



POLICY REPORT
DEVELOPMENT AND BUILDING

Report Date: September 26, 2016
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Meeting Date: October 4, 2016

TO: Vancouver City Council
FROM: General Manager of Planning, Urban Design and Sustainability
SUBJECT: Heritage Amenity Bank and Transfer of Density Update

RECOMMENDATION

THAT, effective November 15, 2016, Council authorize the City to accept cash payments in lieu of the purchase and transfer of heritage density for all rezoning applications that have been approved in principle following a public hearing up to July 31, 2016, which included, as part of the offered public benefits, the purchase and transfer of heritage density as a condition of rezoning enactment and for which the applicant has not yet provided a Letter A, Letter B and receipt to the City;

FURTHER THAT all such cash payments be set aside in a reserve for citywide heritage conservation purposes.

REPORT SUMMARY

Over the past decade Council has approved a number of actions to manage the Heritage Amenity Bank that has included both actions to limit the supply/creation of new density from heritage conservation projects and to increase absorption/transfers to reduce the balance of the bank.

This report will provide an update on the status of the bank and recommend that Council approve changes to the rezoning conditions for applications requiring, as part of the offered Community Amenity Contribution (CAC), a purchase and transfer of heritage density in order to allow these rezoning applications to proceed to enactment. At present a number of applications are unable to meet the rezoning requirement for the amount of density (square footage required) to be purchased at the price stipulated in the Council report. Approval of the recommendation in this report will allow for a period of time, up to November 15, 2016, for those transactions to conclude with existing vendors who have density available to purchase. After that date, the purchasers will be given the option to offer a cash payment to

the City in order to fulfill the condition of a purchase of heritage density. Cash payments in lieu of heritage density purchase would be set aside in a reserve for citywide heritage conservation purposes. Allocation of the reserve funds will be outlined in a report on heritage incentives as part of the Heritage Action Plan. The Heritage Action Plan review will include a review of the density bank tool and recommendations for the future of the density bank program and how it relates to the broader context of heritage incentives.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 595A of the Vancouver Charter authorizes Council to establish a heritage density increase transfer system in relation to extra density provided as compensation for any reduction in the market value of property attributable to the designation of that property as protected heritage property.

In 1983, Council approved the transfer of density policy as a tool that could be used to achieve a number of public objectives including heritage conservation. The policy was amended in 1993, to allow the “banking” of density in a “Heritage Amenity Bank” and its transferability to other sites to facilitate rehabilitation and conservation of heritage buildings in the City’s Downtown and Central Broadway areas.

In 2007 (RTS 6812), Council approved a number of actions to rebalance the Heritage Amenity Bank in order to maintain its viability as a public benefit tool including limiting increases to the Heritage Amenity Bank and the expansion of areas where transfers could be considered.

In 2009 (RTS 7281), additional measures were approved including establishing an annual absorption target of 200,000 square feet and a prohibition on the creation of new heritage density until such time that the balance in the Heritage Amenity Bank achieved equilibrium. Equilibrium would be reached when the balance in the Bank was at a level that was equal to or less than the total of the previous three years of absorption. In other words if the target of 200,000 square feet per year was achieved, equilibrium would be when the bank balance reaches 600,000 square feet.

Throughout 2009 and 2010, several initiatives approved by Council created additional public benefit capacity, which introduced new or additional opportunities for potential density transfers in the following areas: Downtown South (April 2009), Northeast False Creek (November 2009), Downtown Capacity and View Corridor Review (January 2010), Chinatown South (January 2010), and Southeast False Creek (July 2010).

In 2013, Council approved amendments to the Transfer of Density Policy and Procedure to expand the use of the heritage amenity density transfers as public benefit contributions in rezonings to be city-wide (RTS 10130). In the same report, Council approved on a one-time basis, the use of \$4.8M in unallocated CACs to reduce the balance of the Heritage Amenity Bank (see RTS 10589 for purchase approval).

