



On the Waterfront

Creating a Cultural Quarter in Toronto's Historic Distillery District

By Daniel Anderson

I recall a meeting with a property developer client and his team of architects and agents. We were discussing Locum's latest project – a 'cultural quarter' for a major UK city. It would be developed in partnership with the city council and the development corporation.

We envisaged local theatre, music and visual arts groups would come together to create the core cultural content. These activities would be complemented by high quality retail and catering. It would be special, unique, visionary, iconic. All the buzzwords were there. It was two hours of fruitful discussion, with a clear aim in mind – to create something special in the heart of the city. The type of meeting that had me thinking, at one stage, what a privilege it is to be doing this type of work. To think, I was there at the start of it all.

And then those awful words were spoken. 'Right,' said one of the agents, as he rolled up his copy of the plans and drawings. 'We'll take it out to the market and see what comes back.'

Well, I thought, that's two hours of my life that I'll never get back. It's obvious what will 'come back' if you just take something like that 'to the market' through the usual channels. Boots, Next, McDonalds, WH Smith. The Gap and Starbucks, if you're lucky. All of the high street staples. The only tenants that

will pay premium rates for prime frontage in unproven locations. Now they had me thinking, for how long can we keep doing the same thing, in the same way, and expect a different – i.e. a special, unique, visionary, iconic – result?

Which is why there is one statistic from a recent conversation with Cityscape Development Corporation – and many more will follow – that stands out in my mind. Eight out of ten. The owner of Toronto's Historic Distillery District turned down roughly eight out of ten companies that approached it for space. That's astonishing when you think that it bears the entire cost and risk of keeping those spaces void. To hold out for and handpick the types of operators that would differentiate this development from all others required a singular belief in the vision for the site and a willingness to put the owner's own money where its heart is.

From Windmill to Brewery to Film Set

But I'm jumping ahead. Take it back to 1837. That's when partners William Gooderham and James Worts diverted their energies from grinding wheat flour to distilling alcohol. Whiskey was a better business than wheat and they quickly outgrew their windmill on the shores of Lake Ontario and expanded into what would become the largest brewery in the British Empire. By 1871 the distillery was producing more than two million gallons of whiskey per annum. At the turn of the

century, the site had grown from the original mill into 44 separate buildings over a 13 acre site.

Booze was its business for more than a century. The distillery weathered the dry years of prohibition and regular changes in ownership, eventually ending up within the Allied Domecq portfolio. Largely outdated as a distillery by the 1980s, it was officially shut down in 1990. It then remained idle for over a decade, although it did enjoy the distinction of being the largest film set outside of Hollywood, used for some 800 movies, including X-Men and Chicago.



Cityscape Steps In

In May 2001, the whole site – located in a central, but off-pitch part of Toronto, a 15-minute walk from the financial district – was purchased by Cityscape Development Corporation. The company specialises in the ‘adaptive re-use of historic buildings’ and its origins bear a striking resemblance to UK developer Urban Splash, inasmuch as it too started off with residential loft conversions in ‘difficult’ buildings. But their showpiece development at the Gooderham and Worts Distillery is genuinely unique in both scale and approach.

Having made a name for themselves as inventive developers with commercial sense and a sensitivity toward the built heritage, the principals of the company were invited on a tour of the distillery buildings in May 2001. By then, the site had degenerated into an industrial wreck. It was unserved, undeveloped, overlooked. To their eyes, it was perfect.

‘We fell in love with the site instantly,’ says John Berman, one of the four partners, who reminds me that, ‘unlike Montreal and Vancouver, Toronto has never really had any historic district. We could really see the potential to develop this into something special. There was no question about it. As far we knew, the site wasn’t for sale. But we managed to track down the owner [a Bristol-based pension fund], and we started working on an unconditional offer on the site that afternoon.’

What they had stumbled on was the largest and best preserved collection of industrial Victorian buildings in North America. 44 low-rise, red-brick and limestone buildings, connected by a network of brick paths and courtyards.

