

Saskatoon South Downtown “...A Vision Without Action Is Just A Dream”

South Downtown is a project that has captured the imagination of Saskatonians for decades. Raymond Moriyama illustrated the initial concepts embodied within the South Downtown development in a one hundred year plan document that led in part to the format of the Meewasin Valley Authority’s river edge work along the South Saskatchewan River.

The History Of A Dream...Dreams Aren’t Free

In the late 1970’s and early 1980’s, the City of Saskatoon embarked upon acquiring land interests in South Downtown, most particularly focused on block 146: the area bounded by 19th Street, 20th Street, and 1st and 2nd Avenue South. The City completed these acquisitions in the late 1980’s. The City of Saskatoon invested millions of dollars in the acquisition of land in this area, particularly on block 146. The City of Saskatoon stopped accumulating interest and has not calculated its forgone interest or tax losses on this block since the early to mid 1990’s. If the City of Saskatoon were to do so, the investment in block 146 would be in excess of \$30 million dollars. If land acquisition costs relating to the Gathercole building and site and the demolition of the Saskatoon Arena were to be included, and the City’s contribution to Clinkskill Manor were to be added, it is likely the aggregate investment at the municipal level would be in excess of \$35 million dollars. The City is also considering a park development in South Downtown with an estimated \$5 million dollar budget. Finally, if the project cost included the A.L. Cole site that was subject to remediation for environmental purposes approximately 10 years ago under a jointly funded venture between SaskPower and the City of Saskatoon, the municipal investment in this area would be in excess of \$40 million dollars by including forgone interest and tax revenues.

Making Dreams Come Alive

Most recently the City of Saskatoon has solicited an expression of interest from potential investors in South Downtown including the present Gathercole building (formerly a high school and most recently the administrative center for the Saskatoon Public School Board). Throughout this process, the projects have remained contentious and under significant public scrutiny both in terms of economic and community aspirations relating to developing a signature project in the South Downtown area of Saskatoon.

Others Dreams Became Reality...Why Not This One?

The development of downtown revitalization projects in Saskatoon can be traced as far back as the early work undertaken as leadership of previous City Councils relating to the relocation of CN rail yards and to create a site that was subsequently developed as Midtown Plaza, and the development of the Centennial Auditorium and Convention Centre. This project could be considered one of the first, if not the first major downtown development projects not only in Canada but perhaps in North America. This project was initially conceived in the mid 1950's and completed in the late 1960's. Subsequent to the Midtown Plaza development in Saskatoon, the Province of Saskatchewan financed downtown revitalization projects in Prince Albert and Regina in the form of the Gateway North Plaza shopping center in Prince Albert and the Cornwall Center in Regina. In the 1970's the City of Saskatoon sought a similar core development project with provincial participation; it is in this regard that the City of Saskatoon began the process of acquiring the land that forms the basis of the current South Downtown project.

Numerous proposals have been presented as potential developments for South Downtown including office towers for Saskatoon -based multinational corporations, a prestige office tower for the Saskatoon Public School Board, a department store on block 146, two hotel concepts, a major toy retailer, and a combination of a casino

trade center/farmer's market project that was defeated by way of plebiscite in the mid-1990's. Subsequent to these initiatives, the City of Saskatoon agreed to a land swap and development agreement with Princeton developments. Princeton's initial concept included a multi-screen theatre complex and major book retailer on block 146. This project was also subject to public discourse as some commentators indicated that the Princeton project was not of sufficient prestige to meet the showcase aspirations of the community. Even though the Princeton concept was similar to many entertainment retail projects in North America, it did not move forward due to financial realities for both the book retailer and the multi-screen complex targeted for the Princeton project. In the early 1990's, the mayor of Saskatoon undertook a Mayor's Task Force that considered the development of block 146 (to a limited extent) and spent a significant amount of time relating to the Gathercole site, being the area south of 19th Street. Much of this work resulted in the creation of the Direct Control District Guidelines (DCD) pertaining to the area. Another concept within the Mayor's Task Force alluded to the creation of a Development Corporation whose mandate would be focused upon the development of South Downtown as a Saskatoon showcase project. It is to this latter point that this presentation will be focused.

