

Supports Item No. 1  
CS&B Committee Agenda  
July 26, 2007

CITY OF VANCOUVER

ADMINISTRATIVE REPORT



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Author: R. Jenkins/  
G. McGeough/  
T. Knowles  
Phone No.: 7082/7091/6077  
RTS No.: 06812  
VanRIMS No.: 11-2800-01  
Meeting Date: July 26, 2007

TO: Standing Committee on City Services and Budgets

FROM: The Directors of Planning, in consultation with the Directors of Real Estate Services, Finance, and Development Services

SUBJECT: Heritage Building Rehabilitation Program (HBRP) and Transfer of Density Program - Current Status and Proposed Strategy

**RECOMMENDATION**

- A. THAT Council endorse the undertaking of the Heritage Building Rehabilitation Program and Transfer of Density Program Review generally in accordance with the Terms of Reference attached as Appendix A;
- B. THAT Council approve the staffing and budget, to undertake the Review, as proposed in this report, at a total cost of \$100,000 to be funded by \$15,000 from the Planning Department's existing 2007 Operating Budget and the remainder from delaying the start of the Heritage Register Upgrade Program (\$50,000 in 2007 and \$35,000 in 2008);
- C. THAT Council instruct staff to continue processing heritage incentives requests for Group 1 projects as identified in Appendix B, and that the processing of Group 2 and 3 projects, as well as any new enquiries for the creation of transferable bonus density, be put on hold until after the Review and report back.

**CONSIDERATION**

If Council does not support Recommendation C, the following is presented for Council's consideration.

- D. THAT Council instruct staff to continue processing heritage incentives requests for Group 1 and 2 projects as identified in Appendix B, and that the processing Group 3 projects, as well as any new enquiries for the creation of transferable bonus density, be put on hold until after the Review and report back.

### **GENERAL MANAGER'S COMMENTS**

The density bank plays a critical role in heritage building and area revitalization. The success of the Heritage Area Revitalization Program, rising land and construction values, and the lack of anticipated Federal incentives, have resulted in a density bank of an unprecedented size. It could take several years to find receiver sites for currently banked density and there are a number of new projects coming on stream. An oversupply of banked density could affect the value of the density leading to even larger bonuses, and could potentially undermine the viability of the bank as a heritage incentive. This would affect both current as well as future heritage projects. Therefore, it is prudent to pause and review the bank's capacity, the density bonusing formula, and other possible heritage incentives to mitigate the current size of bonuses being generated by heritage projects to ensure the bank remains a viable heritage revitalization tool.

Staff are concerned the current situation could be exacerbated by the number of applications potentially coming on stream over the next few months. Rather than a moratorium on all heritage density projects, staff are proposing to proceed with those already well on in the development process. Although not recommended, there is an option for Council's consideration to proceed with applications which are not as far along in the process, noting that a further, significant amount of density will be added to the bank without benefit of the review.

This work is a significant and complex undertaking since it must be done in concert with other planning work on the zoning capacity required on receiver sites for competing uses such as employment, and public amenities. The work will require more staff resources than currently available. Given budget constraints, and the fact that this work is key to the viability of heritage generally, it is recommended that it proceed in advance of the work on updating the Heritage Registry.

The General Manager of Community Services RECOMMENDS approval of A, B and C, and presents D for Council's consideration.

### **CITY MANAGER'S COMMENTS**

The City Manager RECOMMENDS approval of approval of A, B and C, and presents D for Council's consideration.

### **COUNCIL POLICY**

- Transfer of Density Policy (adopted January 1983)
- Heritage Policies & Guidelines (adopted May 1986)
- Heritage Building Rehabilitation Program Policies & Procedures (adopted July 2003)
- Heritage Façade Rehabilitation Program Policies & Procedures (adopted July 2003)

## PURPOSE

This report provides Council with an update on the Heritage Building Rehabilitation Program's (HBRP) achievements, described in detail in Appendix E, as well as an update on the status of the density market. It recommends a framework to review the future of the HBRP and the City's heritage incentive tools and priorities. Terms of Reference for this work program are provided in Appendix A. The recommended staffing and resources to undertake this work are described in the report. Finally, this report recommends interim measures for processing HBRP and transfer of density applications during the course of the Review.

## SUMMARY

The Heritage Building Rehabilitation Program (HBRP) was established for a five-year period (2003-2008) to facilitate the upgrading of heritage buildings and foster economic revitalization of the Downtown Eastside (DTES). The Program has been a success to date - the City has recently been recognized with an Outstanding Achievement Award for the Program from the Heritage Society of British Columbia. As the HBRP enters the final year of its five-year mandate, it is important to review its stated goals, review the successes and challenges of the Program, identify unmet needs, and determine if it should be extended and if so, in what form.

