \$400,000 gross profit at a margin of 18%.

But the land is currently lying there fallow, and due to the expense to the leaseholder of maintaining the landscaping, it will generate only negative profits. The question arises as to whether Sobey's and Sun Life would be willing to part with the land at a discounted rate. At half market value, gross profits rise to \$550,000, with a margin of 25%. And if the land were donated, gross profits are \$670,000, with a margin of 34%. Additionally, if the Liner Building were constructed in conjunction with the redevelopment of the T&C Hotel site, resulting efficiencies could discount up to 10% off of construction costs. This would bring gross profits to \$800,000, with a margin of 43%. These are considerable savings that could be passed on to the potential tenants and owners of the units—allowing for actual subsidization.



50th St SE Liner Building:

Affordable Housing/business incubation

live/work Loft.

ALBERTA REAL ESTATE FOUNDATION GRANT

PROJECT 2:

50th Street SE Liner Building
Business Plan

4.3 • BUSINESS STRATEGY

4.3.1 • OWNERSHIP/MANAGEMENT MODEL

The essential questions surrounding this project are who would own the Liner Building and who manage it? Sun Life has leased the land on a long-term basis to Sobey's. Would Sobey's sublease it in turn? The model requires the condominiumization of the Liner Building into 14 Units: 13 residential lofts, and the 14th being the 13 retail units on the main floor. The residential units could be bought individually or owned in whole or part by an agency that could lease them according to their mandate. The retail units would be managed as a whole by a discreet agency that would own them in conjunction with both Sobey's (to maintain its interests in terms of maintenance and competition) and Sun Life. Deals could be brokered to allow residents first right of refusal to also lease retail space below their units. Long-term buyout clauses would be written into the residential ownership where, if and when redevelopment of the site occurred, buyout of the residential units would be comparatively negligible considering the necessary market pressure.

4.3.2 • TECHNICAL ENTITLEMENTS

All of the potential challenges that confront Liner Buildings can be successfully addressed by the 50th Street SE Liner Building. These are:

Waste Removal:	Residential Units:	on the street, once a week.
	Retail Units:	potential restrictions on businesses; potential use of Sobey's arrangements.
	Sobey's:	already on the side, not a problem.
Parking:	On Street:	one of the lifestyle adjustments in urban areas;
	Off Site:	potential for stalls in new development across the street.
Acoustics:	Concrete lid between retail and residential.	
Fire Code:	Concrete lid between retail and residential; "Two Hour" Wall between Liner and Big Box; Emergency egress from residential onto Sobey's roof; Two discreet egress hallways through Liner Building for Sobey's.	
Utilities:	Repositioning built into proforma, not a problem.	
Security:	No passageway between Liner and Sobey's; Emergency access only onto Sobey's roof; "Eyes on the Street" protect Sobey's rear.	

ALBERTA REAL ESTATE FOUNDATION GRANT

PROJECT 2:

50th Street SE Liner Building
Business Plan

4.3.3 · POLICY/POLITICAL ENTITLEMENTS

While Liner Buildings do not exist in the bylaw and would require relaxation of many suburban-oriented requirements, the need for more diversified, more affordable, and pedestrian-supportive housing options in Calgary are reaching a critical stage. Of the City of Calgary's Council approved 11 Principles of Sustainability, the Liner Building provides a tangible expression of the following six:

- Principle 1: Create a range of housing opportunities and choices
- Principle 2: Create walkable environments
- Principle 3: Foster distinctive, attractive communities with a strong sense of place
- Principle 6: Mix land uses
- Principle 7: Strategically direct and manage redevelopment opportunities within existing areas
- Principle 8: Support compact development

Additionally, the Liner Building fosters an environment conducive to the achievement of the following four:

- Principle 4: Provide a variety of transportation options
- Principle 5: Preserve open space, agricultural land, natural beauty and critical environmental areas
- Principle 9: Connect people, goods and services locally, regionally and globally.
- Principle 10: Provide transportation services in a safe, effective, affordable and efficient manner that ensures reasonable accessibility to all areas of the city for all citizens.

