



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: May 2, 2006
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TO: Vancouver City Council

FROM: The Director of Current Planning

SUBJECT: Heritage Building Rehabilitation Program - 163 West Hastings Street
DE 409671

RECOMMENDATION

- A. THAT Council authorize the City to enter into a Heritage Revitalization Agreement (HRA) for the site at 163 West Hastings Street, to rehabilitate and adaptively re-use the "B" listed heritage building, to grant a density bonus of 118,208 sq.ft. available for transfer off-site, to be registered on title as a legal notation;
- B. THAT Council require a covenant providing that the density bonus not be available for transfer until the rehabilitation is complete, unless the owner secures completion of the rehabilitation by a separate agreement which must be registered on title;
- C. THAT, subject to approval of RECOMMENDATION A, Council instruct the Director of Legal Services to prepare a Tax Exemption Bylaw for 163 West Hastings Street for a property tax exemption which is not to exceed a value of \$1,948,159 for a period of up to ten (10) years, which ever comes first;

(A two-thirds majority of votes cast is required for this recommendation to pass.)

- D. THAT, if the Tax Exemption By-law receives the assent of electors, or is deemed approved by the electors under the Vancouver Charter, the Director of Legal Services bring forth a Tax Exemption By-law providing that:
- If issuance of an occupancy permit for the heritage rehabilitation work authorized under Development Application Number DE 409671 occurs before October 31st, the tax exemption period for 163 West Hastings Street will begin on January 1st of the next calendar year;
 - If issuance of an Occupancy Permit for the heritage rehabilitation work authorized under Development Application Number DE 409671 occurs after October 31st, the tax exemption period for 163 West Hastings Street will begin on January 1st of the calendar year after the next calendar year; and
- If the owner of the property does not fulfill all requirements necessary to obtain an Occupancy Permit within sixty (60) months after the enactment date of the Tax Exemption By-law, it will have not further force or effect;
- E. THAT, subject to the approval of Recommendation A Council authorize two facade grants for a total of \$100,000 with funding to be provided from the 2005 Capital Budget;
- (A two-thirds majority of votes cast is required for this recommendation to pass.)
- F. THAT the agreements, covenants and by-laws in respect to the above be prepared, registered and given priority to the satisfaction of the Director of Legal Services in consultation with the Director of Planning;
- G. AND THAT Council instruct the Director of Legal Services to bring forward for enactment a by-law to authorize the Heritage Revitalization Agreement.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the A, B, C, D, E, F and G.

COUNCIL POLICY

Transfer of Density Policy and Procedure
Heritage Building Rehabilitation Program Policies and Procedures for Gastown, Chinatown and Hastings Street Corridor.

SUMMARY AND PURPOSE

This report seeks Council's approval to enter into a Heritage Revitalization Agreement (HRA) which will allow for two facade grants, a property tax exemption, transferable bonus density, and residual density to secure the rehabilitation and long term conservation of the "B" listed heritage building at 163 West Hastings Street. If Council approves the HRA, it would concurrently authorize the Director of Legal Services to prepare a property tax exemption by-law and all other agreements in connection with the above.

BACKGROUND

In November 2002, City Council approved the Gastown, Chinatown Heritage Management Plan. The Heritage Building Rehabilitation Program (HBRP), a key component of the Plan, was implemented in July 2003, and was later extended include the Hastings Corridor and Victory Square. The program is available for a five-year period (2003 - 2008) to initiate economic activity in these historic areas. The objective is to encourage owners to rehabilitate their heritage buildings by compensating them for "shortfall costs". These costs are defined as the amount required to make a project viable when a major building upgrade is completed. The City determines the amount of each incentive through site-specific analysis and compensation is given to the owner through various tools in the following order:

- Historic Places Initiative (HPI) grants
- Façade Grant
- Property Tax Exemption
- Transferable Bonus Density

As an added incentive for preserving buildings that contribute to the distinctive character of historic Chinatown/Gastown, the HBRP allows the City to authorize transfer of notional residual density off-site, as part of the bonus density allocation. It is referred to as notional density as there are no FSR regulations in Chinatown/Gastown, therefore the main factor in regulating development potential is the height limit. Based on this, Council established as part of the HBRP that "residual" density is the difference between 5.5 and the on-site FSR.