Transferable bonus density is the City's primary incentive tool for the HBRP. Staff have been monitoring the density market and provide Council with regular status reports on the health of the market. At present, there are a number of applications and enquiries for transferable bonus density from both the DTES and elsewhere in the Central Area, which, if approved, may create an oversupply that could affect the stability of the transfer of density market. While a key indicator, the value of density trading on the market remains stable, an oversupply could result in downward pressure on the value which could prevent or delay the completion of approved heritage revitalization projects. Transferable density is a valuable incentive tool for the city, and its viability must be preserved in order to complete approved projects and to address emerging heritage priorities including, for example, Chinatown's Society Buildings.

In monitoring the health of the density market, it is important to understand receiver site capacity to absorb heritage density in the context of demands from other key competing interests including employment growth, and community amenity needs. Staff have developed a strategy to address the linkage of the three inter-related development capacity policy areas and this is summarized in Appendix D.

In order to address these issues together with all related heritage incentive components, including the property tax exemption, staff have developed a terms of reference for an initial six month review, attached as Appendix A.

While the Review is underway (scheduled to be completed and reported to Council in early 2008) it is recommended the highest priority heritage applications proceed, with the remainder of lower priority projects (all in the enquiry stage) and new enquiries be put on hold until the report out.

## BACKGROUND

### Status of the Heritage Building Rehabilitation Program (HBRP)

Council approved special incentives for Gastown, Chinatown and the Hastings Street Corridor in July 2003, by adopting the Heritage Building Rehabilitation Program (HBRP) and the Heritage Façade Rehabilitation Program (Façade Grant Program). Established for a five-year period (2003 - 2008), the objective of the incentives is to encourage the full upgrading of heritage buildings to ensure their long-term conservation while stimulating economic development within the Downtown Eastside historic area. Council extended this special incentive package to the Victory Square area in July 2005.

### Achievements

To date, Council has approved incentives for 20 projects through the HBRP and the Façade Grant Program. Of these projects, 8 are complete and 12 are in various stages of permitting and construction. Highlights from the Program are provided below, with a full summary of Program achievements in Appendix E.

To date, projects approved through the HBRP and Façade Grant Program will result in the following, once complete:

- 20 heritage buildings upgraded and designated to ensure their long-term protection.
- 3 additional heritage building façades upgraded.
- \$497 M total direct investment in the area (based on project cost estimates), comprised of \$93.1 M of HBRP publicly funded investment which will leverage \$404 M in private investment.
- 20.6 M in property taxes exempted.
- 1,151 new residential units, comprised of 907 market units and 244 non-market units.
- 2,100 feet of street frontage (principal facades/storefronts) will be rehabilitated, reanimating the public realm and adding to liveability and validity of the area.

### Challenges

A number of challenges have been encountered through the implementation of the HBRP, which require further analysis as described in the Terms of Reference attached as Appendix A. These are described briefly below.

***Cancellation of Commercial Historic Properties Incentive Fund:*** At the time the HBRP was established, it was expected that the federal government would soon establish an incentive program through their Historic Places Initiative (HPI). It was anticipated that this program would be available to heritage property owners in the HBRP incentive area, and would reduce the size of the City's incentive packages by \$1 M for many of these projects. The federal incentive program was established as the Commercial Historic Properties Incentive Fund (CHPIF) in 2003. To date, only six projects that have received incentives through HBRP were also accepted through the CHPIF application process, with funds yet to be awarded. Unfortunately, the fund was altered after its launch to be only made available to commercial properties retaining single ownership. HBRP projects that proposed residential uses and strata ownership were not eligible for the federal grant, and as a result, the incentive amount provided by the City for these types of projects was higher than expected and made up

through transferable density. Most recently, in September 2006, the federal government cancelled the CHIPF program. To date, the impact to the City of the limited eligibility requirements and closure of this program is an increase of incentives awarded on a number HBRP projects totalling approximately \$10M or 200,000 sq. ft. On June 28, 2007, Council passed a resolution to write to the federal government, requesting that they reopen and commit long-term support to CHPIF or replace it with a similar program that is inclusive of a wider range of uses.

***Tax Exemption Value:*** To date, \$20.6 M in property taxes have been approved for exemption through HBRP and staff will be reporting to Council separately on this incentive. In implementing the Program, some challenges were encountered with the property tax exemption incentive that increased the amount of density provided on certain projects. For example, on some projects, particularly those where the heritage building was being converted to strata residential, developers have advised that they would not be able to recoup the full value of the 10 year tax exemption from prospective purchasers. In some cases, the City permitted the tax exemption period for the strata residential portion of a project to be limited to 3 years, with the balance of the foregone tax exemption being made up by transferable density.

***Increased Construction Costs and Land Values:*** The largest challenge for HBRP has been the well documented increase in construction costs and land values. For example, the recorded increase of construction costs in the Lower Mainland was 40% during the first four years of the Program (from 2003 to 2006).

As the Program's approach to determining incentives is through proforma analysis, where incentives make up the shortfall between estimated projects costs (including land value) and revenues, the rise in construction costs and land values has resulted in significant increases to size of incentives provided. At the beginning of the Program the projected average total incentive package value was \$1.5 M to \$2.0. In recent projects the average incentive package value has exceeded \$5.0 M.

