



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: September 1, 2006
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RTS No.: 05832
CC File No.: 08-2000-51
Meeting Date: September 26, 2006

TO: Vancouver City Council

FROM: The Director of Planning

SUBJECT: Heritage Building Rehabilitation Program - 12 Water Street
(DE 408878)

RECOMMENDATION

- A. THAT Council authorize the City to enter into a Heritage Revitalization Agreement (HRA) for the buildings at 12 Water Street to restore, retain, and construct additions to the existing Heritage "B" and Heritage "C" listed buildings to create a six storey building containing retail and restaurant Class 1 on the ground floor, general office on the second floor, and 34 commercial live/work units on the 3rd to 6th floors, and to grant a density bonus of 114,154 sq.ft. available for transfer off site. The HRA will be registered on title as a legal notation;
- FURTHER 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;
- B. THAT, subject to the approval of Recommendation A Council authorize two façade grants for a total of \$100,000 with funding to be provided from the 2005 Capital Budget. Approval of this recommendation by Council must be passed by not less than two-thirds of all its members;
- C. THAT, subject to approval of Recommendation A, to assent of the electors or deemed approval by the electors, and to section 396A of the Vancouver Charter, Council exempt 12 Water Street from real property taxation to a value no greater than \$1,033,686 or for ten (10) years, whichever is first, for the

commercial units, and a value no greater than \$229,034 or for three (3) years, whichever is first, for the strata residential units.

FURTHER THAT, subject to assent of the electors to the real property tax exemption by-law or their deemed approval, the Director of Legal Services bring forward the by-law, generally on the terms set out in Appendix A, for enactment which requires two-thirds of votes cast.

- D. 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;
- E. 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, and E.

COUNCIL POLICY

Transfer of Density Policy and Procedure

- *Transfer of Density Policy and Procedure*
- *Heritage Building Rehabilitation Program Policies and Procedures for Gastown, Chinatown and Hastings Street Corridor*
- *Heritage Façade 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 façade grants, a property tax exemption, transferable bonus density, and residual density to secure the rehabilitation and long term conservation of the "B" listed (Cordage) and "C" listed (Garage) heritage buildings located at 12 Water Street.

BACKGROUND

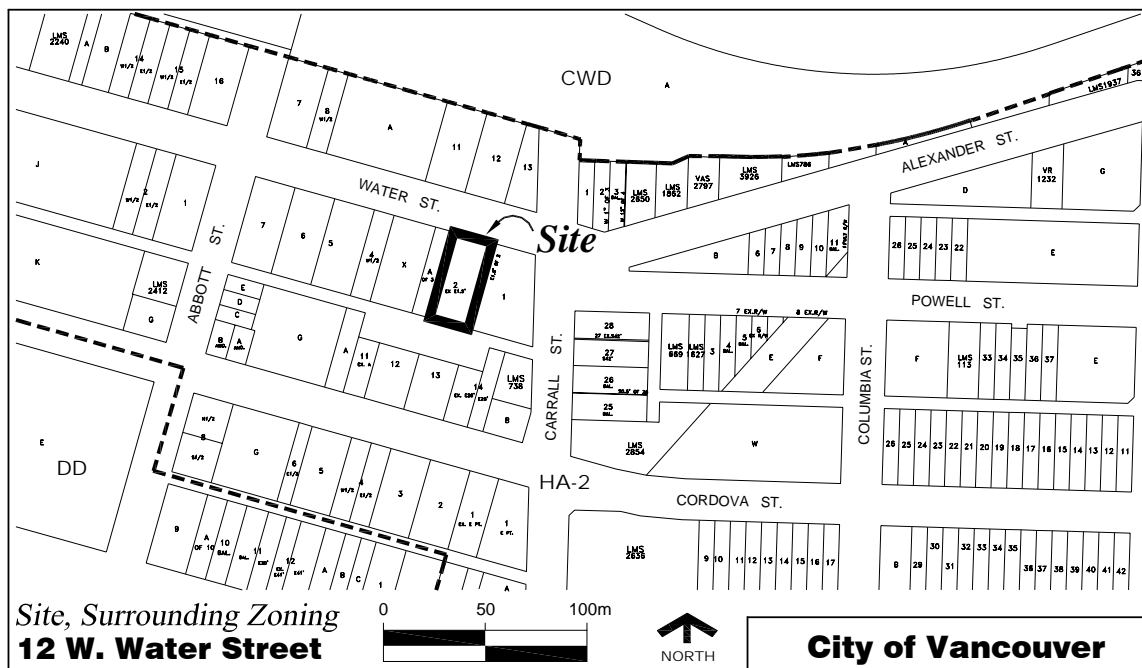
Heritage Building Rehabilitation Program (HBRP): The HBRP was established in June 2003 for a five-year period (2003 - 2008) to encourage rehabilitation of heritage buildings and foster economic activity in the historic areas of Gastown, Chinatown, Hastings Street and Victory Square. Property owners are encouraged to rehabilitate their heritage buildings by incentives that compensate for "shortfall costs", which are the funds required in order to make a major upgrade to a heritage building economically viable. The City determines the amount of each incentive through site-specific analysis and compensation is provided through various tools in the following order: federal grants, façade grants, property tax exemption, and transferable

