



## CITY OF VANCOUVER

### POLICY REPORT URBAN STRUCTURE

Report Date: June 30, 2005  
Author: Y. Zeng/N. Edelson  
Phone No.: 604.871.6424  
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Meeting Date: July 19, 2005

TO: Vancouver City Council

FROM: Director of Current Planning, in consultation with the Director of the Housing Centre, the General Manager of Engineering Services and the Director of Finance

SUBJECT: Victory Square Concept Plan Adoption and Implementation

#### RECOMMENDATION

- A. THAT Council adopt the Victory Square Concept Plan, as presented to Council in draft form on June 14, 2005, with the addition as presented in Recommendation C.
- B. THAT the Director of Planning, in consultation with the General Manager of Engineering Services and the Director of the Housing Centre, report back with Zoning By-law and Parking By-law amendments as well as policies and guidelines as recommended in the Concept Plan.
- C. THAT Council instruct the Director of the Housing Centre, in consultation with the Director of Planning, as part of the forthcoming Downtown Eastside Housing Plan, to address the following housing related issues as identified through the public consultation process:
  - i. Exploration of options for the long term future of heritage buildings that are now used as SRA hotels;
  - ii. Exploration of mechanisms to deliver more diverse and affordable market housing for the Downtown Eastside, including Victory Square.

FURTHER THAT the above two items be added to the Victory Square Concept Plan as presented to Council on June 14, 2005.

- D.1. THAT Council approve extending the Heritage Incentive Program to the remainder of Victory Square until the end of 2008 to encourage area revitalization. Program components and funding will be similar to those already in place for Chinatown, Gastown and Hastings Street, noting that an administrative report to Council on the status of the Heritage Incentive Program is forthcoming in September.

FURTHER THAT Council approve the creation of a Heritage Planner position for a five-year term at an annual cost of \$79,500 (prorated for 2005) with an associated one-time start up cost of \$10,000; source of funds for 2005 to be the existing CSG and Downtown Eastside budgets, and for 2006 to 2009, to be added to the CSG operating budget (without offset) in advance of the 2006 operating budget.

- E. THAT, if Council approves the extension of the Heritage Incentive Program, for the purpose of calculating a residual transferable density for heritage and character buildings that will be eligible for the Program under this extension, the amount be calculated as the difference between the existing density and 5.0 FSR, the maximum existing and proposed density for the Victory Square area.

#### CONSIDERATION (IN LIEU OF RECOMMENDATION D.1.)

- D.2. THAT Council approve extending the Heritage Incentive Program to the remainder of the Victory Square area, in principle, as described in the Concept Plan, but direct staff not to implement the extension until the Incentive Program is finished in other areas, noting that an administrative report on the status of the Heritage Incentive Program is forthcoming in September.

#### GENERAL MANAGER'S COMMENTS

The General Manager of Community Services recommends approval of A, B, C, D.1 and E.

#### COUNCIL POLICY

- *Central Area Plan (1991)*
- *Victory Square Policy (1990)*
- *A Program of Strategic Actions for the Downtown Eastside (1998)*
- *Four Pillars Drug Strategy (2001)*
- *A five-year Heritage Incentive Program for Chinatown, Gastown and Hastings Street (2003 - 2008)*
- *Downtown District Interim Policies for New Residential in Area C and F and for Conversion of Existing Office Spaces to Residential Use (2004)*
- *Draft Downtown Eastside Housing Plan (received by Council for information on May 24)*

## PURPOSE AND SUMMARY

This report presents the results of the public consultation for the Victory Square Concept Plan and recommends approval of the Plan. It also makes recommendations regarding staffing resources for the Heritage Incentive Program.

## BACKGROUND

In 1993, Council instructed staff, in consultation with community stakeholders, to develop a concept plan to guide redevelopment in Victory Square.

In 1995, a draft Plan was circulated to the community for review.

In 1998, a revised draft incorporating community input was prepared for final public review before adoption. The public review, however, was suspended and Council directed staff to initiate community development work and to help resolve conflicts in the Downtown Eastside area.