#### **Status of the Transferable Density Market:**

Transferable Density is the primary incentive tool made available to heritage property owners through the Heritage Building Rehabilitation Program (applicable in a specific area of the DTES only) and the City's Heritage Policies and Procedures. In 2002, when the special heritage incentives were being established for the DTES, the City commissioned Coriolis Consulting Corp. to evaluate the transferable density system, identify ways to improve the system, and suggest ways to mitigate any negative impacts that might result from increasing the number of heritage properties that were able to take advantage of the transferable density.

To ensure the transfer of density system remained healthy, the consultant presented four types of recommendations: monitoring actions, administrative improvement actions, an action plan if required and ideas to increase the demand for transferable density. Staff subsequently implemented all but one of the recommended monitoring and administrative improvement actions. Staff explored all of the ideas to increase the demand for density and implemented a number of them. A summary description of the consultant recommendations and the City's subsequent analysis and actions is found in Appendix F.

In 2006, mid-point in the five-year HBRP mandate, staff sought the advice of Coriolis again on the density market status, past trends and forecasts, and recommendations to maintain a healthy market. The consultant's conclusions were that: there is a significant oversupply of transferable density and it will persist in the foreseeable future; the City should look for opportunities to increase the demand for density absorption and manage the creation of density; and further that increasing the demand for density absorption will have a greater impact on reducing the inventory of oversupply. The consultant recommended that the City either start implementing actions or monitor the market closely and be prepared to take action. Staff have continued to monitor the situation closely as noted in all HRA and HBRP reports to Council.

Since September 2006 when the consultant provided an update, there has been no creation of transferable density and the price of density trading has been stable in the \$55 to \$65 range. More recently, however, in the first half of 2007 there have been a significant number of new applications and pre-application enquiries seeking transferable density. This has prompted staff to publish the Bulletin, attached in Appendix C, and develop the recommendations contained in this report.

In the 2002 Coriolis study, the consultant recommended that in the event of a backlog of transferable density, that City should consider the following kinds of actions:

- a) Implement a temporary moratorium on additional creation of transferable density, to slow the rate of accumulation of unsold inventory.
- b) Define priorities and criteria for eligible heritage buildings, so that density bonuses granted to lower priority buildings do not have a negative impact on the market, to the detriment of rehabilitation projects involving higher priority buildings.
- c) Set annual limits or targets on the total amount of density to be approved for transfer, in total or by area.
- d) Set priorities for locations to be added to the receiver area or at least add new areas incrementally.

The recommended interim measures in this report are not a moratorium on additional heritage density as suggested in a) above, but would manage the amount of density created over time. The proposed interim measures and the HBRP and Transfer of Density Review would address the other three recommendations

***Density Creation, Absorption and Capacity Challenges:*** Staff have reported the overall picture of the density market to Council on a regular basis. Over the last 4½ years, approximately 1.85 M sq. ft. was created and 0.8 M sq. ft. absorbed. Annual absorption rates over the last 4½ years have been 200,000 sq. ft. per year. The difference plus the pre-existing bank balance, results in a current total of density approved but still to be transferred to receiver sites of approximately 1.4 M sq. ft. In 2005 and 2006 the creation was particularly high at 1.7 M sq. ft. with 1.2 M sq. ft. being approved for HBRP projects in 2006 alone.

No density has been approved through HBRP since September 2006, however there has been a recent second 'wave' of density requests. If all recent applications and enquiries for transferable density in process were to be approved this would result in an additional approximately 0.8 M - 1.0 M sq. ft. potentially resulting in a total of between 2.2 M and 2.4 M sq. ft. of density approved. Assuming a trend on absorption of 300,000 - 350,000 sq. ft.

this year (Coriolis high scenario from 2006 analysis), the total of density approved but not absorbed by mid-2008 could therefore be in the order of 1.9 M - 2.1 M sq. ft.

In the meantime, HBRP is heading into the final year of its five-year term and it is necessary to review the Program and identify its successes, how it can be improved, and whether or not it should continue. Staff note that the original intention of HBRP was that if successful, it would continue in some form to achieve unmet heritage and revitalization goals. In addition, staff will review current incentive program policies and procedures to seek ways to improve them.

## DISCUSSION

**Heritage Building Rehabilitation Program and Transfer of Density Program Review - Terms of Reference (attached as Appendix A).** The purpose of this Review is to:

- Evaluate the success of the Heritage Building Rehabilitation Program (HBRP) and determine if it should be continued for a second phase and, if so, in what form.
- Evaluate the success of the Transfer of Density Program and develop policies and actions to support its long-term health.
- Provide input into a *Potential Capacity Technical Review* (see process chart, Appendix D) by developing 'Future Transfer of Density Projections' Scenarios.

The Terms of Reference outline four task areas, and describe the Review process and public consultation components.