bonus density. An additional bonus of "notional" residual density is also allocated through the HBRP where applicable.

The *Heritage Building Rehabilitation Program* has been successful to date with 17 projects approved since implementation in mid-2003, (including two Façade Grant only applications). There are currently 4 applications in process (including this one) and another 6 proposals under development.

DISCUSSION

Development Proposal: A development application has been submitted by Acton Ostry Architects to restore, retain, and construct additions to the existing two heritage buildings located at 12 Water Street (see map below). The Cordage Building is Heritage Register "B" listed and is currently four storeys, while the Garage building is "C" listed and is currently two storeys. The proposed development is to create a six storey building containing retail and restaurant Class 1 on the ground floor, general office on the second floor, and 34 commercial live/work units on the third to sixth floors, in accordance with the HA-2 district schedule.



10-12 Water Street: The Nagle Brothers Garage

Heritage Value: This 1930 automobile garage is valued as an early automobile parking and repair garage. Its presence indicates the beginning of the shift from rail to land transportation. Originally designed by architectural firm McCarter and Nairne, one of the most prominent in the province, the building was converted in 1972 to retail and office space by another well known architect, H.T.D. Tanner. An inner courtyard was created, surrounded by balconies and trees, and this successful rehabilitation reflects the change in nature of the economic activity in Gastown.

Rehabilitation Plan: The rehabilitation plan includes the restoration of the existing original front façade elements to the date of original construction. The two ground floors will be rehabilitated, retaining their current uses; retail on the ground floor and office use on the second floor. The interior courtyard and passageway will be preserved and an additional connection to Blood Alley introduced. All the materials dating to the original 1930 construction will be restored including original paint colors.

A three storey addition, flush with the street wall, is proposed for the existing two storey Garage building, necessitating the replacement of the roof structure. An additional floor, well set back about 40 feet from the east property line and approximately 27 feet from the Water Street façade, is also proposed mainly to accommodate a new vertical circulation core designed to serve both the Garage and Cordage buildings. The resulting additional four storeys will be of a contemporary architectural expression sensitive to the existing historic fabric, and referencing the industrial origins and composition of the heritage building.

18-20 Water Street: The Cordage (Roberts) Building

Heritage Value: The Cordage (Roberts) building is an early Gastown mixed use building representative of the area's activity in the late nineteenth and early twentieth centuries. Combined functions of commercial services on the ground floor and lodging rooms on the upper floors contributed to the lively street life in Gastown. The building is also valued as an example of sophisticated design of the Edwardian era, displaying Classical revival elements as well as an early surviving design by Hugh Braunton.

Rehabilitation Plan: The rehabilitation plan includes the restoration of the original façade elements to the date of first construction, and the restoration of the storefront elements to their documented 1929 appearance. The interior elements will be retained through external seismic bracing, and the interior heavy timber structure will be examined and exposed wherever possible. Original wood sash windows will be repaired with some elements replaced (in exact configuration), and repainted in their original colour. The existing interior light well will be substantially retained. An existing areaway, located to the north of the building, will be decommissioned due to the proposed strata-titling of the building and the limitations on encroachments in the Strata Title Act.

A two storey addition designed to not be visible from a pedestrian vantage point on the north side of Water Street is proposed, with the new fifth floor set back 10 feet and the new sixth floor set back 20 feet. Existing retail use on the ground floor and office use on the second floor will be retained, whereas new commercial live-work use is proposed for the remaining four floors.