On May 24, 2005, Council received the updated draft Downtown Eastside Housing Plan for information and authorized staff to proceed to final public review. The report back on Plan adoption is expected in September.

On June 14, 2005, Council received the updated Victory Square Concept Plan in draft form for information and authorized staff to proceed to final public review.

## DISCUSSION

### 1. Results of Final Community Consultation

This final round of community consultation took place in the context of extensive collaborative work between City staff and the community in shaping the Plan since its conception in the early 1990's.

The public processes for the Victory Square Concept Plan and the draft Downtown Eastside Housing Plan have followed concurrent timelines. There have been a series of meetings to consult the community on both Plans with emphasis alternately placed on either the Housing Plan or the Victory Square Concept Plan.

Public meetings dedicated specifically to discussion of the Victory Square Concept Plan include:

- Two pre-consultation meetings with key community stakeholders where 8 people participated. During these meetings, highlights of the Plan were presented to these key community stakeholders.
- Two all-stakeholder meetings. During these meetings, staff made a presentation on the Plan. A discussion session then followed; 30 people attended both meetings.

On June 22, a public open house was held to present both the Downtown Eastside Housing Plan and the Victory Square Concept Plan. More than 60 people attended the open house.

The Victory Square Concept Plan was also presented to the community in conjunction with the Housing Plan at a public meeting with the Carnegie Community Centre patrons as well as at a workshop with housing and service providers in the Downtown Eastside area.

In addition, staff presented the Plan to the Chinatown Historic Area Planning Committee (CHAPC) and the Gastown Historic Area Planning Committee (GHAPC).

Notices of the all-stakeholder meetings as well as the joint open house were delivered by hand to the area's SRA hotels, Special Needs Residential Facilities (SNRFs), local businesses, social service facilities and educational institutions. These notices were in addition to advertisements for the open house which were placed in six local newspapers (including two Chinese-language newspapers) as well as invitations sent to over 50 community organizations.

#### *A. Key Themes of Public Support*

Throughout the consultation, the community expressed support for the following themes of the Plan:

1. *Recognition of the Victory Square area as a heritage precinct*

2. *Timely extension of the Heritage Incentive Program*

3. *Compatibility of the old and the new*

The community thinks it is important that new developments are compatible with the historic scale of the area and respectful of the heritage fabric of the past.

4. *Parking standards and relaxations*

The community supports the adoption of HA parking standards to facilitate heritage conservation, and the investigation into further parking relaxation to help area revitalization and delivery of affordable housing.

5. *Housing diversity*

Many community people expressed support for more affordable market housing, including rental and owner-occupied units, live-work units, as well as housing for lower income artists and students. How to achieve this goal was also well debated at several meetings. As part of the Downtown Eastside Housing Plan, staff will explore mechanisms available to the City to help achieve this goal, such as parking relaxations, allowing smaller suites and other zoning incentives. This action is outlined in Recommendation C.ii.

6. *Concept of an arts, cultural and educational precinct*

The community recognizes the emerging arts, cultural and academic learning activities in the area and believe strengthening this role is an important revitalization strategy for the area.

7. *Public realm*

Many people in the community commented on the significance of the physical upgrade of the Victory Square Park for the area. They want to see this success carried out to other public spaces in the area.

## ***B. Specific Concerns***

The following issues were raised by individuals during the consultation process.

### ***1. Timing and applicability of the Heritage Incentive Program***

Questions were raised by several property owners regarding when they might be able to apply for the Heritage Incentive Program. These enquiries involve some significant heritage buildings in the area.

Staff comments: This report makes recommendations regarding the extension of the Incentive Program as well as staffing implications of the implementation of the Program in general. Please refer to relevant parts in the report.

### ***2. Achievement of the 620 SRA replacement units***

Questions were raised about how the City is going to achieve the one-for-one SRA replacement ratio in the area. There were some concerns that too high a concentration of social housing in the area might have a negative impact on the local businesses. It was felt that a significant number of SRA residents need help that they currently do not adequately receive, such as social and health services for individuals facing mental illness and/or addiction issues.