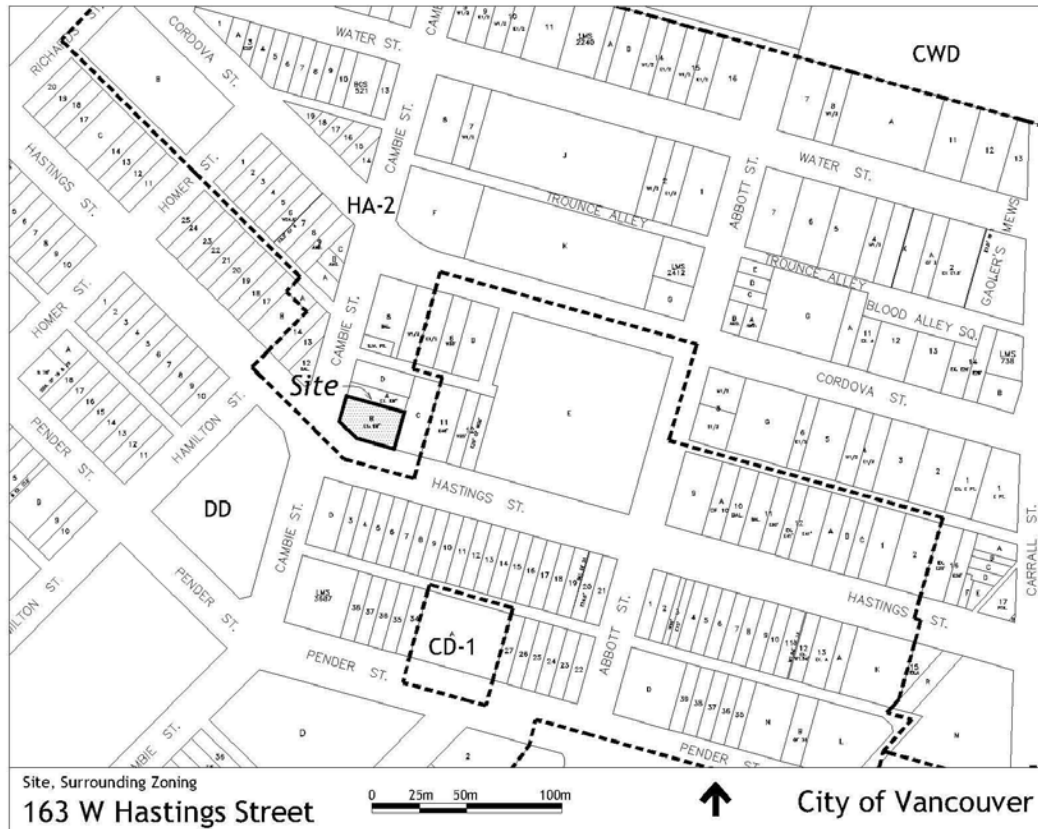
The National Historic Places Initiative is a federal government incentive through Parks Canada. The program that awards commercial building owners 20% of the total rehabilitation costs, up to a \$1,000,000 maximum, in the form of a cash grant after the work is completed, is called Commercial Heritage Properties Incentive Fund (CHPIF). As the owner of 163 West Hastings Street is a commercial company, this project is eligible for the CHPIF grant.

The Heritage Building Rehabilitation Program has been successful to date with 12 projects approved since implementation in mid-2003, 9 applications currently in process and another 10 proposals under development.

DISCUSSION

Development Proposal: A development application has been submitted by Acton Ostry Architects on behalf of The Salient Group, to renovate, add one additional floor, seismically upgrade the existing heritage building, and provide restaurant, retail and office uses.