Rehabilitation Cost

In order to make the project viable, the owner is seeking compensation consisting of two façade grants, a property tax relief for ten years on commercial use and three years on strata residential use, and transferable bonus density. In accordance with Council's HPRB Policies and Procedures, staff reviewed the applicant's shortfall cost calculation and undertook an independent analysis. Staff conclude that a total shortfall cost of \$6,828,880 is justified for compensation in the following manner:

12 Water Street-Summary of Incentives			29-Aug-06
	Category	Value (\$)	Bonus Density Equivalent (SF)
Heritage Building Rehabilitation Program (HBRP) Incentives	Façade Grants	\$100,000	
	Property Tax - Commercial	\$1,033,686	
	Property Tax - Residential	\$229,034	
	Bonus Density (to meet Shortfall Cost)	\$4,737,210	94,744
	Shortfall Cost Compensation	\$6,099,930	
Additional Incentive	Notional Residual Density	\$970,500	19,410
Total Compensation:		\$6,828,880	114,154

Inventory of Unsold Density: If Council approves a bonus of 114,154 sq. ft. of transferable density as recommended in this report, the balance of density bank will be approximately 1,200,000 sq. ft. (including 53 W. Hastings St. being presented concurrently). It is anticipated that receiver sites will absorb approximately 200,000 sq. ft. of this density by the end of 2006. This would reduce the balance to 1,000,000 sq. ft. by year end; leaving a 2.75 year supply based on the average creation and absorption rates over the past four years. This is a reasonable balance and absorption rate.

Staff will be reporting to Council this fall on the analysis of past trends and forecasts for the future of the transfer of density market prepared by staff and consultants. Along with the analysis, staff will provide recommendations to help manage a healthy market. Analysis to date shows that the current density bank balance is supportable and manageable. Furthermore, the value of transferable density during the last year has remained stable (\$50 to \$65/sq.ft.), which indicates confidence in the market.

REVIEW AND NOTIFICATION

Public Consultation: Following standard notification procedures, 774 surrounding property owners were notified and invited to comment on the proposal. Staff received two responses, 1 in favour and 1 opposed, noting concerns about the height of the proposed building

Comments from the Advisory Bodies: This application was presented to the Gastown Historic Area Planning Committee (GHAPC) on July 20, 2005 and on October 19, 2005 and received support (with one vote against). GHAPC recommended that applicant conducts further exploration of the three storey addition in order to improve differentiation from the existing heritage fabric as well as the uniformity within the addition. Vancouver Heritage Commission has reviewed this application on June 27, 2005 and on November 14, 2005 and supported it.

The proposed three storey addition to the Garage building was further refined, and staff conclude that the design in its final form addresses GHAPC's concerns and therefore is supportable.

FINANCIAL IMPLICATIONS

The 2003-2005 Capital Plan provides \$1.5 million for the Heritage Façade Rehabilitation Program. Over the last two years, \$1.4 million in façade grants was approved (which includes the latest approvals in July and 53 W. Hastings being presented concurrently). Staff recommend approval of a \$100,000 façade grant for 12 Water Street, with funding to be provided from the 2005 Capital Budget for this purpose.

An additional \$1.0 million remains of Council approved funds for the Heritage Façade Rehabilitation Program. Of this remaining amount, \$500,000 has been budgeted for in the 2006 Capital Plan for use in future façade rehabilitation projects through the program.

CONCLUSION

Rehabilitating the historic buildings at 12 Water Street is consistent with the City's *Heritage Building Rehabilitation Program Policies and Procedures*. The proposed façade grants, tax exemption, transferable density bonus and residual density would compensate the owner for the costs involved in rehabilitating these Heritage Register buildings. 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.