Finally, when developing compactly, the ability to achieve the final Principle, 11 - Utilize green infrastructure and buildings—becomes something that is more feasible at a community scale.

The reality that currently confronts the City of Calgary is that there is a disconnect between what it wants to achieve and what its current processes allow it to achieve. The only remedy for this is political leadership. This project offers all the ingredients for political success and a willingness to partner with the City of Calgary in order to achieve meaningful change is an essential component of this business strategy.

ALBERTA REAL ESTATE FOUNDATION GRANT

PROJECT 2:

50th Street SE Liner Building
Business Plan

5.0 • CONCLUSIONS

In the spirit of the AREF's mission to undertake projects that not only benefit the real estate industry, but are of general value to the people of Alberta, this report has endeavored to accomplish good at a variety of scales:

- Generally:
 - Establish a rationale for the introduction Liner Buildings into the Calgary real estate market;
 - Establish a rationale for the Liner Building's role in urban infill projects;
 - Establish a rationale for the Liner Building's role in the urban revitalization of Calgary's Central East Corridor;
 - Establish a rationale for the Liner Building's role in the urban revitalization of International Avenue;
 - Establish the importance of the 50th Street SE Liner Building in the redevelopment of the 50th Street East Urban Centre;
 - Provide a business case for the development of the 50th Street East Urban Centre;
- Specifically: Provide a business strategy for the development of the 50th Street East Urban Centre.

It is our expectation that the funding of this research promote the development of a project that will improve Alberta's real estate industry and act as a catalyst in the eventual reform of law affecting real estate practice. People and Place has been honored to be supported and joined in these tasks by the Alberta Real Estate Foundation as members of the International Avenue Design Initiative's "growing partnership working together for the future of Greater Forest Lawn.

