



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: June 20/06  
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Phone No.: 6448/7975  
RTS No.: 05612  
CC File No.: 08-2000-51  
Meeting Date: July 11, 2006

TO: Vancouver City Council

FROM: The Director of Current Planning, in consultation with the Director of the Housing Centre

SUBJECT: Heritage Building Rehabilitation Program - 412 Carrall Street  
DE 406061 (RTS No.: 05612)

#### RECOMMENDATION

- A. THAT Council authorize the City to enter into a Heritage Revitalization Agreement for the site at 412 Carrall Street, to rehabilitate and adaptively re-use the "B" listed heritage building and to grant a density bonus of 89,998 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 412 Carrall Street for a property tax exemption which is not to exceed a value of \$947,502 or a period of ten (10) years, which ever comes first.

(A two-thirds majority of votes 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 Section 396(A) of 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 406061 occurs before October 31<sup>st</sup>, the tax exemption period for 412 Carrall 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 406061 occurs after October 31<sup>st</sup>, the tax exemption period for 412 Carrall 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 façade grants for a total of \$100,000 (\$50,000 for each principal façade) with funding to be provided from the 2005 Capital for Façade Rehabilitation Grants
- (Approval of this recommendation requires support of two-thirds of the votes cast, pursuant to Section 206(2) (a) of the Charter);
- F. THAT the agreements, covenants and bylaws 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. THAT Council instruct the Director of Legal Services to bring forward for enactment a by-law to authorize the Heritage Revitalization Agreement;
- H. AND THAT Council approve a Conversion/Demolition Permit under the Single Room Accommodation By-law for the conversion of 70 SRA-designated rooms to 44 self-contained units each having its own washroom and cooking facilities, on the condition that Council approve Recommendation A, that Council waive the \$5,000 conversion/demolition fee and the owner enter into a Housing Agreement with the City, to the satisfaction of the Director of the Housing Centre, prohibiting stratification of the site, requiring non-profit ownership and operation of the building, and limiting occupancy to households in core housing need for 60 years.

#### GENERAL MANAGER'S COMMENTS

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

## COUNCIL POLICY

*Transfer of Density Policy and Procedure*  
*Single Room Accommodation By-law*  
*Downtown Eastside Housing Plan*  
*Homeless Action Plan*  
*Downtown Eastside Economic Revitalization Plan*  
*Heritage Building Rehabilitation Program Policies and Procedures for Gastown, Chinatown and Hastings Street Corridor.*

*Approval of grants requires eight (8) affirmative votes.*

## SUMMARY AND PURPOSE

This report seeks Council's approval to enter into a Heritage Revitalization Agreement (HRA) which will allow for two façade 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 412 Carrall Street. This project is to retain and renovate the existing heritage building to provide 44 self-contained non-market housing units with commercial use at and below grade. Council approval is also sought for an SRA Conversion/Demolition Permit to convert 70 designated rooms to 44 to self-contained units, each having a private washroom and cooking facilities, subject to a Housing Agreement requiring that the building be operated as rental housing with occupancy restricted to core-need households. All 44 rooms will remain designated in the SRA By-law as they are smaller than 320 sq. ft.

## 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 to 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, 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 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.

Historic Places Initiative (HPI) is a Federal Government heritage building incentive 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. As the owner of 412 Carrall Street is not a commercial company, this project is not eligible for the federal grant.

The Heritage Building Rehabilitation Program has been successful to date with 16 projects approved since implementation in mid-2003, 6 applications currently in process and another 8 proposals under development.

The site is located in the Downtown Eastside at the corner of Hastings and Carrall Streets and is zoned HA-2 (Gastown). See Figure #1.

The applicant has submitted a Development Application (DE 406061) proposing to rehabilitate the building and is seeking a façade grant, tax exemption, permitted use substitution, and floor space relaxations to make it viable.

