



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: May 16, 2006  
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Meeting Date: June 13, 2006

TO: Vancouver City Council

FROM: The Director of Current Planning

SUBJECT: Heritage Building Rehabilitation Program - 6 Water Street  
(DE 409089)

#### RECOMMENDATION

- A. THAT Council authorize the City to enter into a Heritage Revitalization Agreement (HRA) for the site at 6 Water Street, to rehabilitate and adaptively re-use the existing 2-storey Heritage "A" Municipally designated building, to grant a density bonus of 136,397 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 6 Water Street for a property tax exemption which is not to exceed a value of \$ 1,299,928 or a period of 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 409089 occurs before October 31<sup>st</sup>, the tax exemption period for 6 Water Street will begin on January 1<sup>st</sup> of the next calendar year;
  - If issuance of an Occupancy Permit for the heritage rehabilitation work authorized under Development Application Number DE 409089 occurs after October 31<sup>st</sup>, the tax exemption period for 6 Water Street will begin on January 1<sup>st</sup> 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 shall 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 "A" listed heritage building at 6 Water 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
- Facade Grant
- Property Tax Exemption
- Transferable Bonus Density

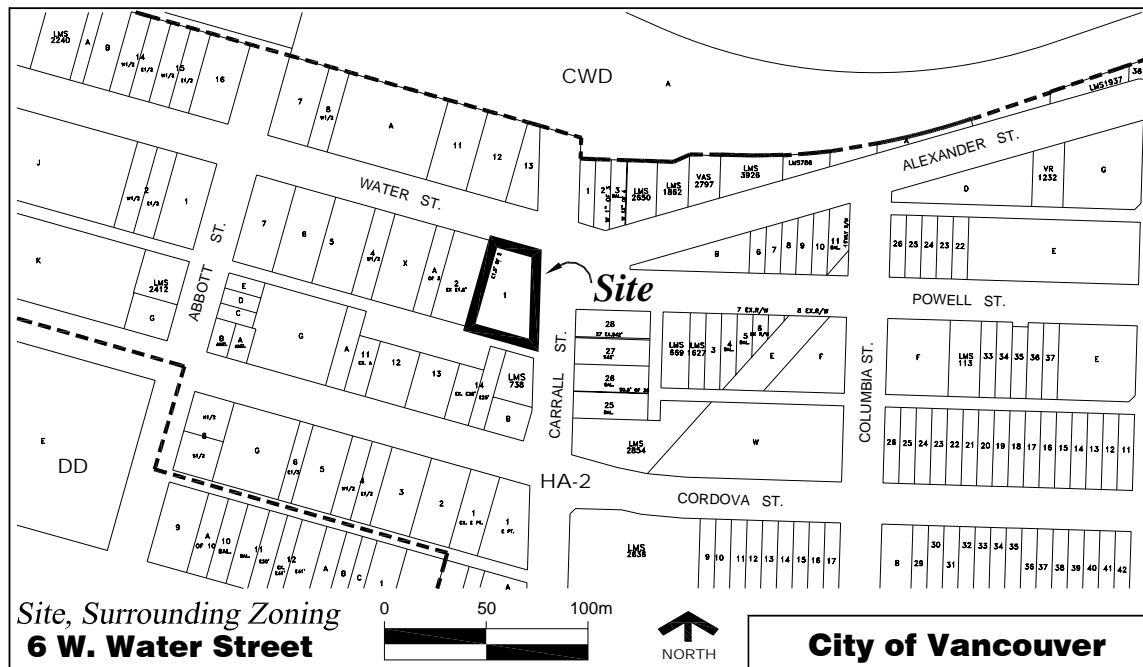
As an added incentive for preserving buildings that contribute to the distinctive character of historic Chinatown, the HBRP allows the City to authorize transfer of notional residual density off-site, as part of the bonus density allocation. It is referred to as notional density as there are no FSR regulations 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 6 Water Street is a commercial company, this project is eligible for the CHPIF grant.

The Heritage Building Rehabilitation Program has been successful to date with 13 projects approved since implementation in mid-2003, 7 applications (including this one) currently in process and another 8 proposals under development.

## DISCUSSION

**Development Proposal:** A development application has been submitted by Acton Ostry Architects on behalf of The Salient Group, to rehabilitate and preserve the existing building retaining its historic uses, retail and restaurant on the ground floor and office use on the second floor. The proposal includes structural and seismic upgrades and upgrade to all major building systems as well.



**Heritage Value:** The Byrnes Block is a two-storey Victorian Italianate commercial brick building, situated on Maple Tree Square in the historic district of Gastown. The Byrnes Block is one of the oldest buildings in Vancouver located on its original site. This building was constructed during the reconstruction process after the Great Fire of 1886 and designed by architect Elmer H. Fisher (c.1844-c.1905).