Staff comments: The Plan recognizes the importance of not displacing existing low-income people in the area and the goal of achieving a minimum 620 SRA replacement units based on a one-for-one ratio. This is particularly challenging given the lack of stable senior government funding programs for new low-income social housing, rising land values and few vacant sites. The forthcoming Housing Plan for the Downtown Eastside proposes a range of actions to address the future of low-income housing in the area including SRA hotels, social housing, supportive housing and SNRFs. Lastly, the City is also committed to working with other government agencies and Vancouver Coastal Health Authority to deliver support services to SRA and social housing residents in need.

### ***3. The long term future of SRA hotels in the area***

Given low shelter allowance rates and the aging building stock, operating SRA hotels is often challenging. Some owners do not view this current use as financially viable. In Victory Square (as in other Downtown Eastside sub areas), many SRA hotels are on the Heritage Register or are potential additions to the Register. However, due to their construction method and layout, these hotels do not always lend themselves to financially viable adaptive reuse. The long term future of some heritage SRA hotel buildings has been questioned.

Staff comments: Recognizing that SRA units are an important component in the housing choice spectrum, and that SRA hotel buildings have heritage values and should be conserved in the long run, Planning and Housing Centre staff will work together, as part of the implementation of the Downtown Eastside Housing Plan, to address this issue and report back to Council, if necessary, with appropriate options and recommendations. This action is reflected in Recommendation C.i.

### ***4. Built form policies and urban design objectives***

Questions were asked regarding policies and guidelines to allow increased density and height for both social housing and private developments. On one hand, people in the

community stress the importance of urban design objectives in ensuring the area's historic low scale is respected. On the other hand, concerns were raised by some property owners and developers that developments with social or low-income housing maybe given more density and height than strictly market developments.

Staff comments: The Plan proposes a maximum FSR of 5.0 for all uses, of which 3.0 FSR can be residential, and a maximum height of 70'. These provisions are based on a built form analysis for each block in the area. An economic analysis also generally confirms that these provisions will not negatively impact financial viability in the market place. The Plan also proposes a set of urban design guidelines to guide development enquires, market or non-market, in order to conserve the prevailing precinct character.

For many years the City has, through zoning schedules and individual rezonings, granted additional density and height to achieve affordable housing objectives. The Victory Square Concept Plan allows consideration for increased height (higher than 70') and density (higher than 3.0 FSR for residential, 5.0 FSR for all uses) for all developments when urban design objectives are met and public benefits, such as low-income housing, have been secured.

For social housing projects, the Plan proposes a higher residential density and consideration of height increase up to 100', however, any height increase must first pass a rigorous urban design analysis similar to that required of any private enquiries.

In addition, staff intend to use the property at 331 West Pender, which the City purchased for social housing, as an example of how the City and the community work together to come up with a design solution that fits into the historic low streetwall in that block. The scoping of this project will commence soon and staff will involve community members early in the process.

5. *Retail at grade for social housing projects*

Concern was expressed that the ground floors of existing social housing projects, especially those with large frontages, do not provide enough animation for the street. They feel that non-market projects, just like market projects, should contribute to the area's retail vitality and provide pedestrian interests.

Staff comments: The Victory Square Concept Plan recommends ground floor retail uses be required along Hastings Street, Abbott Street, as well as 300 and 400 West Pender Street. New social housing projects and private developments will be required to follow these regulations. Further, there might be opportunities for existing social housing projects to introduce retail uses or other forms of pedestrian interests at grade.

6. *The perception of "down-zoning"*

Several property owners may be under the impression that the City is down zoning the area through the proposed zoning policies under this Plan. One owner advocated that tower developments be allowed west of Cambie Street.

Staff comments: This is a misunderstanding of the proposed zoning changes. Down zoning means a reduction in maximum density. The Plan proposes to “up-zone” from the 1991 Victory Square Policy (3.0 FSR) by confirming the existing density provisions of the DD ODP (5.0 FSR). The Plan also formalizes the 70’ height limit of the 1991 Victory Square Policy, instead of the 150’ height limit as permitted in DD ODP. This “reduction” in the height limit is recommended in conjunction with the recommendation that the Heritage Incentive Program be extended to Victory Square to help conserve the prevailing lower scale heritage character as well as to stimulate redevelopment in the area.