* * * * *

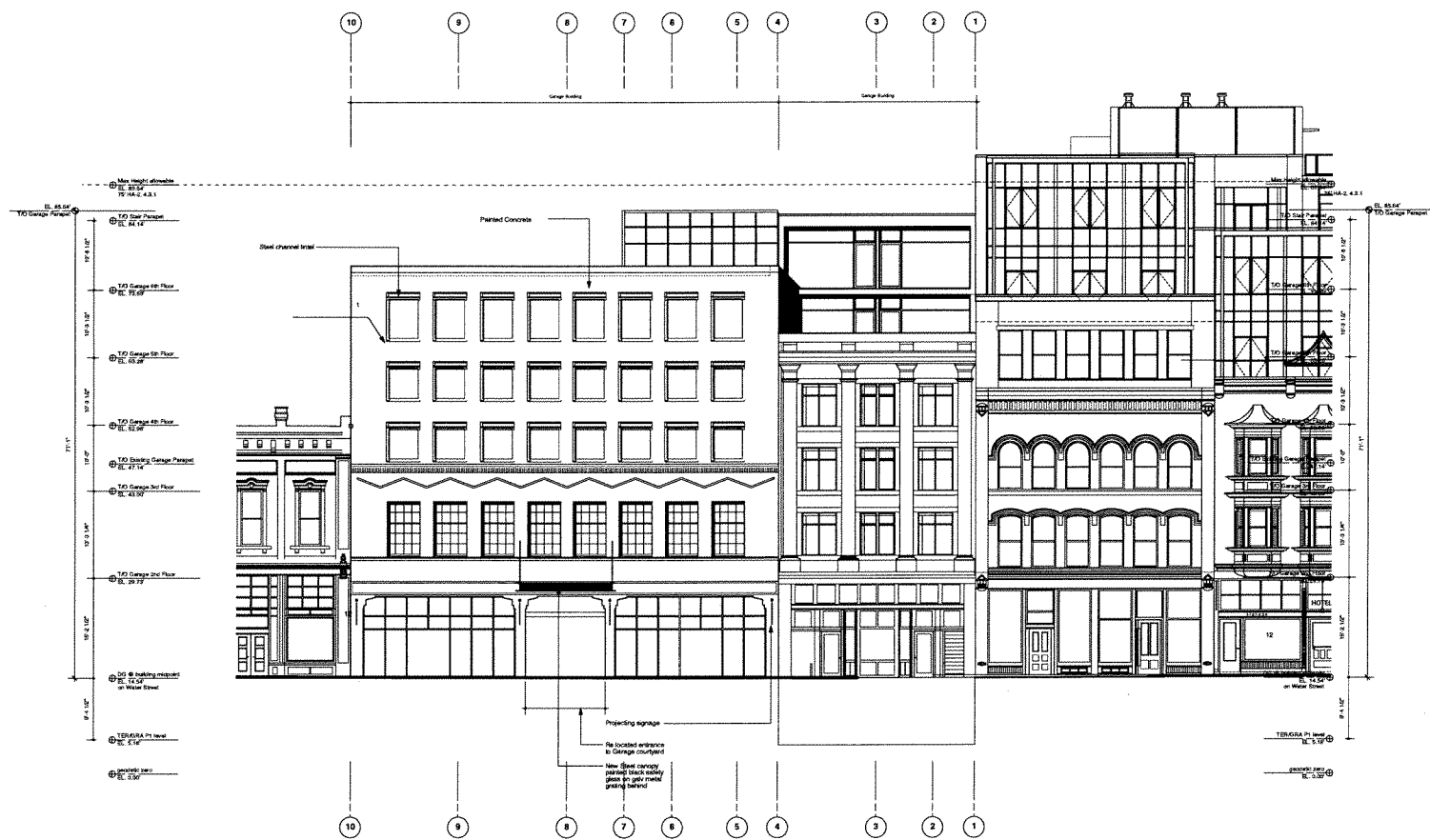
Tax Exemption By-law Process

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 property tax exemption to the property for the period necessary to achieve the stipulated tax exemption of \$1,033,686 for the commercial units, and \$229,034 for the residential units, after which the property will be fully taxable.

Should the entire amount not be achieved in a ten (10) year period for commercial units and a three (3) year period for strata residential units, 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.

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- Key**
1. Existing painted concrete
 2. New painted concrete
 3. Concrete
 4. Double glazed sliding doors
 5. Double glazed windows
 6. Existing windows overhauling
 7. New windows
 8. Canopy
 9. Stair shaft
 10. Concrete coping
 11. Glassrail
 12. Signage
 13. Existing glazed steel retains
 14. New commercial storefront

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CORDAGE & GARAGE
 12 Water Street, Vancouver

Colour Schedule

ELEMENT	BENJAMIN MOORE #	FINISH
CORDAGE (ROBERTS BUILDING)		
SILLS, WINDOW SURROUNDS	DUNBAR GREY VC-14	MOORGARD LATEX
CORNICES, CAPITALS	DUNBAR GREY VC-14	MOORGARD LATEX
WINDOW SASH	GLOSS BLACK VC-35	GLOSS ALKYD
GARAGE		
CONCRETE WALLS	EDWARDIAN BUFF VC-6	MOORGARD LATEX
INSET CHEROKEE OUTLINE (Assumed)	COMOX GREEN VC-19	MOORGARD LATEX
INSET CORNICE BRICKS (Assumed)	PENDRELL RED VC-29	MOORGARD LATEX
WINDOW SASH	COMOX GREEN VC-19	GLOSS ALKYD