Figure 1: Site and Surrounding Zoning



Heritage Value: The Flack Block is a four-storey masonry commercial building, designed in the Romanesque Revival style, with highly articulated stone clad principal facades and characteristic round-arched windows framed by paired columns. It is situated on a corner lot at the intersection of Hastings and Cambie Streets, with an angled corner facing Victory Square. (See Figure 1)

The Flack Block is a significant landmark component of the early retail and commercial fabric of West Hastings Street when Hastings Street was one of the most prominent commercial streets in early Vancouver. Vancouver was a major supply and transportation centre during the Klondike gold rush resulting in burgeoning mercantile trade and significant building construction. The Flack Block was one of the largest buildings constructed in Vancouver during the Klondike era and provided stimulation for further commercial development in the area. This prominent site was located across the street from Court House Square (now Victory Square), one of the city's most prestigious locations, and within close proximity to regional transportation facilities and the booming commerce of Gastown. As a landmark building, the Flack Block attracted professional tenants including barristers, physicians, dentists, brokers

and agents, along with ground floor retail tenants that reflected the development of Hastings Street as the primary commercial and shopping street in Vancouver during the first half of the twentieth century.

Additionally, the Flack Block is significant as an important surviving example of the work of William Blackmore (1842-1904), one of Vancouver's most accomplished early architects. Blackmore's work in the Romanesque Revival style helped to establish the character of Gastown and Victory Square as successful and progressive commercial districts. Designed in 1898 and built in 1899-1900 for Thomas Flack, who made his fortune in the Klondike gold fields, this building exhibits the mature development of the Romanesque Revival commercial style, with its powerful rhythmic articulation, textured surfaces and unity of materials that conveyed an image of corporate strength and security appropriate to late Victorian and early Edwardian-era sensibilities. The restoration of the Flack Block retains significant characteristic stylistic features including its rough-dressed stone façades, round-arched windows, vousoirs and twinned columns.

Conservation Plan:

The proposed Conservation Plan for the Flack Building acknowledges it's critical and prominent location in the Gastown/Victory Square area. The conservation approach will preserve the character, detailing, and built form of the building and restore a number of building elements that have been damaged or removed over the years.

The intent of the exterior work is to restore the building to its 1900 appearance involving removal of features from other periods (storefront coverings), reconstruction of missing elements from the restoration period (archway, cornice), preservation of surviving original elements (sandstone façade, wood windows). The intent of the interior work is to rehabilitate by adaptive re-use, introducing commercial/retail use on the ground floor and in the part of basement, and office use on existing floors two to four, as well as, on the added fifth floor. The addition of a fifth floor follows the building contour and it is setback 9 feet to respect the prominent heritage façade. The existing historic light-well will be preserved, an existing areaway rehabilitated, and the existing stairwell retained. It is proposed that the original cage elevator enclosure will be retained. The building will receive seismic, structural, and building systems upgrades, new steel column and beam structure, and a new concrete elevator shaft.

This application is seeking Heritage Incentives through the Heritage Building Rehabilitation Program.

Rehabilitation Cost: In order to make the project viable, the owner is seeking compensation through the Heritage Building Rehabilitation Program, consisting of two façade grants, ten year property tax relief, and transferable bonus density. In accordance with Council's Heritage Building Rehabilitation Program Policies and Procedures, staff reviewed the applicant's cost calculation and undertook an independent analysis. Staff concluded that a shortfall cost of \$7,949,401 is justified for compensation in the following manner:

163 W.Hastings St. Summary of Incentives			
			18-Apr-06
	Category	Value (\$)	Bonus Density Equivalent (SF)
Heritage Building Rehabilitation Program (HBRP) Incentives	Façade Grants	\$100,000	
	Property Tax	\$1,948,159	
	Bonus Density (to meet Shortfall Cost)	\$5,901,242	118,025
	Shortfall Cost Compensation	\$7,949,401	
Additional Incentive	Notional Residual Density	\$9,150	183
Total Compensation:		\$7,958,551	118,208
*If full Federal Grant awarded:		-1,000,000	20,000
		\$6,958,551	98,208

* if Federal Grant awarded, the Total Compensation amount will be accordingly adjusted (reduced).