Council has approved heritage amenity density allocations as part of the public benefit strategies in a number of community plans including Cambie Corridor, Downtown Eastside, Grandview Woodland, Marpole, Mount Pleasant and the West End. As a result rezonings in these areas often include a portion of the CAC to be allocated to a purchase from the Heritage Amenity Bank.

The following Council Policies are relevant to this report:

- Transfer of Density Policy and Procedure
- Heritage Policies and Guidelines
- Zoning and Development By-law
- Downtown Official Development Plan.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager and the General Manager of Planning, Urban Design and Sustainability RECOMMEND approval of the foregoing.

REPORT

Background/Context

Transfer of Density as a Heritage Conservation Tool

The City's Heritage Policies and Guidelines facilitate heritage conservation throughout Vancouver. One of the tools that can be used allows granting of transferable bonus density as an incentive to conserve, rehabilitate and designate (protect) a heritage building. In exchange for protecting and upgrading an otherwise unprotected building, the tool allows the owner of a heritage building to offset the costs of undertaking heritage rehabilitation work with the creation of an asset with commensurate value, namely bonus floor space or density. In cases where it is not possible to realize the bonus density on site, it may be possible to transfer it to another site as outlined in the Transfer of Density Policy and Procedures. The density can be held or "banked" (and is recorded in the City's Heritage Amenity Bank) and then transferred to one or more other site(s).

A transfer of density is approved either by Council in the context of a rezoning or by the Development Permit Board in the context of a development permit application. Council can consider transfers in city wide rezonings as part of a Community Amenity Contribution. The Development Permit Board can consider transfers in the Downtown District, West End, Central Broadway and South East False Creek. Existing policies (and the Vancouver Charter) limit the amount of density that can be approved by the Development Permit Board to a maximum of 10 per cent over the total permitted floor space.

The value of density is tracked in the Heritage Amenity Bank and transactions among sellers and buyers occur in an open market. Should a development approval result in an allocation of heritage amenity as part of its Community Amenity Contribution, that applicant would facilitate a transaction with a holder of transferable density to purchase the allocated density, with the result being a decrease in the overall balance of the Heritage Amenity Bank.

Heritage Conservation Achievements with Transfer of Density

The conservation of heritage resources is a City-wide amenity that is enjoyed by all citizens and visitors to Vancouver. In addition to the obvious improvements to the physical environment, heritage conservation results in other benefits to the public through cultural, economic and social rejuvenation. Since 1993, 50 heritage buildings throughout Vancouver have been conserved, rehabilitated and protected by availing themselves of the City's heritage programs and the transfer of density tool. Some of the more notable examples of projects that were facilitated by the City's transfer of density tool include the Stanley Theatre on South Granville, Simon Fraser University Segal Graduate School of Business at Granville and West Pender, the new YMCA on Burrard Street, an entire block of six buildings on the south side of Water Street at Maple Tree Square in Gastown, the Woodward's redevelopment on West Hastings and Christ Church Cathedral at Burrard and Georgia Streets.