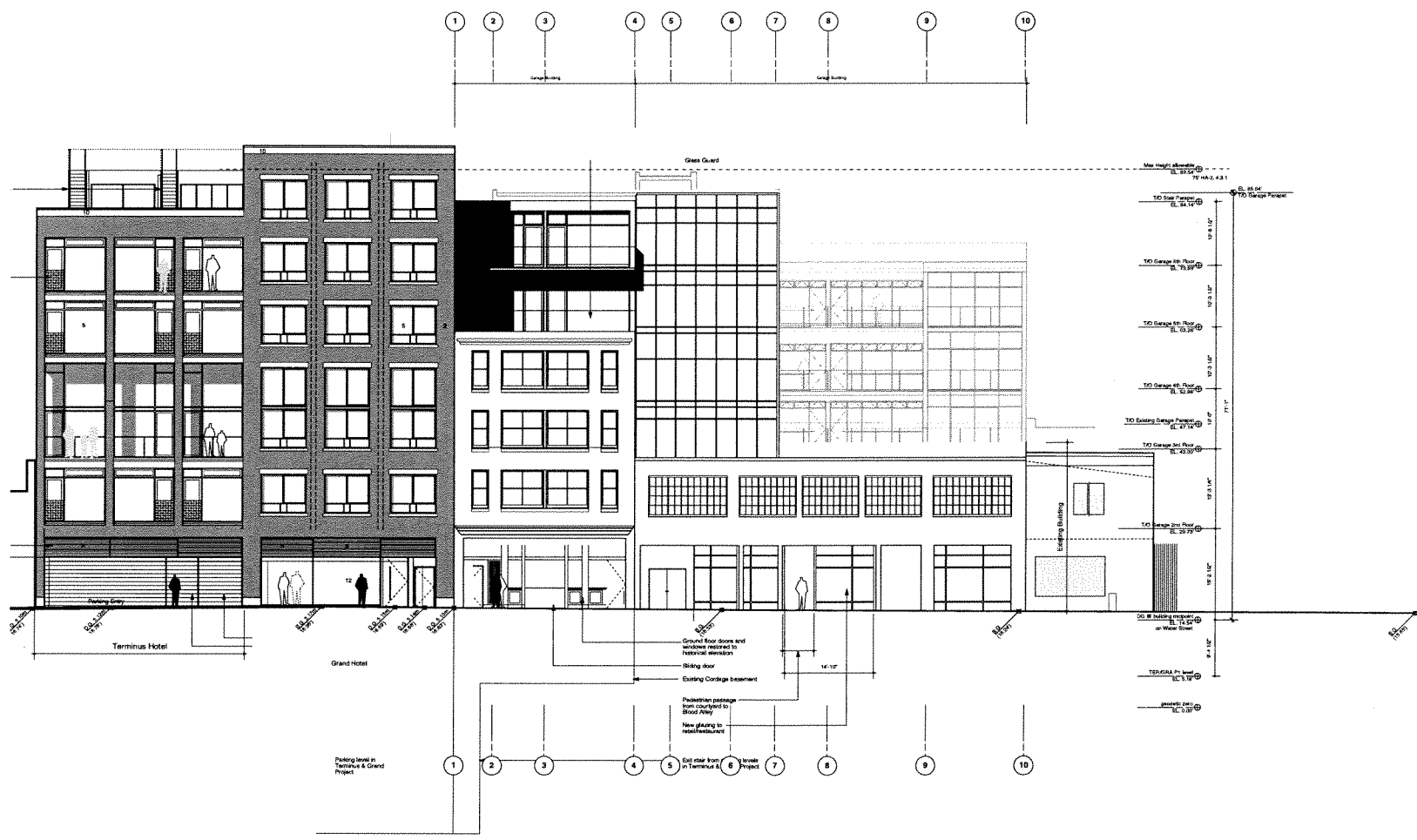
SCALE	DATE
1/8" = 1'-0"	22 Aug 2006
PROJECT CODE	4306
COR	SD
DATE	22 Aug 2006
CS	AD