Incredibly, the owner never responded to their original \$13 million offer. Cityscape continued to chase it, offering to hop on the next plane to England. No answer was ever forthcoming. But they were in a good position to pounce when, in September 2001, the owner – inspired by what he’d seen at Vancouver’s Granville Island – put the site up for sale.

After ten years of stasis, everything seems to have moved with breathtaking pace since then. September 11 struck and the bottom temporarily fell out of the North American property market. Undeterred (but conscious of the new market context), Cityscape came back with another unconditional offer. This time, with few other takers in the post-9/11 market, they managed to purchase the site for \$11 million – well below their original bid back in May. The deal was closed in December 2001.

The Vision

Cityscape is not a conventional property developer. The brainchild of lifelong friends John Berman (lawyer) and Michael Rosenblatt (broker), the quartet of principals is rounded off by Jamie Goad (architect), and David Jackson (planner). They bring all of the different disciplines required for innovative development solutions, but are united by their shared belief that the seeds sown in the destination today will bear fruit in the long term. They call it ‘urban farming’.

Their vision for the site was straightforward: a pedestrianised historic district for Toronto centred on arts, culture and entertainment. Something along the lines of Vancouver’s Granville Island or Boston’s Faneuil Hall. That, in itself, required no great leap of the imagination. There is plenty of precedent for the formula and, frankly, what would you do with 44 Victorian buildings in the heart of Toronto?

But underpinning that vision, according to Rosenblatt, was a recognition that, ‘our communities are cloning each other. We couldn’t afford to put anything here that people could just as easily get in their own neighbourhoods. We had to give people a reason to come here.’

It was this basic premise that informed their approach to the site and which sets the Distillery project apart from others that purport to create ‘cultural quarters’ only to end up recreating the identikit destinations found elsewhere.



Getting Started

With a clear vision and a basic philosophy for the development in mind, they set off to put their plan into action. First, they needed the cash to get things moving. The distillery had been designated an historic site back in 1988 and they knew that public funding programmes were a possibility. But they didn't want their hands tied and they didn't want to wait. 'We wanted to get moving as soon as possible,' says Berman. 'We didn't want the hassle and the delay of applying for public grants, only to be turned down later.'

So they chose to finance the development privately, borrowing against their own assets as well as the business plan. They did, on the other hand, work with the public sector to ensure that the integrity of the buildings was retained. However, notwithstanding the constraints set by the architecture, city planners – keen to regenerate a long-neglected area – have shown a remarkable willingness to ease up on planning controls.



Sowing the Seeds

Next, they worked out a sequence for populating the spaces that would rapidly (and sustainably) create the critical mass required to make the scheme work. As compelling as their vision could be, they knew that few of the commercial operators they were looking for would take the risk of being first into the breach. Something they refer to as the 'not me first' dilemma.

So to develop the artistic, cultural and entertainment core they needed, they turned to a now-predictable set of allies: local artists. The rationale was to attract an artistic community that could use the space, but didn't necessarily need the footfall. Bedding them into the District was key – if they wanted to market and sell their goods elsewhere in the first instance, that was fine for now.

Here too, however, they have developed a new spin on an old theme. Lots of destinations have courted the artistic community in a bid for some sort of 'street cred'. Hard on the heels of the creative types, so the theory goes, are the higher value restaurants and cafés and boutiques and galleries. But these have a tendency to drive up rents, forcing out the original artists who then go on to colonise new spaces.



In Cityscape's vision, the artists stay, a key component of the end-product. To that end, the developers agreed a 20-year lease with Toronto Artscape, a non-profit organisation that creates affordable space for artists. Artscape enjoys a prime location on Trinity Street, the main entrance to the site, subletting to 50 artists and groups paying below average city centre rents. Over the course of the lease, rents are expected to rise slower than market rates, ensuring that the community stays in the long term.

Whilst luring the artistic community to the site, two other strands of the vision were pursued in parallel. First, the developers went out in search of key commercial occupiers. The order of the day was retail and catering operations that would contribute to the overall 'sense of place'. National retail chains and franchised bars and cafés need not apply. All of the tenants were handpicked or vetted by the developers.

'We didn't use agents,' says Rosenblatt. 'That kind of approach wouldn't work for a site like this. We proactively went out and targeted companies and individuals who could bring something unique to the mix.'