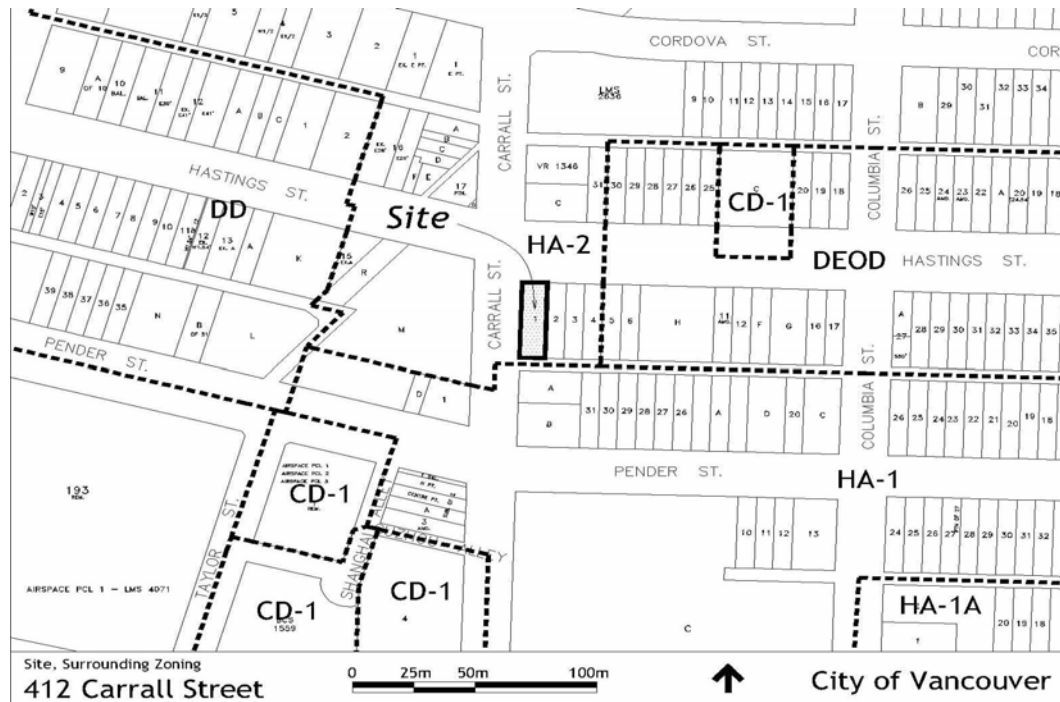
An SRA conversion/demolition permit will be required pursuant to the Single Room Accommodation By-law which was enacted by Council on October 21, 2003. The By-law requires Council approval for the conversion or demolition of rooms which are designated in the By-law. Council assesses each application and may refuse the permit, approve the permit outright, or approve the permit subject to conditions such as a Housing Agreement, a Heritage Revitalization Agreement, and a \$5000 per room conversion/demolition payment to be made towards the City's replacement housing fund. On October 23, 2003, Council amended the Zoning and Development by-law to require an SRA Permit prior to the issuance of a Development Permit.

## DISCUSSION

**Development Proposal:** A development application has been submitted by Merrick Architecture Ltd to retain and renovate the existing heritage building to provide 44 self-contained non-market units with commercial use at and below grade. A development permit (DE 406061) was approved and a prior-to letter issued on April 2, 2002. The applicant's response to the prior-to conditions was considered unsatisfactory. A second prior-to letter was issued on March 19, 2003 based on revised drawings from the applicant. Merrick Architecture on behalf of the owner, the Portland Hotel Society, provided their response to the second prior-to letter on October 14, 2005. Subsequent to the approval of the HRA by Council, it is anticipated that a new prior-to letter will be issued to account for the HRA, compensation package and any additional design related issues associated with the latest proposal. The application proposes to rehabilitate, structurally and seismically upgrade as well as to improve all major building systems to current code standards.

### Site and Surrounding Zoning:

Figure #1: Site Map



### Heritage Value:

The value of the Woods Hotel (later operating as the Pennsylvania Hotel and more recently, the Portland Hotel) lies in the historic relationship between this area and the economy of early Vancouver. It is associated with Gastown's history in the late nineteenth and early twentieth century as a mixed-use district and the centre for Vancouver's trade and manufacturing. The Woods Hotel, like many other buildings in Gastown, served a combined function of providing commercial space on the ground floor, and lodging and residential space on the upper floors. There is also heritage value in the relationship between this building and the British Columbia Electric Railway Terminus across the street from which streetcars transported goods and patrons to the outlying areas and around town.

Built by architect William Tuff Whiteway in 1909 for J.S. and Eliza Woods, this building's San Francisco style facade - reminiscent of the Palace Hotel in San Francisco, is composed in a rippling sequence of four-storey oriel windows, strongly faceted at the corner. The building's overall scale and rhythm demonstrate exemplary turn-of-the-century urbanism.

### Rehabilitation Plan:

The Portland (Pennsylvania) Hotel has been a vacant SRO building since 2000 occupying a prominent downtown eastside location. This application proposes rehabilitation and restoration of the building to accommodate 44 self-contained housing units for low-income

singles from the immediate area. The ground floor layout is sensitively designed to accommodate the supervising lobby at the same location as the original hotel lobby, and retail/commercial use, with a restaurant extending into an areaway space at the basement level.

An extensive Conservation Plan proposes a combination of strategies including preservation of many existing historic features, restoration of a number of the missing elements and rehabilitation to accommodate the continuity of its historic housing use. The building will receive a seismic upgrade, building, life safety, and accessibility systems upgrades, a new elevator, and a new exiting system. Some of the key elements of the Conservation Plan are: masonry and wood window conservation; storefront period restoration; reconstruction of corner spire octagonal roof; central lobby rehabilitation including the reconstruction of entry archway, preservation of interior trim, baseboards, cast iron radiators, grade level wood coffered ceilings, some painted decorative panels; and, retention of old elevator equipment for display purposes.