The Byrnes Block is valued as the site of the Alhambra Hotel, located on the upper floor. Hotels such as this provided both short and long-term lodging for those who worked in the seasonal resource trades such as fishing and logging. With its combined functions of commercial services on the ground floor and lodging rooms on the upper floors, this opulent building established itself as the focus of Gastown, largely contributing to the active street life in Gastown. Additionally, the Byrnes Block is valued for its architecture as a fine example of the Victorian Italianate style from the late nineteenth century.

One of the first rehabilitation projects to be undertaken as part of the renewal of Gastown in as an historic district, today the Byrnes Block stands as one of the cornerstones of Maple Tree Square, the city's birthplace and first public urban space.

**Conservation Plan:** Conservation plan is to rehabilitate the existing 2 storey, municipally designated heritage building retaining its commercial / office use, enabling for a high level of

preservation of the exterior and, at the same time, offering a high level of structural retention.

The proposal acknowledges the significance of this building and its context within Maple Tree Square by maintaining the scale of the existing street wall, and preserves the existing passageway and centrally located open space (Gaoler's Mews).

Structural and seismic upgrades, as well as major building systems upgrades are also proposed. Brickwork will be preserved in-situ, cleaned and repainted; other masonry elements will be repaired in-situ, architectural metal elements repaired and repainted; wood sash windows with single glazing and frames will be retained, rehabilitated and re-painted in original colours; storefront retained and rehabilitated.

The applicant is seeking heritage incentives through Heritage Building Rehabilitation Program. No variances are sought.

**Rehabilitation Cost:** In order to make the project viable, the owner is seeking compensation through the Heritage Building Rehabilitation Program, consisting of two facade 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 conclude that a total cost of \$ 8,219,802 is justified for compensation in the following manner:

| <b>6 Water St. -Summary of Incentives</b>                  |  |                    | 18-May-06                            |
|--|--|--------------------|--------------------------------------|
|  | <b>Category</b>                        | <b>Value (\$)</b>  | <b>Bonus Density Equivalent (SF)</b> |
| Heritage Building Rehabilitation Program (HBRP) Incentives | Façade Grants                          | \$100,000          |                                      |
|  | Property Tax                           | \$1,299,928        |                                      |
|  | Bonus Density (to meet Shortfall Cost) | \$4,739,249        | 94,785                               |
|  | <b>Shortfall Cost Compensation</b>     | <b>\$6,139,177</b> |                                      |
| Additional Incentive                                       | Notional Residual Density              | \$2,080,625        | 41,613                               |
| <b>Total Compensation:</b>                                 |  | <b>\$8,219,802</b> | <b>136,397</b>                       |
| *If full Federal Grant awarded:                            |  | -1,000,000         | 20,000                               |
|  |  | \$7,219,802        | 116,397                              |

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

**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 1/20<sup>th</sup> of electors petition Council. If 1/20<sup>th</sup> 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 1/20<sup>th</sup> 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 \$1,299,928 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 136,397 sq.ft. (Includes 20,000 sq.ft. of Federal Grant, which this project is eligible for). This will bring the bank balance (created transferable density less absorbed density) to approximately 900,000 sq.ft. This is the sum of the balance reported at the May Public Hearing, increased by 210 Carrall St. density bonus being presented concurrently at the June Public Hearing, 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 700,000 sq.ft. by year end, leaving a 2.75 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 relatively stable (\$50 and \$65/sq.ft.), which is also positive. With the following measures staff is 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 July, with an analysis of past trends and forecasts for the future of the transfer of density market. If indications are that 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, 788 surrounding property owners were notified and invited to comment on the proposal. Staff received 6 responses, 3 in favour, noting that 1 respondent was concerned about the addition, and 3 opposed noting concerns about the addition.

It is noted that through the application review the addition to this building did not prove to be economically viable, so the applicant decided to change the project scope to not include the rooftop addition.

**Comments from the Advisory Bodies:** This application was presented to Gastown Historic Area Planning Committee (GHAPC) on April 20, 2005, and to Vancouver Heritage Commission (VHC) on April 25, 2005, and received strong support. Some comments and concerns that were made by both advisory bodies were related to the originally proposed addition. The project scope was changed since to not include the addition, which eliminated related concerns.

## FINANCIAL IMPLICATIONS

The 2003-2005 Capital Plan provides \$1.5 million for the facade grants program. Over the last two years, \$ 1,150,000 (which includes the latest approvals in May, 2006, as well as 210 Carrall St. being presented concurrently) in grants were approved for facade rehabilitation projects. Staff recommend approval of the total grant of \$ 100,000 with funding to be provided from the 2005 Capital Budget for Facade Grants.

## CONCLUSION

Rehabilitating the historic building at 6 Water 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 "A" 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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