With regards to permitting tower and podium type of developments in Victory Square, the community has told staff clearly that they value the entire area’s heritage character and building typologies.

## **2. Plan Implementation: Extension of Heritage Incentive Program**

Extension of the Heritage Incentive Program to the remainder of Victory Square is one key instrument for revitalization called for by the Concept Plan.

As indicated earlier in the report, staff have been fielding serious enquiries from Victory Square property owners regarding timing and applicability of the Incentive Program, some involving significant heritage resources in the area.

The Director of Planning recommends, as outlined in D.1, that Council approve the extension of the Program and start its implementation right away.

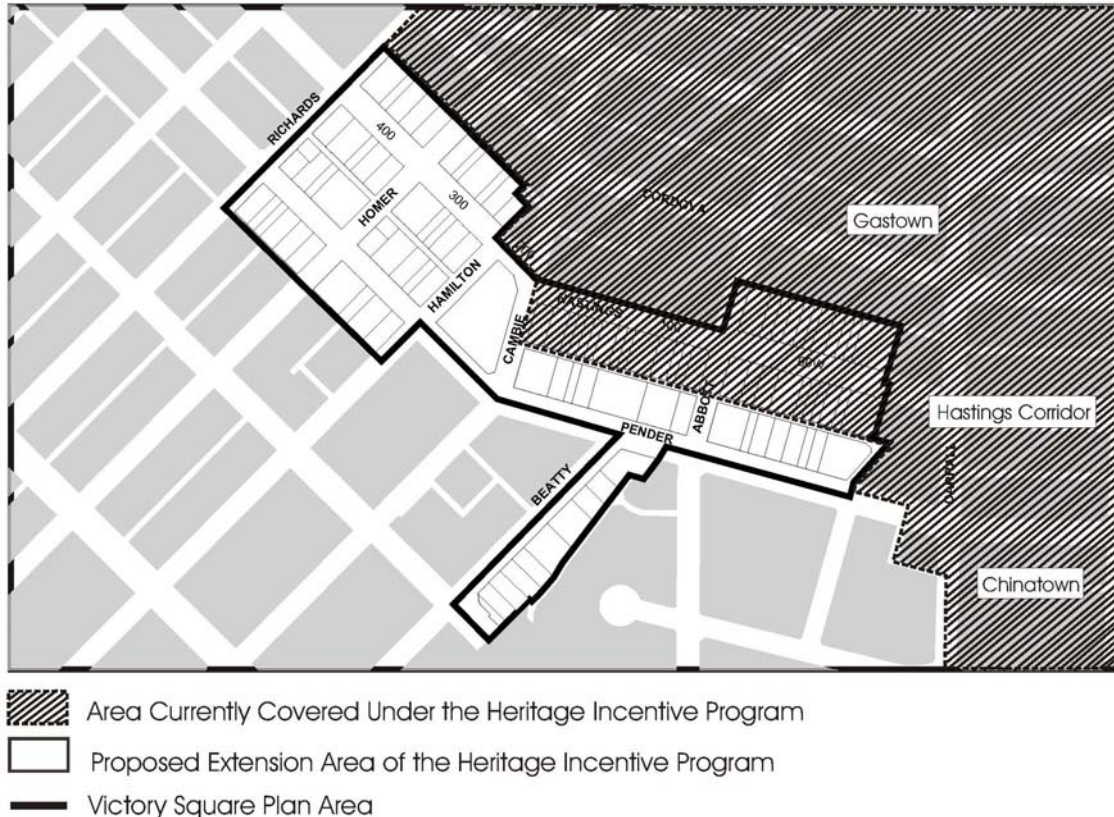
### ***A. Program Components of the Heritage Incentive Program***

The Heritage Incentive Program, to be extended to Victory Square, will have similar program components as that of Gastown, Chinatown and the Hastings Street Corridor: the Façade Rehabilitation Program, the Heritage Building Rehabilitation Program, and a transferable residual density, whenever applicable. Further, it will have the same program duration as that which is already in place, i.e. the Program is scheduled to end in 2008.