The *Potential Capacity Technical Review* will also be informed by the next phase of the Metro Core Jobs and Economy study. All three studies will inform one another and be reported out together, scheduled for early 2008. In the case of the HBRP and Transfer of Density Program Review it is anticipated there will be policy and actions related to density creation (e.g., proforma methodology adjustments, heritage policy priorities within the HBRP, etc.).

With respect to receiver site factors it is anticipated there will be clarity on the question of 'degree of' or 'magnitude of' competition amongst the competing policy objectives, leading to a potential Step 2 - Capacity Options Review which will ultimately address how all three policy objectives can be reconciled. For the HBRP and Transfer of Density Programs, receiver site policy changes at the end of Step 1 would only be recommended to the degree that they would not compromise the conclusions of a Step 2 review, if required.

## Proposed Interim Measures

Staff alerted Council, current applicants and enquirers, City advisory bodies, the development industry, community organizations, and members of the public to the potential need for interim measures in a bulletin dated May 14, 2007 (see Appendix C).

Based on the above-noted large amount of transferable density approved and not absorbed, together with the clear potential for a further addition to that amount, staff have concluded that the flow of transferable density created should be slowed, but not stopped, until answers have been found to the key policy review questions. The objective of the interim measures is to achieve a balance of minimizing additional, potentially negative, impact to the

density market during the Review period, while still allowing the highest priority applications to proceed. This will ensure that a wider range of options is reserved for Council's consideration at the end of the Review period, while at the same time respecting heritage priorities, and respecting those applications which are furthest along in the pre-application and application processes. The proposed measures establish direction and provide clarity for staff and the public regarding the processing of current and future applications and enquiries.

### **Prioritizing Applications and Enquiries**

Criteria have been identified, based on current policy priorities, unmet revitalization needs and on the status of proposals in the application process:

#### *Policy Criteria*

- "A" listed on Vancouver Heritage Register or within the HBRP incentive area
- Significant heritage public benefit is proposed (exterior and full building upgrade preferable to façade-only retention or focus on interiors)
- At imminent & high risk of demolition (not designated, non-viable and obsolete space, with no way to achieve zoned density)
- Within priority DTES policy sub-areas (areas with unmet revitalization goals: Hastings Street east of Columbia Street, and Chinatown; or on Carrall Street Greenway, old CPR right-of-way)
- Other Public Benefits achieved (i.e., rehabilitation of Single Room Accommodation units)
- Vacant building (all or majority of building was been vacant for a long time)

#### *Process Criteria*

- Complete pre-application proposal submitted by May 14, 2007 (date of Bulletin)
- Incentive offer provided by staff

Appendix C provides a list and a brief description of the current applications and serious enquiries for transferable density creation, as well as a table that measures projects against the criteria. By applying the criteria to current applications and enquiries, the following groups emerge.

- |                |  |
|----------------|--|
| <b>Group 1</b> | Many identified policy priorities (5 or more) are met, and pre-application review is complete/mostly complete.         |
| <b>Group 2</b> | Some of the identified policy priorities (3 to 4) are met, and some pre-application review is still required.          |
| <b>Group 3</b> | Few of the identified policy priorities (2 or less) are met, and significant pre-application review is still required. |

Based on these groupings, and the approximate order of magnitude of incentive staff could support for each project, the total amount of transferable density each group could create, if approved, is summarized in the table below.



Group	Possible Density Creation	Cumulative Total
1	300,000 sq. ft. - 350,000 sq. ft.	300,000 sq. ft. - 350,000 sq. ft.
2	150,000 sq. ft. - 200,000 sq. ft.	450,000 sq. ft. - 550,000 sq. ft.
3	350,000 sq. ft. - 450,000 sq. ft.	800,000 sq. ft. - 1,000,000 sq. ft.

In addition to the number of applications and enquiries for the creation of transferable density, other heritage and revitalization policy priorities have been identified as potentially requiring transferable density. Specifically, the Chinatown Community Plan will provide a policy and implementation framework for the Chinatown Vision, adopted by Council in 2002. Mid-way through its three year work program, the Chinatown Community Plan focuses on economic revitalization while building a Chinatown cultural legacy for Vancouver. A key element of the plan is the rehabilitation of heritage buildings owned by societies and clan associations.

Staff have been working with the Chinatown societies to develop a strategy for the rehabilitation of these important heritage buildings. It has been determined that a new approach to incentives is required for these non-profit property owners as the HBRP in its current form is not suitable. Staff will be reporting to Council on this work and related policy and program recommendations in the fall of 2007. If a special incentive program is recommended and approved for the Chinatown society-owned heritage buildings, any transferable density that may be created through this initiative would likely not come on stream until later in 2008.

### Recommended Interim Measures

Based on the identified priorities, staff recommend that the following interim measures be introduced with respect to current applications and enquiries:

- Group 1 projects continue to be processed;
- Group 2 and 3 projects and any future enquiries be put on hold until after staff report on the outcomes of the Review described in the Terms of Reference as attached in Appendix A.