The Showcase Dream ...Champagne Taste...Grape Juice Budget

The showcase aspirations of Saskatoon for South Downtown are clear: these showcase opportunities were first enunciated in the Moriyama report. Some of the early work of Meewasin Valley Authority formed much of the community discussion on the potential of South Downtown. Other projects discussed for potential development for South Downtown included institutions such as libraries and courthouses, yet the project remains undeveloped. Included in the most recent discussion is a possibility of the City funding of Centennial Plaza at water's edge with an initially discussed budget of approximately \$5 million dollars. This will add to this City's already significant investment in tangible assets and numerous studies.

When public discourse occurs in Saskatoon South Downtown, examples from across Canada are often cited such as Grandville Island, Vancouver, the Forks in Winnipeg, Harbour Centre in Halifax, and Harbour Front in Toronto. Each of these projects have demonstrated a community gathering place / showcase project concept with action, but all of them are largely themed after Festival Market Place concepts initially developed by James Rouse of Rouse Corporation. Many of the cited examples use concept developments for the Quincy market and Faneuil Hall in Boston as the initial template.

When these examples are illustrated, a frequent oversight of community discussions ignores the very significant federal and provincial support required for these projects and the population scale required to support Festival Market Place projects. Grandville Island received initial support from a federal Crown Corporation (CMHC) of tens of millions of dollars in the mid 1970's. The Halifax project, the Forks project in Winnipeg, and Harbour Centre in Toronto each required public investment (largely federal) in the hundreds-of-millions-of dollars range each in order to get these projects moving. Therefore, the challenge for Saskatoon is to meet the showcase project aspirations of Saskatonians without a clear indication of support from senior levels of government. An example of the scale of investment required for these water front projects was recently illustrated in the Toronto Summer Olympics bid for 2008; that bid envisioned an **\$8 billion investment in water front refurbishment** as part of the project. It was proposed that the federal, provincial and municipal governments would fund this Olympic Project in Toronto.

We Are Not Alone: Downtown Projects Are Hard

Saskatonians should not be of the view that the City of Saskatoon has uniquely mismanaged downtown development. In fact, the unique leadership of Midtown Plaza should be considered one of the pre-eminent development projects of this type in all of Canada concerning urban planning in downtowns and in core revitalization. However, a review of redevelopment across North America describes a public

tendering of a project with many preconditions in place. Projects such as Midtown Plaza clearly show that Midtown Plaza is an exception rather than the rule. By researching downtown revitalization projects across North America, it is illustrated the vast majority of these projects cannot be developed under conventional terms. Mr. Rouse, a highly regarded leading innovator in downtown development from the mid 70's to the mid 80's, experienced significant financial difficulties resulting in corporate reformation at least 4 times in less than two decades. Much of this downtown redevelopment work in North America was well captured in a book published in 1989 and authored by Bernard J. Frieden and Lynne B. Sagalyn titled Downtown Inc. How America Rebuilds Cities which recounts the early genesis and justification for downtown redevelopment. Early acquisition projects and persuasive evidence relating to the lack of success under conventional terms led to plague many, if not most of downtown redevelopment projects.

By conventional terms, we mean a city developing design standards, offering the project for development, and securing a variety of project proponents from which to choose. Saskatoon's experience included a recent expression of interest call where virtually every project has had preconditions relating to ongoing municipal support in one fashion or another in order to see their projects move forward. This has created significant tension in the community regarding the viability of projects that will remain under public ownership and market distortionary potential of public investment in private projects where the profits will devolve to private sector developers and with the theoretical or offset benefits of the project being conveyed to the municipality via tourism or social development benefits. In this regard, it is safe to say to that had Downtown Inc. been authored prior to the City of Saskatoon acquiring all of the land in South Downtown, and had municipal planners reviewed the book, a substantially different approach might have occurred and the land acquisition may not have proceeded. It is clearly evident that Saskatoon's community aspirations relating to the showcase project conveyed to a private developer and funded by that developer and supported by market forces is not obtainable in

Saskatoon due to market size and market rental rate realities. This should come as no surprise when one reviews the history of similar projects across North America.