So instead of a chain bar or ubiquitous 'Irish' pub, you will find the Mill Street Brewery, which produces home grown organic lager (harking back to the origins of the site). Balzac's Coffee House, in the old distillery pump house, 'celebrates' world coffees. Pure Spirits Oyster House and Grill, the Brick Street Bakery, the Perigree Restaurant and Grand Piano Pastries are not names that you are likely to find in any shopping mall and on every street corner.



At the same time, effective programming of the public realm – to generate the first waves of footfall for those pioneer tenants – was critical. ‘Programming was the glue that held it all together,’ says Rosenblatt.

Last year alone, the Distillery hosted international dance and ‘busker’ festivals, an outdoor art exhibition, the Distillery Jazz Festival, even ‘Woofstock’, a festival for dogs. All of this happens alongside regular performances within the District’s indoor and outdoor theatres and event venues.



They even devised a simple, transparent system for letting kiosks on Trinity Street – the main drag through the heart of the District – with measures to ensure consistently high quality amongst all vendors. This adds to the overall product, and – critically – keeps the public realm constantly active and animated. Further, they have kept the Distillery still very much in the movie business. Every lease includes a provision for moviemaking on the site, which adds revenue, footfall and a certain ‘mystique’.

But what’s in it for them?

If it all sounds too good to be true, then consider the payoff to Cityscape in the long term. It was always expected that arts and culture would be the catalyst and ‘entertainment’ (including commercially-driven arts and culture, destination retail and catering, as well as events) would be the value generators. Subsidised arts and culture may yield a lower commercial return on investment than they could achieve with an office and/or residential redevelopment, but the Cityscape team have their targets set well into the long term. Whilst their returns may be below average for the Toronto property market right now, they are confident that after ten years the situation will have reversed.

They may not have to wait that long. Cashflow is well above target owing to the faster-than-expected take up of space, and a five-fold increase in capital value is expected. ‘It’s about growth in cashflow and growth in capital value,’ says Berman. ‘Both are required and both are important.’

Further, the success of the District has enabled allied commercial and residential development on the edges of the site. They already have city approval for 4,000 square metres of new build residential development with potential for another 5,000 square metres downstream.

Despite their belief in the vision and faith in their approach, the developers themselves are surprised by the speed with which the catalytic effect has taken hold. Shortly after the

Artscape deal was done, two high-end gallery owners – one specialist in glass art, the other a photographic art gallery, both drawn by the sincerity and ambition of the Cityscape vision – took up prime spaces in the District. The dominoes tumbled from there. It was a credible endorsement of the area as a centre of quality arts and culture. ‘Once we’d achieved a critical mass,’ says Berman, ‘people started approaching us’.

A visitor centre and a digital media gallery were set up in the stables on Trinity Street. The same tenants hope to turn another building into an incubator for new media businesses. And it’s at this stage that he cites the statistic that, at least in my mind, makes the penny drop: ‘we turn down about 8 out of 10 companies that approach us’.

A Few More Statistics

In terms of a letting strategy, it’s all a very far cry from ‘taking it to the market’ to see what ‘comes back’. But it does conjure another, more positive reflection on destination development.

Christmas, 2003. The family gathers at my sister’s place in Oakville, Ontario. Always on a busman’s holiday, I decide to pay a visit to this Distillery District that I’ve heard about. It turns out that my brother-in-law has been meaning to check it out for a while now. When told about it, my sister wants to go too. As we wrap up the kids, their grandparents sign on to the expedition.

To be honest, it isn’t everyone’s cup of tea. The kids tire easily and there is no giant bookstore to keep grandpa occupied, although he does leave with a souvenir six-pack of organic beer. I’ve grown cynical enough to say that it ‘feels regenerated’, though I don’t know what that means. But it’s a cold weekday morning and the place is certainly hopping.

No destination is all things to all people and a few more choice statistics will put it all into perspective: 7 people, 2 cars, a 30-minute drive, in just about freezing weather. We needed a reason to make that trip, and we never would have made it for Boots, Next, McDonalds, or WH Smith. Not even for The Gap.

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