The release of approximately 300,000 sq. ft. of transferable density to the end of Step 1 (from early 2007 to early 2008) would represent a supportable amount in terms of achieving the requisite balance noted above. If the Review period is extended into Step 2, staff will recommend in the early 2008 report a continuation of some form of interim measures which continue to represent a balance of interests. This may take the form of supporting the release of a further modest amount of transferable density in 2008, until a Step 2 report out.

If Council decides that projects should continue to be processed, it does not mean that each project will be approved. In the context of high competition for transferable density amongst heritage property owners and the large balance of density approved to date, staff and Council will need to increasingly consider the merit of the public benefit for each project relative to the magnitude of incentive sought, in addition to the proforma analysis of each request.

### Industry Concerns and Vancouver Heritage Commission Comments

In preparing the framework for the policy review and approach to interim measures, staff discussed with development industry representatives the challenge of achieving revitalization and heritage objectives set out by HBRP while ensuring the health of the density market. Comments from heritage project developers and holders of transferable density include:

- concern that there would be a “shut-down” or “black-out” of the HBRP and transferable density programs;

Staff recommend a measured ‘slow-down’ approach which allows the most important, high-priority-heritage applications to proceed while limiting the amount of new density created.

- Concern that the City may be over-reacting, citing the fact the value of density selling in the market remains stable and that developers are willing to hold on to density for a indeterminate period of time.

Staff note that the value of density sold remains stable, which is positive. However, the amount of density approved but not ‘landed’ on receiver sites is approximately 1.4 million sq. ft. (with the potential for new applications and enquiries adding a further approximately 1.0 million sq. ft.). The absorption rate over the last three years has been in the order of 200,000 sq. ft. per year. It will be a number of years before all the density created will be absorbed and there needs to be greater clarity about how, when, and where existing and new density can compatibly land.

On May 28, 2007, staff briefed the Vancouver Heritage Commission on the May 14<sup>th</sup> Bulletin and reported back on July 9<sup>th</sup> with a summary of staff’s proposed report recommendations. While commissioners regretted the delay of the Heritage Register Upgrade Program, they understood the pressing need to proceed with the six month HBRP and Transfer of Density Review and redirect funding accordingly. The Commission did not identify any other issues with the proposed staff approach, however, it will have a subcommittee review the report details when it is made public and may choose at that time to send a delegation to the Council Planning and Environment Committee meeting.

### FINANCIAL IMPLICATIONS - STAFFING AND BUDGET

Subject to Council approval, this high priority six month Review would proceed as soon as the staff team is established. Staffing for the Review is proposed to include:

- a Planner II project planner, to lead the Review and manage related consultancies;  
and
- a Planning Analyst to provide technical support and coordinate public consultation.

Coordination will also be required with the two concurrent initiatives of 'Potential Capacity - Technical Review' (job, space, heritage, other public benefits) and the 'Metro Core Study' (job space demands) (see Appendix D, for a process chart). All three initiatives are scheduled for report out in early 2008. A consultancy is also anticipated in the area of reviewing proforma methodology and practice related to both donor and receiver site circumstances, on-site heritage bonusing, and including both cost and revenue calculations/projections and for generating generic density creation scenarios.

Staff have carefully reviewed how the resources could be secured to undertake the proposed six month Review. The proposed work is not funded in the 2007 Operating Budget as the scale and extent of the Review was not fully scoped in 2006, when the 2007 Operation Budget was developed.

The total cost of the proposed Review is estimated to be \$100,000, consisting of \$50,000 in 2007 staffing (September 1<sup>st</sup> to December 31<sup>st</sup>), \$25,000 in 2008 staffing (January 1<sup>st</sup> to February 28<sup>th</sup>) and \$10,000 in 2008 for consultancies (the remaining \$15,000 for consultancies can be funded from the 2007 Planning Department Operating Budget (Department's consultant's budget).

Staff explored options to redeploy staff from other work to the Review. For example, by implementing the proposed interim measures, some staff resources (in Heritage Planning and Development Services) are freed up from application processing work. However the staff time 'created' would not be sufficient to generate a required full-time Planner II and Planning Analyst, noting that there remains a considerable amount of processing resources required to implement already approved HRAs (from Development application approval to issuance) as well as to continue processing the Group 1 projects recommended by staff to proceed. Staff also need to give attention to those heritage applications which do not involve transferable density including those involving on-site heritage bonusing.

With no approved funding and redeployment of existing staff not yielding sufficient capacity to undertake the required work, the only other viable option identified was to postpone the main start-up date for the Heritage Register Upgrade Program and redeploy one-time approved funds earmarked for that work to the Review. Council has approved \$50,000 in the 2007 Operating Budget (with a further \$200,000 approved in 2008 and 2009 Operating Budgets) to undertake this work. Recommendation B entails Council delaying the start of the Register Upgrade Program until January 2008 and redeploying funds as follows: \$50,000 from the 2007 Operating Budget and \$35,000 from the 2008 Operating Budget reallocated from the Heritage Register Upgrade Program to the HBRP and Transfer of Density Program Review.