North Elevation
 Working Number
 A3.01

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Notes

revisions



- Key**
1. Existing painted concrete
 2. New painted concrete
 3. Concrete
 4. Double glazed sliding doors
 5. Double glazed windows
 6. Existing windows overhauled
 7. New windows
 8. Canopy
 9. Stair shaft
 10. Concrete coping
 11. Overhead
 12. Signage
 13. Existing glazed tiles retained
 14. New commercial storefront

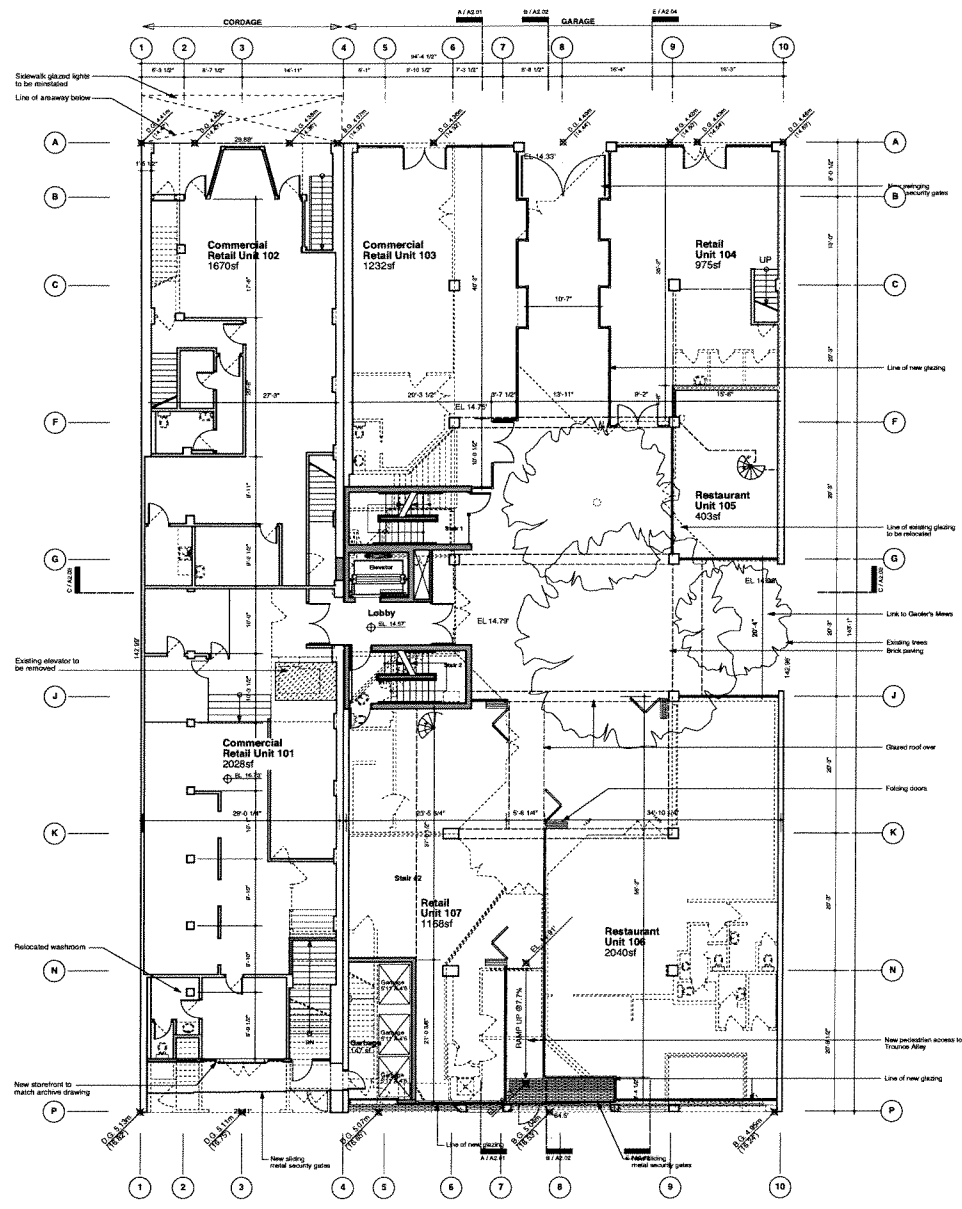
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CORDAGE & GARAGE
 12 Water Street, Vancouver
 scale 1/8" = 1'-0"
 date 22 Aug. 2008
 project code 1204
 COR. CD
 issue checked
 CL AD

