



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: October 28, 2004
Authors: Kathy Morgan and
Thor Kuhlmann
Phone Nos.: 604-873-7760 and
604-873-7683
RTS No.: 04632
CC File No.: 2608
Meeting Date: December 2, 2004

TO: Standing Committee on Planning and Environment

FROM: Chief Building Official, in consultation with the Director of City Plans

SUBJECT: 1628 Station Street
Request for Extension of Building Permit No. BU421214

RECOMMENDATION

THAT City Council approve an extension of Building Permit No. BU421214 for 1628 Station Street until April 15, 2005.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the foregoing.

COUNCIL POLICY

Article 1A.7.5.1 of the Vancouver Building By-law addresses actions the City can take when an applicant, who has received a Building Permit, is not proceeding with active work under the permit. The By-law prohibits the Chief Building Official from granting more than one extension to a Building Permit. Any further extensions can only be approved by Council.

On January 28, 2000, the interim city-wide Vancouver Development Cost Levy By-law was enacted. On May 8, 2001, the False Creek Flats DCL By-law was enacted, which requires payment of a layered DCL in addition to the Vancouver DCL. On January 13, 2004, the Vancouver DCL By-law was amended to increase the rates effective February 1, 2004. On

February 12, 2004, the Vancouver DCL By-law was amended to reduce the rates temporarily until June 30, 2004.

PURPOSE

This report seeks Council's approval for an extension of a Building Permit for 1628 Station Street. The extension request is complicated by changes to City By-laws with respect to Development Cost Levies (DCLs).

BACKGROUND

Building Permit No. BU421214 was issued on June 12, 2002 for Phase I of the construction of a new five-storey laboratory/office building with grade level covered parking at 1628 Station Street. Work commenced but was discontinued at the slab-on-grade stage. The applicant applied for an extension in March of 2003 and it was approved by the Chief Building Official until October 15, 2003, subject to payment of outstanding Development Cost Levies (for added floor space) prior to approval of Phase II under the Certified Professional Program. The owners paid the outstanding DCLs owing and applied for a second extension, which was approved by Council on October 21, 2003. A third extension was approved by Council on April 8, 2004.

There has been no change to the zoning for the property (I-2 - Industrial District). Related Development Permit No. DE405561 was issued June 7, 2001 for the construction of two buildings on this site. Building A, at 1618 Station Street, has been completed. A minor amendment for alterations and additional floor space for Building B, 1628 Station Street, was issued June 11, 2002. If the Building Permit is not extended, it would be necessary for the applicant to apply to the Director of Planning to consider renewal of the Development Permit as it pertains to Building B.

Due to its location, 1628 Station Street is subject to the Vancouver DCL as well as the layered False Creek Flats DCL.

DISCUSSION

The site owners, Discovery Parks Incorporated, have requested a fourth Building Permit extension as the biotech market remains very soft. Despite exhaustive efforts they have not been able to secure an anchor tenant for the building. Until an anchor tenant has been found, the Discovery Parks Trust board advises that they cannot allow the project to progress beyond its current slab-on-grade stage because of the potential financial exposure to the company. They note that it would be extremely difficult to secure normal financing without any pre-leasing in place. They advise that they have a considerable investment in the project and have every intention of continuing with construction as soon as an anchor tenant has been found.

Prior to the wide application of Development Cost Levies (DCLs) in Vancouver, applications for Building Permit (BP) extensions were usually approved. However, the presence of DCLs raises additional implications for BP extensions. When a BP is issued, the applicant is required to pay the DCL at the prevailing rate of the day. If a BP is extended and the

extension spans a DCL rate increase (or introduction), the permit holder can not be required to pay the difference between the old and new rates. If a significant period of time elapses between the DCL rate increase and a project's commencement, there are impacts for the City (which receives reduced DCL revenues with which to pay for the increased costs of growth) and the project's competitors (who must pay the higher prevailing DCL rate even if they commence work within the same time frame). For these reasons, the City considers the merits of each BP extension request against the potential downsides that such an extension might engender.

Since the introduction of the Citywide DCL, the City has considered a number of applications for BP extension (see Table 1 below).

Table 1: Building Permit Extension Request History

| Address | Purpose | Date of application | Time elapsed since pertinent DCL rate introduction/change | Extension request | Council decision |
|-----------------|-------------------|---------------------|---|-------------------|------------------|
| 1050 Smithe | Hotel/residential | January 2001 | 1 year | 2 nd | Extend |
| 1177 W Pender | Office/retail | January 2001 | 1 year | 2 nd | Extend |
| 1628 Station St | Laboratory/office | October 2003 | No rate change | 2 nd | Extend |
| 3600 Cornett Rd | Film studios | December 2003 | 1 year (Grandview Boundary) | 2 nd | Extend |
| 1628 Station St | Laboratory/office | April 2004 | 2 months after rate change | 3 rd | Extend |
| 1177 W Pender | Office/retail | July 2001 | 1.5 years | 3 rd | Refuse |
| 2900 E Broadway | High tech/office | February 2003 | 3 years after Citywide and 3 months after Grandview Boundary rate | 2 nd | Refuse |

An examination of the City's track record of decisions indicates that a pattern for approval or refusal may be taking shape. The City approved five applications for extension since the City-wide DCL rate came into effect. Each of these applications was made within one year since a pertinent rate change (or rate introduction). On the other hand, the City refused two applications (1177 West Pender and 2900 East Broadway). Both of the refused applications were received well after the one year mark.

Approximately nine months have elapsed since the February 2004 increase to the City-wide DCL rate (applicable to the application at hand). As well, it has been five months since a subsequent City-wide rate increase took effect. Using past practice as a guideline, the application at hand for 1628 Station Street warrants approval. If the extension is approved, this BP would expire in April 2005. As this would be over a year since the DCL rate increase of February 2004, it may be prudent to advise the applicant that a further extension request would exceed the time frame in which the City typically favours applications.

FINANCIAL IMPLICATIONS

With respect to the proposed project at 1628 Station Street, Development Cost Levies in the amount of \$321,066.90 have been paid (\$80,248.08 for the Vancouver DCL area at \$1.00 per square foot and \$240,818.82 for the False Creek Flats DCL area at \$3.00 per square foot). If

this permit is extended and work commences within the extension period, there will be no additional DCL payment required.

If Building Permit No. BU421214 is not extended, the applicant would be required to submit a new application for a Building Permit. The previous DCL payments could be refunded and the new application would be subject to all required permit fees plus Development Cost Levies at the rates in effect at the time of permit issuance. At the current rates, the Vancouver DCL would be \$192,490.98 (\$2.40 per square foot) and the False Creek Flats DCL would remain at \$240,818.82 (\$3.00 per square foot) for a total DCL of \$433,309.80, being an increase of \$112,242.90.

CONCLUSION

There is no Council policy on extensions to Building Permits when DCL rates have increased; however, in practice, Council has tended to approve applications within a year since a change in the applicable DCL rate. Given that there are compelling reasons to avoid allowing indefinite extensions after a DCL rate change, this City's in-practice limit is a reasonable guideline for consideration.

The application for 1628 Station Street is within one year since the last DCL rate change, so it would be in keeping with current practice to approve this request for an extension. To be fair to Discovery Parks, the applicant in this case, the City should advise them of the reasons this application is favoured, and why a subsequent application may not be supported.

* * * * *