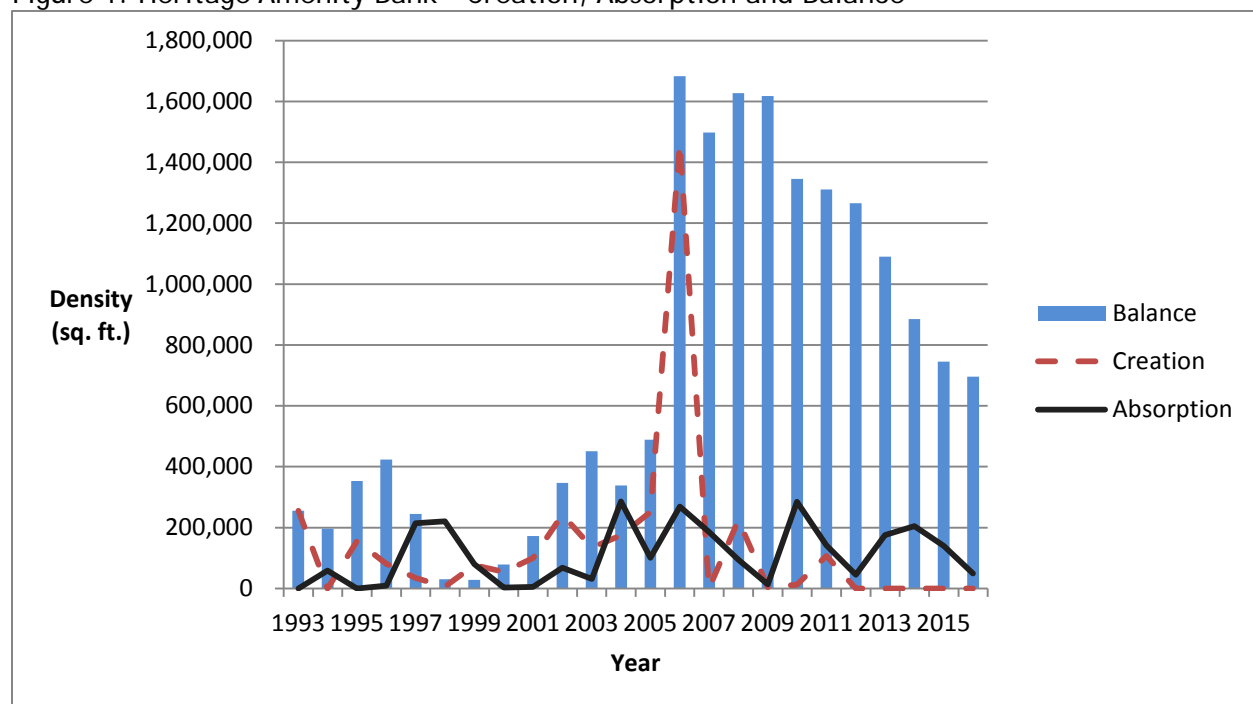
The City has a number of funding mechanisms to deliver public amenities, including development cost levies (DCLs), community amenity contributions through rezonings (CACs), contributions secured through conditions of development, and contributions from senior government and external funding partners. Of these, CACs are the principal mechanism used to support heritage conservation and are used to absorb heritage amenity density.

Strategic Analysis

Update on the Heritage Amenity Bank

Since its establishment in 1993, the Heritage Amenity Bank's balance has remained relatively stable, with fluctuations up and down but never exceeding 500,000 square feet until 2006. At that time, a record thirteen projects gained approval resulting in 1.4 million square feet being added to the balance in a short period of time (See Figure 1).

Figure 1. Heritage Amenity Bank - Creation, Absorption and Balance



Density Bank Balance and Available for Sale - Supply

The current balance in the heritage amenity bank is approximately 700,000 sq. ft. Of this amount, 160,000 sq. ft. is not available for sale as the conservation work on the heritage buildings has not been or is only partially completed. An additional 430,000 sq. ft. is also not available for sale as some is presently proposed to be used by the holder of the heritage density as part of a CAC in a rezoning application referred to public hearing; some is being held by owners for use on their own projects; and the remainder is limited for use to the owner's own projects as per the agreed terms when it was approved. The remaining total (available for sale) is approximately 110,000 sq. ft. as illustrated in Table 1 below. The majority of the remaining density available for sale today is held by a limited number of vendors.

Table 1. Heritage and Amenity Density Bank Balance Available for Sale

Balance	700,000 sq. ft.	
Heritage projects approved but not completed (not available for sale/transfer)	160,000 sq. ft.	
Held for own projects (not available for sale/transfer)	430,000 sq. ft.	
Available for sale	110,000 sq. ft.	
Approvals for transfer through rezoning (not enacted)*		60,000 sq. ft.
Remainder after rezonings satisfied		50,000 sq. ft.

* refers to pending rezonings with transfer of density requirement in Table 2 below

Pending Rezonings with Transfer of Density Condition - Demand

A principal method of ensuring that heritage density is purchased and transferred has been through CACs in recent rezoning applications. Table 2 lists the rezonings approved in principle following public hearings over the past 12 months that are yet to be enacted and include a condition to secure the "purchase and transfer" of an amount of heritage density as specified.