Appendix A contains the cost analysis of extending the Program, which was also included when the Plan was presented to Council in draft form for information on June 14.

For a detailed explanation of the Program, please refer to information bulletins available on the City’s website under the title “Heritage Incentives for Gastown, Chinatown and Hastings Street” at: <http://www.vancouver.ca/commsvcs/planning/heritage/incentives.htm>

The map below indicates the coverage of the existing Heritage Incentive Program and the proposed extension.



*Map 1: Proposed Extension of the Heritage Incentive Program*

### Historic Places Initiatives (HPI)

The federal government's "Historic Places Initiative" (HPI) also provides funds for heritage building rehabilitation. Commercial properties on the Vancouver Heritage Register with Statements of Significance (SOS) are eligible to apply for funding that will cover 20% of the rehabilitation costs. Applications to the City's Heritage Incentive Program are also required to apply for funding under the HPI program. When funding from the federal program is successfully obtained, the cost to the City's Heritage Incentive Program is reduced.

### Residual Density Calculation

Residual density is calculated as the difference between the density of an existing building, plus any approved additions, and the maximum density permitted by Council for that site. The transferability of residual density is particularly helpful as a special incentive to encourage owners to retain smaller buildings that contribute to the area's low scale and sawtooth character of varying heights.

In Chinatown and Gastown (HA-1, HA-1A and HA-2) there is no maximum density in the zoning. For purposes of calculating residual density, Council approved 5.5 FSR. The same maximum density figure was also approved by Council for the Hastings Corridor east of Cambie Street, even though the maximum density permitted in the zoning is 5.0 FSR. This was in recognition of the extremely difficult conditions facing development in that area.

In the remainder of Victory Square, staff are proposing (Recommendation E) that Council approve 5.0 FSR as the maximum density for purposes of calculating residual density. This is



because it is the maximum permitted density in the zoning, and because conditions in the remainder of Victory Square, though challenging, are not as difficult as along the Hastings Corridor east of Cambie Street.

### *B. Heritage Staffing Requirements*

#### Overall Workload of the Heritage Group

When Council approved the Heritage Incentives Program for Gastown and Chinatown in 2003, staff resourcing was based on a forecast of 6 to 7 projects being received per year. Subsequently, Council expanded the Program to include sites along a section of Hastings Street. This expansion and a strong interest in the Program have resulted in take-up in the current year being double that forecasted. The Victory Square Concept Plan further extends the Program to the remainder of the Victory Square area which will result in even more projects than originally forecasted.

(An administrative report on the status of the Heritage Incentive Program is scheduled to go to Council in September, and will provide more details on the program activities to date.)

The primary objectives of the Heritage Incentive Program are to kick start economic revitalization of the area and to rehabilitate the significant heritage resources that give the area its character. Early indications in the current incentive areas are that the Program is a success. The interest in the Program is greater than anticipated and property values are on the rise. The full impact will become more evident as many currently vacant buildings are renovated and produce revenue for their owners, as well as contribute to the vitality of the neighbourhood.

Another public benefit is, once the ten-year tax exemption period for each property is over, the City will ultimately gain in incremental tax revenue associated with the value of the rehabilitation work on each heritage project. These are taxes that the City would otherwise not collect if these projects did not proceed.

As indicated in the cost analysis contained in Appendix A, extending the heritage incentives to Victory Square is a significant City commitment of an estimated total incremental cost of approximately \$10 million tax forgiveness (reallocated to the rest of the tax base) and \$1.4 million façade grants over the course of the Program (to end in Dec. 2008).

Given the magnitude of City investment, it is critical that there are adequate staff resources in place to support the processing of the applications. Currently, there is a shortfall in Heritage Planning staff resources for this work. The Heritage Planners' primary role with these applications is to guide the critical heritage design work and to negotiate adaptive reuse solutions that marry owners' and civic interests, leading to a recommendation to Council. The staff shortage is a result of the combined success of the Heritage Incentive Program and heritage incentives city-wide, as well as increased complexities of heritage projects in general.