Staff will report back before the end of 2007 on choices for addressing the resultant shortfall in funding for the Register Heritage Upgrade Program. Options include requesting replacement funding in the 2009 Operating Budget or scaling the Program back to reflect reduced funding. It is noted that the City funding of \$250,000 committed to the Register Upgrade work, was intended to leverage up to \$500,000 from external funding sources, including the Province, and it is not advisable to leave the City's funding of this important project in question for too long. It is also noted that while the main start up date would be delayed, some limited Register Upgrade Program work may proceed in 2007. This could include consultancies to undertake historic context statements with community input and generating selection criteria for register additions/priorities in Mt. Pleasant and other

communities in conjunction with planning programs underway in those communities. Staff are currently confirming Provincial funding to undertake this work.

Staff will also report back before the end of 2007 on City-wide priorities for planning policy work and new initiatives. Included in that review, will be options for undertaking the Capacity Options Review and Heritage Incentives Review - Step 2, if required, in 2008.

While not recommended, one additional option was considered. This was to delay the HBRP and Transfer of Density Program Review until new funding was approved. This is not recommended as it will extend the uncertainty of the future of these important programs and, further, the work is tied into the timing of the 'Potential Capacity Technical Review' and the 'Metro Core Study', all to be reported to Council early in 2008.

## CONCLUSION

The Heritage Building Rehabilitation Program (HBRP) and the Transfer of Density Program have been largely successful to date. While a number of goals have been achieved there continue to be unmet revitalization needs in the Downtown Eastside. As the HBRP is entering the final year of its five-year mandate, it is important to review stated goals, identify unmet needs, and determine if it should be extended and if so, in what form.

With transferable bonus density being the City's primary incentive tool for the HBRP, staff are carefully monitoring the status of the density market. Currently there are a number of applications and enquiries for transferable density from both the DTES and city-wide, which, if approved, together with the large amount of existing density looking for receiver sites, could potentially affect the viability of the density market.

As a result, there is a need to review the Heritage Building Rehabilitation Program (including the property tax exemption component) and Transfer of Density Program, and Terms of Reference are recommended for this work. It is proposed this work proceed in conjunction with two other key reviews which relate to receiver site capacity and include a technical study of potential capacity and Metro Core land use development policy. All three policy areas are inter-related and will be reported to Council together, scheduled for early 2008.

A staffing and budget plan is proposed which entails redeploying funds that are earmarked for the Heritage Register Upgrade Program. It is proposed the main start up date of the Heritage Register Upgrade Program be delayed until January 2008.

In order to provide direction to current applications and enquiries for transferable density during the course of the recommended Review, interim measures for application processing are recommended.

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**Heritage Building Rehabilitation Program (HBRP) and  
Transfer of Density Program  
Review  
Terms of Reference**

## Purpose

The purpose of this Review is to:

- Evaluate the success of the Heritage Building Rehabilitation Program (HBRP) and determine if it should be continued for a second phase and, if so, in what form.
- Evaluate the success of the Transfer of Density Program and develop policies and actions to support its long-term health.
- Provide input into the *Potential Capacity Technical Review* and, potentially, to a *Capacity Options Review* (see Appendix D).

Note: a Capacity Options Review would assess competition for development capacity on 'receiver sites' - that is competition to land projected heritage density, meet projected job space demands and meet other public benefit objectives.

## Background

There are a number of challenges and opportunities that make it timely to undertake this Review:

- The initial five year HBRP is entering its last year and it is the appropriate time to evaluate the success of the Program and identify any unmet goals.
- The amount of transferable density approved through the Program has been greater than anticipated and the potential receiver sites may be limited relative to existing and potential future density created.
- With approximately 1.4 M sq. ft. of transferable density approved but unsold working its way through the permitting process, together with an additional potential 1 M sq. ft. of new project requests, it is timely to assess if actions are needed to ensure the ongoing health of the transfer of density market.
- Conclusions of *the Metro Core Jobs and Economy Study* and *Potential Capacity Technical Review*, due for completion in approximately six months, are dependent upon the findings of this Review and vice versa.

## Tasks

### Task 1 - Complete Historic Review & Evaluation of Program

Evaluate level of success of overall HBRP and its individual components:

- Assess how successful the Program has been in achieving its stated goals. Include direct and indirect indicators, (e.g. land value appreciation in DTES relative to city-wide)

- Complete the examination of initial targets and projections, what will be realized by projects approved to date, unforeseen barriers to success and resulting considerations to be taken into account in the future. E.g.:
  - Number and types of applications,
  - Amounts and types of incentives awarded,
  - Level of building code upgrading and heritage conservation
  - Geographic distribution,
  - Impact on other City policies objectives, e.g., Carrall Street Greenway, SRAs, jobs space etc.,
  - Economic revitalization impacts.