Table 2. Rezoning Applications which include Transfer of Density Enactment Condition

Receiver Site	CAC Value (\$)	Amount (sq. ft.)	CAC\$/sq. ft.	Public Hearing Approval Month
2-26 E. 1st	690,894	10,629	65	October 2015
375 W. 59 th	230,373	5,064	65	December 2015
6318-6340 Cambie	309,900	4,768	65	December 2015
1755 West 14 th	1,085,423	17,000	65	January 2016
526-548 W. King Edward	242,838	3,736	65	April 2016
288-388 W. King Edward	202,422	3,114	65	May 2016
4085Ash/619 W. King Edward	131,984	2,031	65	May 2016
5189-5289 Cambie	516,907	7,952	65	June 2016
505 W. 62 nd	61,303	817	75	July 2016
7807 Cambie	60,893	812	75	July 2016
TOTAL	3,532,937	55,923		

Applications ready to proceed to enactment pending resolution of density transfer/purchase requirement and value per square foot.

Density Value

The heritage density incentive can be granted by Council to owners who complete heritage conservation projects. The transfer of density granted is provided as an incentive and compensation to an owner for the heritage designation and the resulting costs to undertake the rehabilitation and conservation of the heritage building. The amount of incentive, and its value, is determined at the time of the project and is agreed to by the owners by way of a Heritage Revitalization Agreement.

The “value” or selling price of density is noted in each transaction and is tracked and reviewed by staff. When the density bank was initiated in 1993 the value was set at \$25/ sq. ft. In 2003 this increased to \$50/ sq. ft. and remained at that level until it was increased to \$65/sq. ft. in 2008. Earlier this year, the value was increased to \$75/sq. ft. following a review that was also informed by a letter of opinion from Coriolis Consulting. The change in value was noted in rezoning applications that were referred to public hearing after June 1, 2016.

Issues/Options

While there is adequate supply available to meet the requirements of the above noted rezonings approved at public hearing, there are a very limited number of vendors which has resulted in the prices being raised more than noted in the rezoning reports. As a result, applicants are either having to pay considerably more than originally envisioned and have limited vendors that they can approach. This has resulted in an imbalance in the system and they are unable to meet the rezoning conditions for density bank purchase and complete

requirements for enactment. A number of options have been considered and staff have concluded that Recommendation A presents the best viable option for the City.

Financial Implications

Effective November 15, 2016, rezonings that were approved in principle up to July 31, 2016 will have two options to meet the purchase and transfer of density condition:

- a) fulfill the rezoning condition for heritage density purchase at prices as stipulated in the rezoning reports (\$65/\$75); or
- b) offer a cash payment to the City in lieu of heritage density purchase for the value set out in the rezoning reports.

All cash payments made in lieu of the heritage density purchase will be set aside in a reserve for citywide heritage conservation purposes. Allocation of funds for specific heritage conservation purposes will be sought as part of the capital planning/budgeting processes.

A review of the efficacy of the density bank as a tool to enable heritage conservation work is underway and recommendations for the future of the density bank and how it relates to the broader context of heritage incentives will be reported as part of the Heritage Action Plan.

CONCLUSION

Transfer of density is an important tool which has been successfully utilized to achieve heritage conservation objectives. Steady progress has been made in reducing the balance in the density bank as noted in the report.

A number of rezoning applications are unable to meet the rezoning requirement for the amount of density (square footage required) to be purchased at the price stipulated in the rezoning report approved at public hearing. This report sets forth a recommendation that, if approved, would allow for those transactions to be concluded up to November 15, 2016. Purchasers unable to conclude their transaction by that date will have the option to offer a cash payment to the City in order to fulfill the condition of a purchase of heritage density. Cash payments in lieu of heritage density purchase would be set aside in a reserve for citywide heritage conservation work. Allocation of the reserve funds will be outlined in a report on heritage incentives as part of the Heritage Action Plan. The Heritage Action Plan review will include a review of the density bank tool and recommendations for the future of the density bank program and how it relates to the broader context of heritage incentives.

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