The success of the overall Heritage Program in the City is demonstrated by the dramatic increase in the number of owners seeking to protect and upgrade their buildings in exchange for heritage incentives. Between 1993 and 2003, there was an average of 12 Heritage Revitalization Agreements and/or Designations per year. In 2004, this number jumped to 21 and it is projected to go as high as 35 in 2005. Expanding the heritage incentives to include

the Victory Square Area will further increase the workload which is hindering the expedient processing of applications seeking heritage incentives.

The heritage staff team's ongoing practice has been to work with other divisions to create efficiencies in the application process. A recent initiative is to commit more resources in the early stages of the application process in order to address key elements in principle and avoid 'late hits' later in the process. While these kinds of initiatives help to improve the process they cannot alone address the more fundamental problem of a tripling of volumes and workload.

### Options

Staff reviewed and analysed four different resourcing options related to heritage workload. One is put forward as Recommendation D.1, which recommends approval of the extension and a full-time Heritage Planner funded through the CSG operating budget, a second is presented for Council's consideration as D.2, which recommends approval of the extension in principle but delaying the implementation until staff resources are available, should Council not approve D.1. Two more options which were reviewed but not recommended are also discussed here.

For the reasons noted above, including the recent increase and projected significant increase in volumes of Heritage Incentive Program applications, together with the clear positive long-term public benefits to both heritage resources and City finances, staff recommend that an additional full-time Heritage Planner be approved with the extension of the Program. Recommendation D.1 seeks approval of a full-time Heritage Planner position at an annual cost of \$79,500 to handle both existing Incentive Program volumes and the additional applications from Victory Square. The term of the position is for five years to cover the duration of the Program, which is slated to end in 2008, as well as an additional one year to see projects through the complete regulatory process. Funding for the position for 2005 will be provided through existing CSG and Downtown Eastside budgets. Funding for 2006 to 2009 will be from the CSG operating budget with no offset. In recommending D.1, staff recognizes the operating budget impact, while taking into consideration that the annual cost for four and a half years seems reasonable in light of the overall City and private investment involved in the Program.

Should Council not support funding the position, staff present Consideration D.2, which entails approving extending the Incentives Program in principle, but, delaying implementation until after the Program is finished in the other areas (slated to end in 2008) when staff are able to take on new projects. This option would provide the public with a clear indication of the City's longer range support for the Program, while not committing to a short term implementation plan which is not sufficiently resourced. On the down-side, the revitalization of the area will be delayed.

Two other options explored but not recommended were the following:

- *Financing the position by charging owners using the Heritage Incentive Program a special fee for Heritage Revitalization Agreements that would be recouped by providing the owners additional transferable density*

Currently, Heritage Revitalization Agreement applications (HRA) are processed simply as Development Applications and therefore use the same fee schedule as new

developments. The additional work to process the HRA is not charged to the applicant and, by Council policy, this work has been covered through general revenues. This form of new heritage fee would be charged to applications using the Heritage Incentive Program specifically and would need to be charged up-front, while the owner takes the risk of recouping this expenditure later in the process through the sale of transferable density at the going market price.

Planning staff conclude that adding an extra fee to heritage projects, not required if the owner were to develop new, sends the wrong message. In fact, many heritage property owners approach staff enquiring if the reverse could occur, i.e. waiving the standard fees for development applications that propose saving a heritage building. While some developers who specialize in these projects may find this approach acceptable, small individual heritage property owners wishing to take advantage of the Program are not as likely to be supportive and likely to view the fee as a disincentive. In addition, this option needs to be taken to the heritage community, including the Heritage Commission and other groups, for their review. This consultation has not occurred.

- *Reallocating existing staff resources within CSG to cover the increasing demands in Heritage*

Staff thoroughly reviewed all areas of CSG. City Council priorities and new policy initiatives, together with difficult volume/backlog circumstances in many application areas, make redeployment very difficult and impractical.

One area, while not preferred and therefore not recommended, would be to reassign some development planner resources to heritage work to address the identified need. This would not likely create a full time position in heritage, and would impact the processing of other medium and large scale development applications. The net result would be to send the wrong message - the Program has been approved but the approved implementation infrastructure is inadequate to support the volumes of applications responding to the Program.