Note: this work has begun, with preliminary findings presented in Appendix E.

- Assess how HBRP components (incentives, formulas and processes) performed relative to what was expected and, where applicable, causes of poor performance. Incentives include: façade grant, tax relief, federal CHIPF grant, residual density, bonus density. Formulas and processes include: shortfall cost analysis, land value formulas, matching façade grant provisions, evaluation criteria, optimal use criteria. e.g.:
  - What caused the average incentive compensation value per project to be \$5M versus the original estimate of \$1.5 - 2 M? What other factors were involved, in addition to construction and land costs escalation and the withdrawal of the Federal heritage grant program?
- Identify future opportunities & challenges for the Program.

## Task 2 - Identify and Analyse Potential Improvements to the HBRP and Transfer of Density Programs

Based on the findings of the historic review and issues identified undertake the following:

- Investigate greater use of alternative incentives to transfer of density (this might mean improved use of existing alternative incentives or identification and application of new incentives)
- Investigate the HBRP property tax exemption policy and procedures in order to improve effectiveness, including reviewing ways for strata-titled heritage projects to achieve the full benefit of available tax relief.
- Pursue introduction of pre-established Program success and/or benchmarks related to economic revitalization, heritage, and density bank indicators (i.e., ways to adjust the Program as it proceeds based on key indicators targets achieved)
- Review policy and process priority criteria (see Interim Measures) with regard to how such criteria might be applied in the longer term
- Review the current use of heritage project shortfall analysis in transfer of density and on-site heritage bonusing scenarios (e.g. does current methodology properly identify costs and revenues? Does it respond effectively to sharp escalations in costs and revenues, land lift values related to height relaxations, etc.?)
- Pursue administrative and process improvements to better facilitate application processing. Note: this work is underway

- Further investigate potential to increase the Development Permit Board Authority to approve density increases from 10% to 15% for development applications importing transferable density and how to better address the value increases realized through such transfers

### Task 3 - Develop 'Future Transfer of Density Projections' Scenarios

Based on trends analysis (flowing from Task 1) and applying various improvements and adjustments to the HBRP and Transfer of Density Program (flowing from Task 2), together with an understanding of the estimated heritage revitalization potential on heritage sites in the HBRP and other transfer of density areas (in the Central Area), this task entails developing high, medium and low transfer of density projections scenarios.

- This work is a key input to the *Potential Capacity Technical Review* (see Appendix D) which will provide an understanding of how much heritage density can be transferred in the context of scenarios which represent meeting job space demands and public benefit needs.

### Task 4 Report to Council (Early 2008)

Based on the findings and conclusions of Tasks 1, 2 and 3 staff would prepare implementation recommendations for Council. If a decision on the next phase of the HBRP and Transfer of Density Programs is delayed subject to a *Capacity Options Review* (see Appendix D), staff would recommend some form of continuation of Interim Measures to ensure the programs continue in an appropriate fashion until a decision is made by Council regarding the long future of the programs.

### Review Process and Public Consultation

The HBRP and Transfer of Density Review will be project managed through the Current Planning, with input by a City staff Steering and Technical Committees and external an Advisory Committee comprised of representation from the development and heritage industries. In addition to Heritage Planning, key City participants include the DTES Revitalization Group, Real Estate Services and the Metro Core Jobs & Economy Planning group.

Consultants are envisioned to assist in complex technical review areas including the proforma methodology analysis and the 'Future Transfer of Density Projections' scenarios.

The public consultation process will be designed to provide general information, receive feedback from stakeholders and to manage expectations. The Advisory Committee will be consulted at key points in the Review process. The table below is an initial list of organizations that would be invited to participate on the Advisory Committee during the review process.

Stakeholders	Representatives
City Advisory Bodies	Heritage Commission, GHPAC, CHPAC, Planning Commission
Heritage Organizations	Heritage Vancouver, Heritage Foundation, BC Association of Heritage Professionals
Community Groups	Gastown Business Improvement Association, Chinatown Merchants Association, etc.
HBRP and T of D Program participants	DTES property owners, heritage consultants and heritage building developers
Real Estate/ Development industry	UDI, AIBC, Real Estate Board, etc.
Others	To be identified as the process proceeds.

Public consultation will also include a City Website and consultation events including Open Houses and subject specific focus group discussions as required.

### Long Term Outcomes

It is envisioned the HBRP and Transfer of Density Review (in combination with a *Capacity Options Review, if required*, and other proposed policy initiatives) will deliver the following long term outcomes:

- DTES economic and heritage revitalization (likely through an adjusted Program format) continues to receive Council and public support.
- Financial incentive tools (again, likely in an adjusted form) for heritage conservation remain in place and are effective in supporting emerging DTES policy priorities (e.g. rehabilitation of Chinatown Family Association Buildings).
- The Transfer of Density incentive tool continues to be used and remains healthy - possibly with 'self-regulating' measures based on approved policy priorities.
- Heritage goals in the DTES and elsewhere in the Central Area continue to be met, although perhaps less dependent on transferable density.
- Heritage & broader community agreement on heritage priorities (from this *Review* and the *Heritage Register Upgrade Program*).
- Recent build-up of transferable density in the bank progressively finds places to land - the donor site projects are completed.
- Competition amongst heritage and other public benefits for bonus density has been reconciled; there continues to be places to land heritage density and meet other public benefit objectives.