South Elevation
 drawing number
 A3.02

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Date: 22 Oct 2006 - Preliminary Design Report



KEY
 --- WALLS TO BE REMOVED
 --- WALLS TO BE RETAINED
 --- NEW WALLS

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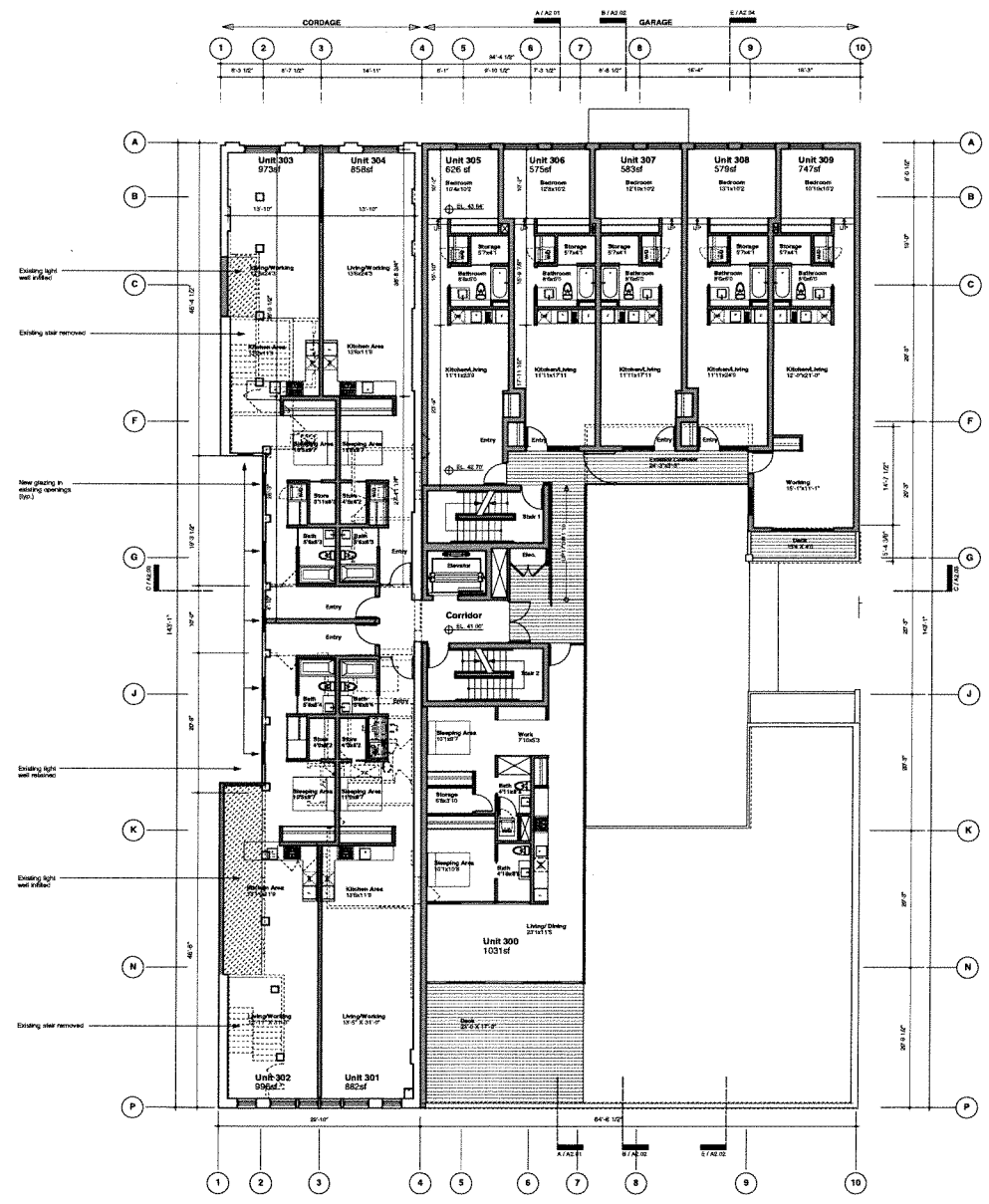
CORDAGE & GARAGE
 12 Water Street, Vancouver