## FINANCIAL IMPLICATIONS

As outlined in Appendix A, the financial implications of extending the Heritage Incentive Program to the remainder of the Victory Square area include an annual estimate of \$2.5 million in tax exemptions and \$350,000 for facades grants. The tax exemptions would not represent a direct cost to the City, but would impact tax rates for other taxpayers in the same class given the need to compensate for these tax exemptions. The recommended façade grant under the 2006 to 2008 Capital Plan is \$1.0 M for the entire Incentive area. If this amount is approved, there may be insufficient funds to meet all the demands for façade grant. It is likely that the shortfall in façade grants will be covered by tax exemption and transferable density.

If Council chooses to approve the position of a Heritage Planner for a five-year term to deal with the increase in volume and workload of the Heritage Incentive Program as well as to implement this extension, the annual cost for the CSG operating budget between 2006 and

2009 is \$79,500. Funding for the position for 2005 will be provided from the existing CSG and Downtown Eastside operating budget.

If Council chooses Consideration D.2, there will be no financial implications to the CSG operating budget.

### **IMPLEMENTATION PLAN**

In addition to the extension of the Heritage Incentive Program discussed above, staff will report back shortly on necessary Zoning and Parking By-law amendments, as well as policies and guidelines to guide development enquiries, as outlined in Recommendation B.

As outlined in Recommendation C, staff will commence exploratory work on the following implementation items in the context of the Downtown Eastside Housing Plan and report back to Council on the timing of delivering recommendations and options:

- Exploration of options for the long term future of heritage buildings that are now used as residential hotels; and
- Exploration of mechanisms to deliver more diverse and affordable market housing for the Downtown Eastside, including Victory Square.

The Plan also calls for various other actions and the reporting back in the short term include:

- A comprehensive strategy of achieving the minimum 620 SRA replacement units as well as 25 rent-secured artist live-work units (this will be done in the context of the Downtown Eastside Housing Plan);
- An area-wide parking study; and
- The preparation of a public realm plan.

Staff of different departments will be meeting to develop work programs to implement the various aspects of the Plan over the next three to five years.

### **CONCLUSION**

There is strong support in the community for the Victory Square Concept Plan. This Plan builds on the area's historic character and recent role as a focal point for arts, cultural and education activities. It is also consistent with the objectives of the Downtown Eastside Housing Plan in that it calls for a minimum one-for-one replacement of the area's SRA units with better quality social housing for low-income singles as well as a mix of affordable rental and owner-occupied market housing development. By adopting the Plan, Council will set directions for area revitalization.

One key to achieving the objectives set out in the Plan is the extension of the Heritage Incentive Program. Here Council is faced with a choice of priorities. The General Manager of Community Services recommends approval of D.1 which would provide a Heritage Planner to help implement the Program in a timely manner. As an alternative presented in D.2, Council may wish to commit to extending the Program in the future when staff resources are available.

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## Cost Analysis of Extending the Heritage Incentive Program to the Remainder of Victory Square

Staff estimates that an average of five additional buildings per year will likely apply for heritage incentives if programs are extended to the remainder of Victory Square. The cost to the City and the implications for the heritage density bank of this extension are analysed below.

### Cost of Extending the Façade Rehabilitation Program

The Façade Rehabilitation Program provides up to \$50,000 per significant façade on a cost sharing basis with property owners. Assuming several buildings will have more than one façade, staff estimate the City will have to provide about \$350,000 per year for the area in the remainder of the Victory Square. This would total \$1.4 million for the four year duration of the Program which ends in 2008.

In the 2003-2005 Capital Plan, \$1.5 M was approved to provide façade grants for the first three years of the Program, to which staff anticipate all will be used by the end of 2005. The Draft 2006 - 2008 Capital Plan, as recommended by the Staff Review Group to Council, includes \$1.0 million of façade grants for Chinatown, Gastown, and the Hastings Street Corridor. If this amount is approved, there may be insufficient funding to meet all demands for façade grants. It is likely that the shortfall will be covered by tax exemption and transferable density.

### Density and Property Tax Implications of Extending the Heritage Building Rehabilitation Program

Under the Incentive Program, the shortfall cost of rehabilitating a heritage building is compensated in two ways: property tax exemption (up to 10 years) and transferable density.