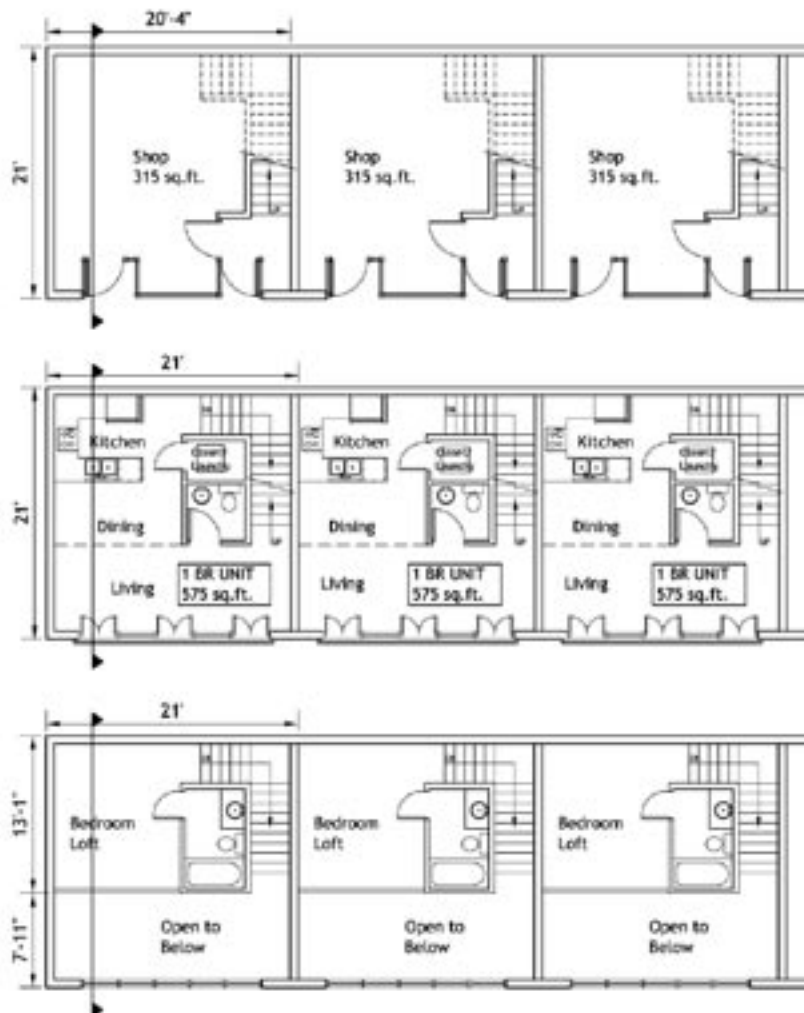
6.0 PROJECT TEAM

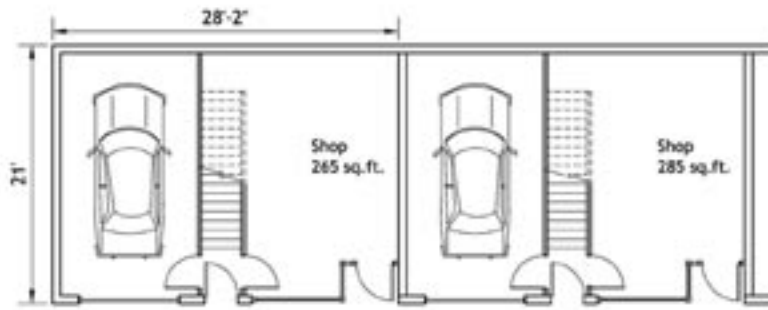
In addition to the overseeing People and Place Project Team, the execution of this report required professional expertise that was derived from EVDS Alumni and Faculty.

Dr. John Graham	Murray Fraser Professor of Community Economic Development, Faculty of Social Work, University of Calgary
Gian-Carlo Carra	Faculty of Environment Design Alumni MEDes, University of Calgary Project Manager, International Avenue Design Initiative
Dr. Christine Walsh	Assistant Professor, Faculty of Social Work, University of Calgary
Anna Brassard	Adjunct Assistant Professor, Faculty of Environmental Design, University of Calgary
Dr. Jennifer Hewson	Director, Centre for Social Work Research & Professional Development, University of Calgary
Alison Karim-McSwiney	Executive Director, International Avenue Business Revitalization Zone
Geoff Dyer	Sessional Instructor, EVDS Alumni MEDes, University of Calgary, Principle, T-Six Urbanists Inc.
Michael Shier	Faculty of Social Work Student (Project Assistant), University of Calgary
Iris Kit Li	Faculty of Environmental Design student (project assistant), University of Calgary
Glenn Lyons	Sessional Instructor, EVDS Alumni MEDes, University of Calgary, Principle, Lyons Venini & Associates, Ltd.
Susan Nelson	Vice Chair, EVDS Dean's Advisory Committee, University of Calgary, CEO, OpenGate Properties, Ltd.
Katrina Bradley	Director, Development & Alumni Relations, Faculty of Social Work, University of Calgary
Jolene Livingston	(Former) Director, Development and Community Relations, EVDS, University of Calgary
Dr. Gayla Rogers	Dean, Faculty of Social Work, University of Calgary
Brian R. Sinclair	(Former) Dean, Faculty of Environmental Design, University of Calgary
Dr. Loraine Fowlow	Interim Dean, EVDS, University of Calgary
Dr. Marty Cohos	Local architect, and People & Place supporter

APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS

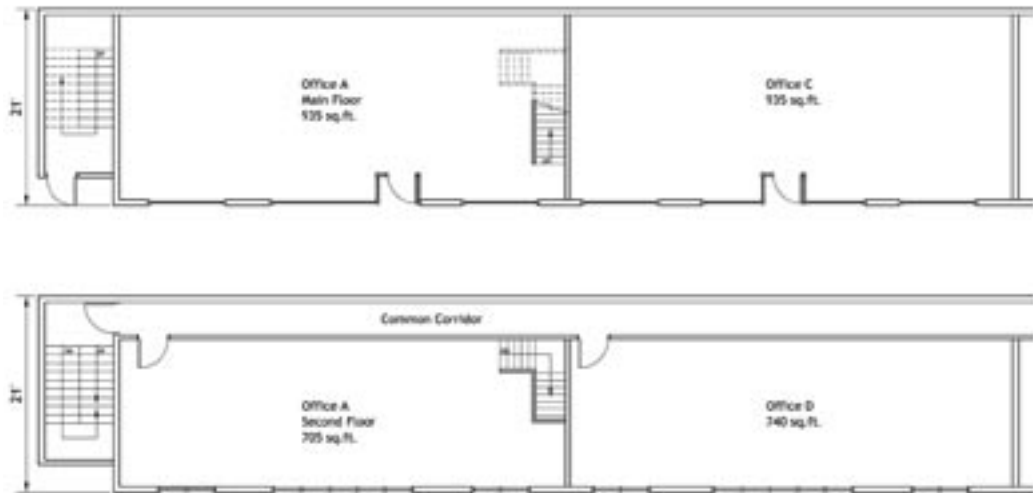
OPTION 1: LIVE/WORK LOFT



APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS**OPTION 2: LIVE/WORK TWO BEDROOMS + GARAGE**

APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS

OPTION 3: TWO STOREY OFFICE



APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS**OPTION 4: · LIVE/WORK LOFT + GARAGE + OUTDOOR SPACE**

APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS

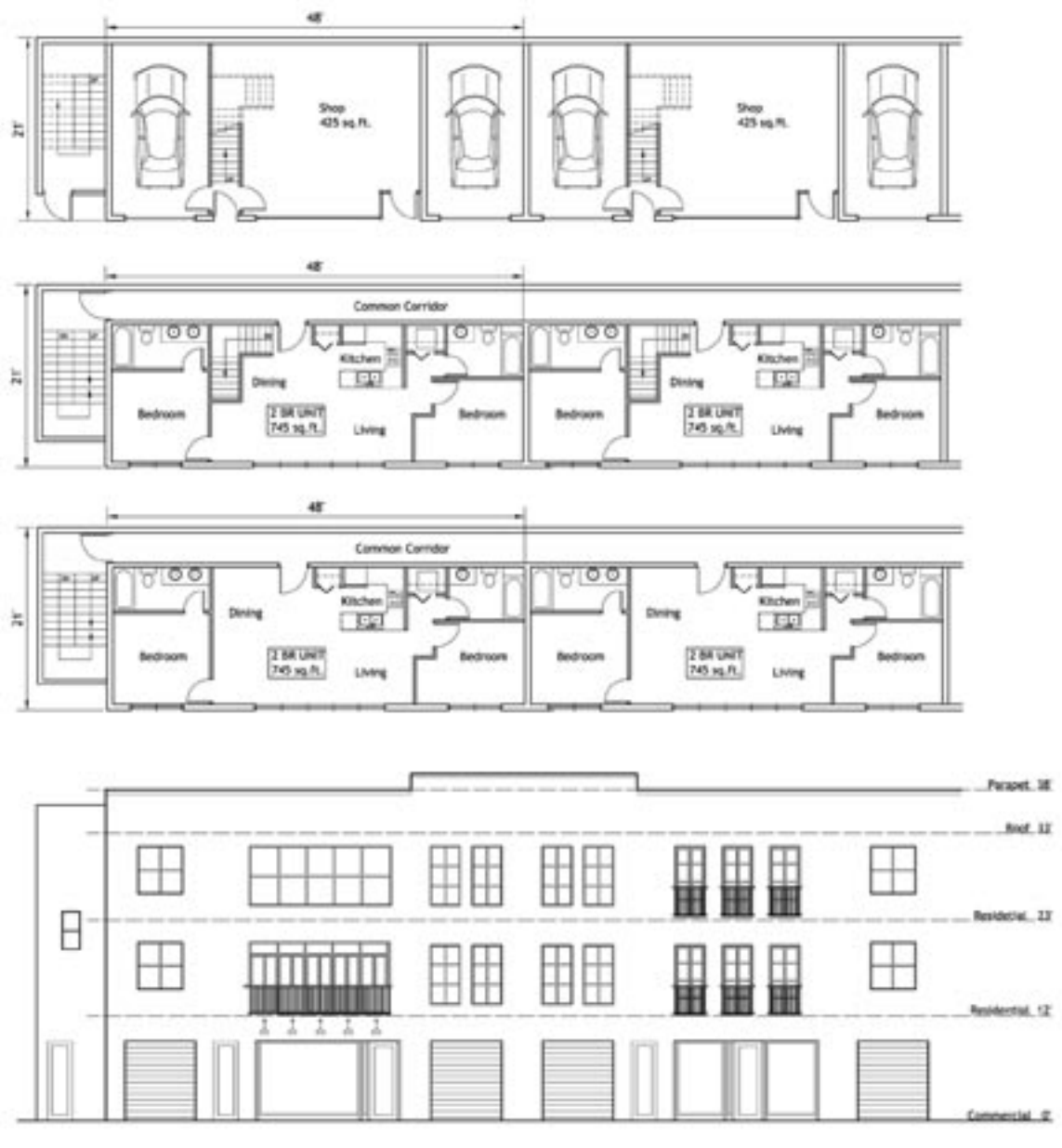
OPTION 5: 4-PACK APARTMENTS



APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS**OPTION 6: 8-PACK APARTMENTS**

APPENDIX 1.0 LINER BUILDING CONFIGURATION OPTIONS

OPTION 7: SINGLE-LOADED CORRIDOR APARTMENTS



APPENDIX 2.0 • OPTION 1: LIVE/WORK LOFT PROFORMA

COMPONENTS			COST BREAKDOWN		
LAND PURCHASE			\$235,000.00	\$117,500.00	\$0.00
· P.T. TAX			\$2,350.00	\$1,175.00	\$0.00
· LEGAL FEES			\$1,000.00	\$1,000.00	\$1,000.00
· BROKER FEES			\$0.00	\$0.00	\$0.00
· OFFSITE SERVICES * due to relocation of URW			\$25,000.00	\$25,000.00	\$25,000.00
· MISC.			\$0.00	\$0.00	\$0.00
SUBTOTAL			\$263,350.00	\$144,675.00	\$26,000.00
SOFT COSTS					
· ARCHITECTURAL @ \$2/sq.ft			\$19,000.00	\$19,000.00	\$19,000.00
· SUBCONSULTANTS					
STRUCTURAL			\$10,000.00	\$10,000.00	\$10,000.00
MECHANICAL			\$5,000.00	\$5,000.00	\$5,000.00
ELECTRICAL			\$5,000.00	\$5,000.00	\$5,000.00
LANDSCAPING			\$2,000.00	\$2,000.00	\$2,000.00
GEOTECHNICAL			\$2,000.00	\$2,000.00	\$2,000.00
CIVIL			\$5,000.00	\$5,000.00	\$5,000.00
ENVIRONMENTAL			\$5,000.00	\$5,000.00	\$5,000.00
· MARKETING CONSULTANTS			\$2,000.00	\$2,000.00	\$2,000.00
· DEVELOPMENT FEE			\$20,000.00	\$20,000.00	\$20,000.00
· DEVELOPMENT COST CHARGES			\$10,000.00	\$10,000.00	\$10,000.00
· FINANCING COST @ 13%			\$32,000.00	\$32,000.00	\$32,000.00
· INSURANCE			\$5,000.00	\$5,000.00	\$5,000.00
· OPERATING COSTS			\$0.00	\$0.00	\$0.00
· MISC.			\$5,000.00	\$5,000.00	\$5,000.00
SUBTOTAL			\$127,000.00	\$127,000.00	\$127,000.00
CONSTRUCTION COSTS					
· S.F. BUILDABLE - 11570 S.F. @ \$135.00 PER S.F.			\$1,561,950.00	\$1,561,950.00	\$1,561,950.00
· CONTINGENCY			\$46,858.50	\$46,858.50	\$46,858.50
· CONSTRUCTION MANAGEMENT FEE			\$75,000.00	\$75,000.00	\$75,000.00
SUBTOTAL			\$1,683,808.50	\$1,683,808.50	\$1,683,808.50
TOTAL			\$2,074,158.50	\$1,955,483.50	\$1,836,808.50
G.S.T.			\$145,191.10	\$136,883.84	128,576.60
TOTAL COSTS			\$2,219,349.60	\$2,092,367.34	\$1,965,385.10
REVENUE - Main Floor Retail/Commercial space					
· GROSS ANNUAL LEASE 18.75/S.F. X 4095 S.F. =			\$76,781.25	\$76,781.25	\$76,781.25
· LESS 3% VACANCY			(\$2,303.44)	(\$2,303.44)	(\$2,303.44)
· LESS 8% OPERATING COST			(\$6,142.50)	(\$6,142.50)	(\$6,142.50)
· LESS 1% STRUCT. RESERVE			(\$767.81)	(\$767.81)	(\$767.81)
NET OPERATING INCOME			\$67,567.50	\$67,567.50	\$67,567.50
ESTIMATED VALUE USING INCOME APPROACH					
· NET OPERATING INCOME \$67,567.50					
· CAP. RATE 0.09					
REVENUE - 2nd Floor and Loft Residential (Condominium)			Total Sales Revenue	Total Sales Revenue	Total Sales Revenue
259.84	X S.F.	575.00	\$149,407.86	\$149,407.86	\$149,407.86
UNITS			13	13	13
TOTAL REVENUE			\$1,942,302.18	\$1,942,302.18	\$1,942,302.18
LESS COMMISSIONS (3%)			(\$58,269.07)	(\$58,269.07)	(\$58,269.07)
			\$1,884,033.11	\$1,884,033.11	\$1,884,033.11
ESTIMATED VALUE COMMERCIAL			\$750,750.00	\$750,750.00	\$750,750.00
RESIDENTIAL REVENUE			\$1,884,033.11	\$1,884,033.11	\$1,884,033.11
LESS TOTAL COSTS			\$2,219,349.60	\$2,092,367.34	\$1,965,385.10
PROFIT			\$415,433.52	\$542,415.77	\$669,398.02
MARGIN %			18.72	25.92	34.06