Without a Map: How Do We Get From Here to There?

The fact remains that there is a significant community interest in developing the showcase project in South Downtown. It is also clear that private sector investment and management, and imagination and capital will be needed to meet the requirements of a showcase project. The questions that then emerge are: How to actually experience a development project that will meet the showcase aspirations of the community? How do we limit the inherent distortionary characteristics of public investment in a private project? How could the project benefit the public in creating a showcase project in South Downtown and still be self-sustaining? At the same time, Saskatoon struggles to move forward sooner rather than later for the jobs, the public gathering characteristics, and the tax base that the South Downtown project offers Saskatoon. There is a clear desire that South Downtown should be realized quickly. Interest rates may never be lower and carrying costs of capital versus the revenue potential of a project is the fundamental issue of a self-sustaining project.

Our Recommended Roadmap

What is proposed by the Saskatoon and District Chamber of Commerce was developed by a task force comprised of current board members and selected members of the past President Council of the Chamber of Commerce. The task force met on two occasions after discussion at the board level of the Saskatoon and District Chamber of Commerce. What is being proposed was alluded to in the Mayor's Task Force of 1990. It is consistent with what has been seen in other markets as enunciated in the findings annotated in Downtown Inc. To move projects forward in a manner sensitive to issues previously described, it is proposed the City of Saskatoon form a not-for-profit South Downtown Development Corporation (SDDC). Its mandate is to see not only the development the Gathercole site but also the A.L. Cole

site. This project would also offer support to Princeton Development's plan to build and develop block 146. Block 146 is a critical component to seeing South Downtown successfully integrated to the rest of downtown. The formation of the SDDC is not a new concept in downtown development, but is new to Saskatoon. This new corporation would be charged with a time-lined mission to develop the area bound by Victoria Bridge and Victoria Park backing to 19th Street from water's edge. It would also provide limited assistance to adjacent property owners such as Midtown Plaza and Princeton Developments to see continued integration not only between the current central business districts but also to better integrate Riversdale with the rest of downtown. The strengthened connections will stimulate activity within the Riversdale Business Improvement District. The Chamber proposes that the SDDC would be the recipient of the land interest of the City of Saskatoon in this area and the fully capitalized value of the City's investment be recorded on the balance sheet of the SDDC.

We propose that the board of the SDDC be comprised of Board Management from the Riversdale Business Improvement District, The Partnership (or Saskatoon Downtown Improvement District), Meewasin Valley Authority, and the City of Saskatoon. If the city wishes, our Chamber would also offer the services of the Saskatoon and District Chamber of Commerce to serve on this Board of Directors. With financial and development expertise within the membership base of the Saskatoon and District Chamber of Commerce our participation could be of interest to the City. The SDDC in turn, would be in a position to negotiate with each of the presenters of expressions of interest to determine the financial viability of each project and better define the financial commitment required by each of the developers to move this project forward. Finally, and most critically, the SDDC would negotiate a profit sharing arrangement with the selected developer based on the extent of the projects' public investment requirement. The SDDC would then be in a position to measure the projects in terms of community benefit and gathering place potential. SDDC's evaluation criteria would be in keeping with each of the mandates of the Business Improvement Districts and the Meewasin Valley Authority, but also with

consideration of the financial impact on the City for the benefit of the City of Saskatoon.