Scale	1/8" = 1'-0"	Date	22 Aug 2006
Project Name	CORD	Client	SI
Drawn	AS	Checked	AS
CS	AS		

L1
Ground Floor Plan
 A1.03

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Date: 22 DEC 2005 - 3rd Floor Design Report



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CORDAGE & GARAGE
 12 Water Street, Vancouver

KEY
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 = NEW WALLS

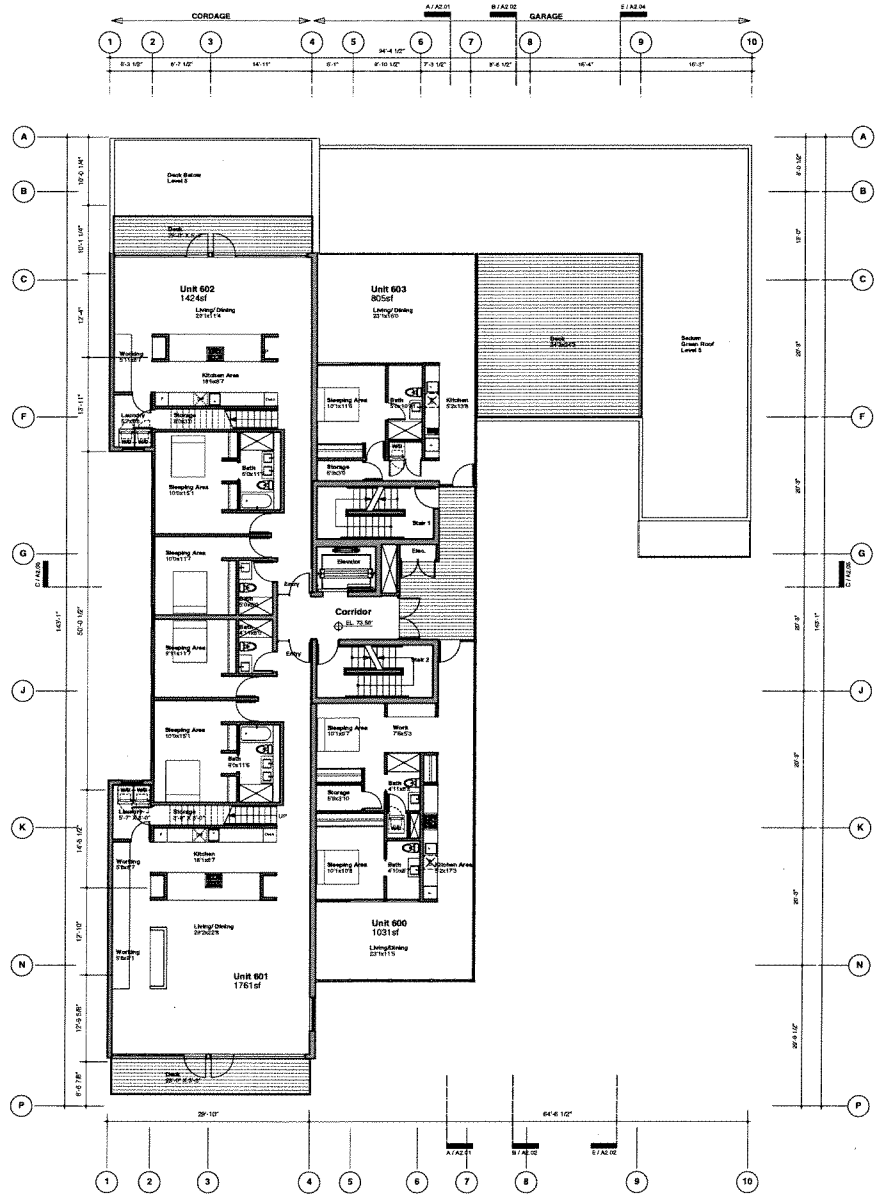
Date	Drawn
18/7/07	22 Aug 2006
Project No.	2206
CDR	SD
Drawn	Shardul
CD	AD



L3
 Third Floor Plan
 Drawing number
A1.06

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Sheet
20-2006-0006 - Schedule Design Report



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CORDAGE & GARAGE
 12 Water Street, Vancouver

KEY
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 ——— WALLS TO BE RETAINED
 = = = NEW WALLS

Date	Issue
22 Aug 2006	23
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L6
Sixth Floor Plan
 Drawing number
A1.09