APPENDIX 3.1 CASE STUDY: BELMAR (LAKEWOOD, COLORADO)

OVERVIEW

Belmar is a 103 acre grayfield site in Lakewood (Colorado's fourth largest city).

Based on new urbanist design principles, Belmar redeveloped a 1960s regional mall into a mixed-use, pedestrian-oriented lifestyle center with primarily big box and mid box retail.

Altogether, Belmar has "1 million square feet of retail space, 800,000 square feet of offices, a 250-room... hotel, 1,400 residential units, 9,700 parking spaces and 4 acres of parks, plazas and green spaces."

LINER BUILDINGS IN BELMAR

Whole Foods supermarket and Century 16 Belmar—a 16-screen multiplex theatre—are the two main big boxes that have been treated with Liner Buildings in Belmar. Each covers an area of ~ 64,000 square feet but the mixed-use Liner Buildings help mitigate the impact they have on neighbourhood scale.



Mid Block Parkade Entrance



Liner Building, Retail+Residential



Parkade with Retail Base, Denver CO.

PROJECT ASSESSMENT: PROS/CONS

- + Belmar won a Charter Award in 2005 in the 'Neighborhood, District, and Corridor' category.
- + As of mid 2006, residential units in Belmar were reported to be all leased and sold; Retail space was 85% leased. Developers say that Belmar's liner buildings are economically viable despite the higher cost in developing them.
- Critics of Belmar have pointed out its corporate, "Disney-esque" feel.
- +/- The tendency of lifestyle centres, like Belmar, to court bigger retail chains may lead to the minimization of locally-owned, independent businesses. However, Belmar's developers say that liner buildings typically have retail spaces that are 1,000 to 1,500 square feet, which may be better suited to local businesses.

ADDITIONAL RESOURCES

Designer (Master Plan and Design): Elkus/Manfredi Architects

Phone: (617) 426-1300

E-mail: info@elkus-manfredi.com

Web site - Belmar overview: <http://www.elkus-manfredi.com/mstrmix.html>

Owner/Master Developer: Continuum Partners LLC

Phone: (303) 573-0050

E-mail: continuuminfo@continuumllc.com

Web site - Belmar overview: <http://www.continuumpartners.com/projects/belmar.html>

APPENDIX 3.2 CASE STUDY: MIZNER PARK (BOCA RATON, FLORIDA)

OVERVIEW

Mizner Park is a 28.7 acre mixed-use redevelopment located in the downtown of Boca Raton and was completed in 1991.