A profit sharing arrangement would, to some extent, alleviate the concern of public competition with the private sector relating to public investment put forward for a private owner's private interest (including private not-for-profits). As a secondary component, the SDDC would be in a position to capture the cumulative value that has been contributed to the City of Saskatoon to this project. The entire \$40 million contributed to the project site would be the basis on which a joint venture agreement could be formed with other levels of government similar to other projects undertaken in other parts of the country. The cumulative investment by the City of Saskatoon is quite considerable and fully valuing it would place the City of Saskatoon in a stronger negotiating position with senior levels of government. This financial discipline would also provide a valid negotiating position with any private sector developer in the area.

What is the Character of a Saskatoon Showcase?

The Saskatoon and District Chamber of Commerce did undertake a character definition project that is included as an appendix. A review of the character statement of the area reveals a similarity to those enunciated by Tourism Saskatoon and certainly some of the discussion points raised by The Partnership in its work over the past fifteen years relating to South Downtown's integration, and role it could play within the context of the rest of downtown. In our view, the Gathercole building itself is not a sacred cow. Rules reduce market value. If it is in the developer's interest to sustain that building, then the developer should do so. If it is not in the developer's interest to sustain the building, then they should not be required to do so as a precondition to acquire an interest. While the Gathercole building does have the opportunity to convey a character to the site, this should not be a pre-indicated character definition for the area. Rather the character of the site should be driven by the vision and development plan of the respective proponent developers. It should be

remembered that anything less than full rights to a developer limits the value of the property.

If Saskatoon agreed to allow this project to move forward under conventional 'B6' guidelines with no parking requirements for office buildings, 100% potential site coverage, no architectural controls, no design review process, and no public disclosure relating to potential tenant mix (to be picked off by other developers), the value for this property would be maximized. To balance against the community aspirations relating to a showcase site with design controls, open space requirements, ground level public transparency, underground parking, and design review as enunciated in the DCD Guidelines, the economic value of this site is reduced. Each of these conditions, while potentially serving the public good, adversely affect the value of the property in which Saskatonians have invested so much. It is suggested by the Saskatoon and District Chamber of Commerce that the City consider development right bonuses based on projects that the City of Saskatoon with the developer might wish to see move forward and enunciate these as potential zoning bonuses to the SDDC for negotiation with the developer. These bonuses would then allow the developer new development potential as compared to that which the DCD guidelines currently permit. Examples could include heritage retention, underground parking provisions, public open space provisions, and arts space provisions. As developers moved forward to provide these amenities to the public, bonus development opportunities could be provided to that developer. In turn, the developer could sustain and improve the value of the development site and achieve the public interest objectives inferred in the DCD Guidelines, the Meewasin Valley Authority design review, and some of the conditions enunciated in the expression of interest in solicitation by the City of Saskatoon relating to the retention of the Gathercole building.

The final benefit of fully valuing the civic contribution to the SDDC is that it provides an opportunity to fully lever against senior levels of government on a tripartite redevelopment project for South Downtown. This approach could finance

a dramatically strengthened connection between Riversdale and downtown on 19th Street and underneath the Sid Buckwold Bridge. This approach could potentially fund the relocation of an electrical utility station on the A.L. Cole site that is also restricting the full value of that property for future development.

Should the City of Saskatoon be willing to move forward on the exploration of this concept, the Saskatoon and District Chamber of Commerce would offer its services to help guide the formation of the SDDC. The Chamber could provide background materials from a staff team who has some experience in downtown redevelopment and an extensive network of contacts in North America relating to water edge and downtown development projects. The Chamber would also provide guidance on the terms of reference for the not for profit corporation envisioned as the SDDC, including a potential mechanism for private sector investment in the development corporation relating to community interest, board make-up and definition of the project.

The Saskatoon and District Chamber of Commerce sincerely believes that a focused initiative such as the SDDC is Saskatoon's best chance to break the log jam of the last 25 years on this project and move it forward to reach its potential as a showcase destination and source of community pride for Saskatoon.