Proposed Zoning Variances: The proposed design submission requires relaxation of the requirements of the Parking By-law for off-street parking. Engineering recommends and supports pay-in-lieu.

Tax Exemption By-law Process: The Vancouver Charter lays out the requirements for an enabling tax exemption by-law and notification process for the public. If Council approves the recommendation to provide a property tax exemption, staff will advertise notice of the proposed by-law as required by the Charter, and state that Council may adopt the by-law after 30 days unless more than 1/20th of electors petition Council. If 1/20th or fewer electors petition Council within the 30 day period, the Charter deems that the electors have approved the tax exemption, and Council can proceed to enact the by-law. If more than 1/20th of electors petition Council, then a further report will recommend to Council whether or not to seek the assent of electors and the process required to do so.

The Property Tax Exemption By-law will stipulate the terms under which the recommended property tax exemption will be provided. The By-law will provide a complete property tax exemption to the property for the period necessary to achieve the stipulated tax exemption of \$1,948,159 after which the property will be fully taxable. Should the entire amount not be achieved in a ten (10) year period, the exemption will expire and the property will become fully taxable. If the Occupancy Permit is issued before October 31, the exemption will be effective in the taxation year immediately following. If the Occupancy Permit is issued after October 31, the exemption will be effective in the second following taxation year. Staff will provide an annual report to Council on the status of this and other exemptions approved under the program.

Inventory of Unsold Density: This report recommends Council approve as part of the compensation package a density bonus of 118,208 sq.ft. (98,208 sq. ft. if the full federal grant is awarded). This will bring the bank balance (created transferable density less absorbed density) to approximately 700,000 sq.ft. This is the sum of the balance reported at the March Public Hearing items (Woodwards, Evergreen, and Yip Sang buildings), plus the two April Public Hearing items (Vancouver Block and 40 Powell) plus 132,000 sq.ft. of density that was previously held out of the market and has recently re-entered, together with the amount recommended in this report. On the receiver side of the equation, there are receiver site applications anticipated to be completed by the end of 2006 that would absorb approximately 200,000 sq.ft. Not counting future HRAs, this would reduce the balance to 500,000 sq.ft. by year end, leaving a 2 ¾ year supply based on the average absorption rates over the past four years. This is a reasonable balance and absorption rate. Furthermore, the value of transferable density during the last year has remained stable between \$50 and \$65/sq.ft., which is also positive. With the following measures staff are taking, it is concluded that the net resulting density bank balance is supportable.

As noted in previous reports, staff will be reporting to Council, scheduled for June or July, with an analysis of past trends and forecasts for the future of the transfer of density market. If indications are the City is creating too much density for the market to comfortably absorb, staff will include recommendations to help manage a healthy market. Prior to this overall program report back, staff will be reviewing upcoming HRA proposals to actively manage additional density entering the market.

REVIEW AND NOTIFICATION

Public Consultation: Following standard notification procedures, 714 property owners and 55 community groups were notified and invited to comment on the development proposal. Staff received two written responses, both of which support the project as proposed.

Comments from the Advisory Bodies: This application was presented to Gastown Historic Area Planning Committee (GHAPC) on October 19, 2005, and to Vancouver Heritage Commission (VHC) on November 14, 2005, and received strong support.

FINANCIAL IMPLICATIONS

The 2003-2005 Capital Plan provides \$1.5 million for the façade grants program. Over the last two years, \$800,000 (which includes the latest approvals in April, 2006) in grants were approved for façade rehabilitation projects. Staff recommend approval of the total grant of \$100,000 with funding to be provided from the 2005 Capital Budget for Façade Grants.

CONCLUSION

Rehabilitating the historic building at 163 West Hastings Street is consistent with the City's Heritage Building Rehabilitation Program policies and procedures. The proposed facade grants, tax exemption, transferable density bonus and residual density would compensate the owner for the cost involved in rehabilitating this "B" Vancouver Heritage Register listed and municipally designated building. The recommended Heritage Revitalization Agreement and associated covenant will secure the City's interest of ensuring the buildings are promptly rehabilitated and maintained in perpetuity.

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