City financing and private development turned Mizner Park from an abandoned department store mall site into a neighborhood with 272 homes, retail shops, restaurants, and 262,000 square feet of office space—all anchored by a main street. Engaging the community;

LINER BUILDINGS IN MIZNER PARK

The liner buildings in Mizner Park take the form of single-family residential row houses that hide shallow parking garage buildings.



Liner Building, Retail + Residential.



Mid Block Parkade, Mizner Park, FL.



Alleyway Access to Mid Block Parkade

They are located in the quieter northern part of the Mizner Park development. The row houses can be accessed from the street or from enclosed parking spots in the garage buildings.

Mizner Park's liner buildings help ensure the neighbourhood's design mandate that:

1. There are no stand alone, single-use buildings in the neighbourhood; and
2. Almost all parking is in garages with limited on-street parking.

PROJECT ASSESSMENT: PROS/CONS

- + Mizner Park is widely thought to be a financial success with most of the neighbourhood's housing sold or rented before construction was completed. Property values have increased 14 fold between 1990 and 2002.
- A review of Mizner Park in 1997 noted that it was not very ethnically diverse.

ADDITIONAL RESOURCES

Architect: Cooper Carry Design Firm E-mail: info@coopercarry.com

Web site - Mizner Park portfolio: <http://www.coopercarry.com/portfolio/loadDetail.aspx?id=&projectID=23&projectOrder=41&imageID=1>

APPENDIX 3.3 CASE STUDY: THE CAP (COLUMBUS, OHIO)

OVERVIEW

The Cap is a liner building that consists of retail shop arcades that line both sides of an overpass bridge for thru traffic. The arcades and bridge sit atop Interstate 670 (I-670).

The development—a joint venture between the City of Columbus and a private developer—features “27,000 square feet of shops and restaurant space—including patio seating, a sidewalk, and on-street parking.”

LINER BUILDINGS IN GREATER COMMUNITY CONTEXT

The Cap serves as a pedestrian-friendly strip that bridges a residential and business neighborhood (the Short North) to the entertainment and convention district in the north end of downtown Columbus. These two districts were previously cut off from each other by interstates.



The Cap: Building Lining Freeway Overpass



Pedestrian Streetscape



The Cap, Columbus OH.

PROJECT ASSESSMENT: PROS/CONS

- + The Cap won a Charter Award in 2006 in the ‘Block, Street, and Building’ category.
- + The Cap has been hailed as providing street vitality, consistent street frontage, and revitalization to an area that was previously prone to graffiti and vandalism. One of the main highlights of The Cap is that pedestrians are provided with the sense that they are on a pedestrian street (rather than a bridge) and that the less visually appealing view of the I-670 is obscured.
- Initial dilemmas included how to get utilities and sewer lines needed by the retail shops onto the bottom of the bridge and how to have the build out time of the shops in sync with the construction of the I-670. Utility installation was paid by the city; the city gave private developers a 100% real estate abatement for 10 years as an incentive but will receive a 10% share of the net rental income after three years.
- The 12 retail tenants of The Cap pay 20% more for their retail space due to high development costs.

ADDITIONAL RESOURCES

Architect: Meleca Architecture

Web site - (see retail >> “The Cap at Union Station”): <http://www.melecaarchitecture.com/>

Developer: Continental Real Estate Companies / Phone (main office): (614) 221-1818

Business Development Contact: John Hartman

Phone: (614) 883-1102

E-mail: jhartman@continental-realestate.com

APPENDIX 4.0 LETTERS OF SUPPORT

Following the release of this report, it will be circulated to the following stakeholder groups and letters of endorsement for this project will be collected.

1. International Avenue BRZ
2. City Alderman from Wards 9 and 10
3. City Administration
4. Forest Lawn Community Association
5. The Landowner – Sun Life
6. The Leaseholder – Sobeys

These letters will be attached to updated digital copies of this report and will be available from the Alberta Real Estate Foundation and People & Place. These letters will not constitute legal approval of the project, but will establish the position of these stakeholders moving into a formal approvals process.