**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 conclude that a total cost of \$5,547,419.00 is justified for compensation in the following manner:

Figure #2 - Compensation Package

<b>412 Carrall Street</b>				1-Feb-06
	<b>Category</b>	<b>Value / \$</b>		<b>Bonus Density (SF)</b>
Heritage Building Rehabilitation Program (HBRP) Incentives	Façade Grants	\$100,000.00		
	Property Tax	\$947,502.00		
	Bonus Density (to meet the Shortfall Cost)	\$4,453,167.00		89,063
	<b>Shortfall Cost Compensation</b>	<b>\$5,500,669.00</b>		
Additional Incentive	Notional Residual Density	\$46,750.00		935
	<b>Total Density</b>			<b>89,998</b>
	<b>Total Compensation:</b>	<b>\$5,547,419.00</b>		

**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 \$947,502.00 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 89,998 sq.ft. This will bring the bank balance (created transferable density less absorbed density) to approximately 990,000 sq.ft. This is the sum of the balance reported at the June Public Hearing and includes the density from 210 Carrall St. which is being presented concurrently with the amount recommended in this report for 412 Carrall St. 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 790,000 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 (between \$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 are supportable.

As noted in previous reports, staff will be reporting to Council 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.

#### **Single Room Accommodation (SRA) Bylaw:**

In considering an SRA conversion/demolition application, the Vancouver Charter requires that Council consider the following factors:

- the accommodation that will be available to the tenants affected by the conversion or demolition;
- the condition of the building;
- the supply of low cost accommodation in the Downtown Core;
- the need to replace or improve, over time, single room accommodation in the city.

*Availability of accommodation to tenants affected by this conversion/demolition:* The Woods Hotel (later the, Pennsylvania Hotel, and Portland Hotel) at 412 Carrall Street contains 70

rooms which are designated in the By-law as providing accommodation for permanent residents. The Portland Hotel Society operated these rooms from 1991 to 2000. At the end of March 2000, the residents were relocated to the New Portland Hotel at 20 West Hastings Street. The rooms have since remained vacant. The current proposal, which reduces the number of rooms to allow upgrading to 44 larger self-contained units, is consistent with Council policy to:

- maintain and upgrade housing for existing residents in the Downtown Eastside;
- improve existing SROs and build replacement low-income housing; and,
- encourage a diversity of housing in the Downtown Eastside.

*The condition of the building:* Like many SRAs built in the early 20<sup>th</sup> century, the rooms require upgrading. The applicant will undertake extensive renovations that will significantly improve the quality of this registered Class B heritage building and will provide better, self-contained accommodation for low-income tenants.

*The supply and future availability of low cost accommodation in the Downtown Core:* According to the Housing Centre's "2005 Survey of Low-Income Housing in the Downtown Core, between March 2003 and June 2005, the creation for replacement housing geared to low-income singles in the Downtown Eastside, Chinatown, Gastown and Strathcona has kept pace with the loss of SRA rooms. However, staff note that market conditions are changing in the Downtown Eastside area and will continue to monitor the situation and report to Council on a case-by-case basis.

*The Need to Replace or Improve SRAs:* The proposed development is in keeping with Council's policy to improve existing SROs and maintain/upgrade housing for existing residents in the Downtown Eastside. Once renovations are complete, 70 rooms will be upgraded to 44 self-contained dwelling units, each having its own bathroom and cooking facilities, which will continue to be designated SRA and provide housing to low-income individuals.

*Other Council Conditions recommended for the Approval of an SRA Permit:*

- \$5000 per room conversion/demolition fee: Staff support this application and recommend waiving the discretionary \$5000 per room conversion/demolition fee because the rooms will be upgraded to self-contained units and will be operated by a non-profit society to provide housing to low-income individuals. All 44 upgraded rooms will remain designated in the SRA By-law as they are smaller than 320 sq. ft.
- Housing Agreement: As a condition for approval of the SRA conversion/demolition permit, staff recommend that the owner enter into a Housing Agreement with the City, which requires the building to be operated as non-profit rental housing with occupancy restricted to core-need households.

## REVIEW AND NOTIFICATION

**Public Consultation:** Following standard notification procedures, 839 surrounding property owners were notified and invited to comment on the proposal. The City received two responses to notification, both in favour of the proposal.



**Comments from the Advisory Bodies:** An application was presented to Gastown Historic Area Planning Committee (GHAPC) on October 19, 2005 and was supported. The Vancouver Heritage Commission (VHC) was presented with this application on October 24, 2005 and Commission supported it.

#### **FINANCIAL IMPLICATIONS**

The 2003-2005 Capital Plan provides \$1.5 million for the facade grants program. Over the last two years, \$ 1,250,000 (which includes the latest approvals in June, 2006, as well as 210 Carrall St. which is 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.

This affordable housing project is funded jointly as a partnership between the Federal and Provincial governments and the City of Vancouver. In July 2001, Council approved a grant of \$500,000 (funding from DTES - \$450,000 and Affordable Housing Fund - \$50,000) for this project. Staff recommend continuation of this grant for the current project to be paid on completion of the project.

#### **CONCLUSION**

Rehabilitating the historic building at 412 Carrall 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"- listed Heritage Register building. The recommended Heritage Revitalization Agreement and associated covenant will secure the City's interest of ensuring the building is promptly rehabilitated and maintained in perpetuity. The approval of the SRA conversion/demolition permit will allow the development of 44 improved self-contained non-market units with rent geared to low-income singles, and which remain designated under the SRA by-law.

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