As is the case for the existing Heritage Incentive Program for Chinatown, Gastown and the Hastings Street Corridor, there will be no direct cost to the City associated with tax exemptions for approved heritage building rehabilitation projects in the remainder of Victory Square. Rather, the foregone revenue associated with each tax exemption will be collected from all other taxpayers in the same property class as the exempted property.

Once the ten-year exemption period for each property is completed, the City will ultimately gain some incremental tax revenue associated with the value of the new construction of each heritage project. These are taxes that the City otherwise would not have collected, had these construction projects not been undertaken.

While the City will not gain incremental property tax revenues from increases in property values that result from neighbourhood revitalisation, through these increased market values these neighbourhoods may eventually contribute a greater proportion of the City's overall tax levy. Early indications of developer interest suggest that property values in these areas are on the rise, and this trend will become more evident as many currently vacant buildings renovate and start to produce revenue to their owners, as well as contribute to the vitality of the neighbourhood.

In forecasting the cost of extending the Program, it should be noted that it is not possible to know in advance of processing a full application what the cost of heritage incentive will be

for each building, in terms of either tax exemptions or transferable density. This is because renovation and rehabilitation costs - and the associated shortfall cost that is covered by the City's heritage incentives - vary significantly from building to building. Having said that, staff estimate that, on average, an equivalent property tax exemption of \$0.5 M (spread over 10 years) and transferable density worth of \$1.5 M are required per building under the Program. This means a total of \$2 M per building in shortfall cost compensation.

These estimates are based on patterns of complete projects. It should be noted that, on average, current in-stream applications request a bigger incentive than these estimates. However, in light of an improved real estate market in the Incentive Program areas, staff are committed to have pro forma analysis reflect this trend, in property tax exemptions and in project profits. Therefore, while these estimated numbers may not represent the potential maximum cost to the City and the heritage density bank, they do represent a reasonable medium range cost that the City aims to maintain for the duration of the Program through negotiation with developers.

Based on the preceding assumptions, an estimated equivalent of \$2.5 M in tax exemptions will be generated by the estimated five projects per year; and \$10 M for the duration of the Program. The estimated transferable density generated annually is 150,000 square feet, based on a value of \$50 per square foot; and 600,000 square feet for the duration of the Program.

The following table summarizes the above analysis. It indicates the estimated likely cost per year and the estimated likely incremental cost for the duration of the Heritage Incentive Program of extending the Program to the remainder of the Victory Square area.

**Table 1.**  
*Estimated Incremental Cost (2005-2008) of the Proposed Extension of the Heritage Incentive Program to Remainder of Victory Square*

Victory Square Sub-area not already included in the Hastings Street Corridor <sup>1</sup>	Estimated Numbers of Buildings to Apply for the Program per Year <sup>2</sup>	Associated Estimated Façade Grant <sup>3</sup>	Associated Estimated Tax Exemptions <sup>4</sup>	Associated Estimated Transferable Density <sup>5</sup>
Annual	5	\$350,000	\$2,500,000	150,000 square feet
Total, 2005-2008	20	\$1,400,000	\$10,000,000	600,000 square feet

NOTES:

- By this extension to the remainder of the Victory Square area, there will be 32 buildings listed on the Vancouver Heritage Register (VHR), plus an additional 34 character buildings that will be eligible to apply for the Heritage Incentive Program.
- Based on the stats from existing areas covered under the Program, it is estimated that an average of 5 buildings per year will be generated by this extension.
- It is assumed that 2 of 5 buildings will have two principal facades that are eligible for the Façade Grant. Therefore, 2 buildings x 2 facades x \$50,000 + 3 buildings x 1 façade x \$50,000 = \$350,000
- Tax exemptions granted as heritage incentives to date have had a value ranging from \$247,000 to \$768,000. An average value of \$500,000 per exemption is assumed in the above table. The tax exemptions are spread over a 10-year period.
- An average of \$1.5m per building is assumed as the remainder of the shortfall cost that will be compensated in the form of the transferable density. A value of \$50 per square foot is used in the calculation.