Evaluation of Short-term Priorities  
Current Heritage Incentive Requests for Transferable Density

**Applications**

**265 Carrall (*Gastown*)**

To consolidate two sites, with retention of facades of a heritage building and construction of a new building. Proposal to remove designation under SRA by-law (the 22 units have been vacant for 30 yrs), and development of 23 new market condo units with 1 level of underground parking and 3 retail units at grade.

**212 E Georgia (*Chinatown*)**

To maintain use and tenure of partially occupied, SRA designated building. SRA permit will be required as proposal is to convert the 72 existing rooms into 41 self-contained larger units.

**77 E Hastings (*Hastings Street*)**

To restore existing mixed-use (retail/residential) building and add one storey to the east portion. Main floor will remain as retail with the upper floors to contain 20 rehabilitated self-contained SRA units (currently unoccupied).

**Enquiries**

**Site A (*Chinatown*)**

To restore a five storey heritage building to provide 1 retail unit at grade and 4 large strata residential units. Current use is warehouse/office and the building is vacant.

**Site B (*Hastings Street*)**

To rehabilitate a vacant SRA designated building, to provide 30 self-contained non-market SRA units with retail at grade.

**Site C (*Gastown*)**

To rehabilitate and seismically upgrade an occupied SRA designated building, rooms will not change in number or configuration.

**Site D (*Gastown*)**

To rehabilitate an occupied heritage building. Restaurant use at grade to be maintained and upper two floors to be converted from office to 2 live-work units maintained as rental through a non-strata covenant for an un-yet established period of time.

**Site E (*Gastown*)**

To consolidate two sites, with construction of a new building & underground parking on non-heritage site and rehabilitation of an occupied heritage building to provide hotel use with retail at grade.

**Site F (*Central Area*)**

To restore and seismically upgrade the interiors of a designated heritage church in exchange for designation of the interiors.

**Site G** (*Central Area*)

To restore and seismically upgrade the interiors of a designated building in exchange for designation of the interiors.

**Site H** (*Central Area*)

To restore the façade and lobby of a heritage building in exchange for designation. No seismic upgrading contemplated.

**Site I** (*Central Area*)

To restore key architectural features of a post-1940s heritage public utility building.

# BULLETIN

May 14, 2007

TO: Current Applicants and Enquirers, Development Industry, Community Organizations, and Members of the Public

FROM: Current Planning and Development Services Departments

SUBJECT: Heritage Building Rehabilitation Program (HBRP) and Transfer of Density Market - Proposed Strategy

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## BACKGROUND

- The Heritage Building Rehabilitation Program (HBRP) has been very successful in achieving a number of revitalization objectives in the Downtown Eastside.
- Many enquiries for transferable density have been made in recent months, and staff are concerned that if all were approved, they would create an oversupply of density and put downward pressure on the market price.
- While the density price remains stable, if it were to fall it would not serve holders of density or the city at large.
- Established programs and policies enable Council to approve the creation of transferable density, and when doing so Council needs to consider density market impacts.
- In order for the HBRP to continue its success, the density market must remain viable as a mechanism for facilitating investment in the area.
- Council has enquired about the health of the density market on a number of occasions and staff have committed to report back.

## Proposed Strategy

- Two reports are planned to bring this discussion before Council:

### **Council Report 1 (scheduled for July 2007)**

Staff will report to Council with recommendations on managing the density market and how to address current heritage applications and enquiries seeking density for transfer. Specifically, the report will:

- Table a draft strategy to address current requests for transferable heritage bonus density (HBRP & city-wide), the future of the HBRP, and the long-term management of the density market.
- Recommend a process to report back in approximately 6 months, including public consultation.
- May include interim actions, such as prioritizing requests based on criteria, to control the creation of new bonus density for transfer in order to maintain a viable density market. Any interim actions will consider the types and location of

- heritage projects, amount of bonus density being requested, where applications are/length of time in the process, and the rate of density absorption.
- Council will be given choices.

**Council Report 2 (*targeting January/February 2008*)**

After the 6 month review process, staff will report back to Council on analysis undertaken, public consultation, and resulting recommendations related to transferable heritage bonus density requests (HBRP & city-wide), the future of the HBRP, actions to increase absorption, and the long-term management of the density market.

- Staff will report public comments heard from now until late June in Report 1. Broader consultation will be undertaken for inclusion in Report 2.

**Actions**

**Immediate (*now to Council Report 1*)**

- For current applications/enquiries, proponents will be informed of the forthcoming Council reports and advised that staff will not bring new Heritage Agreements to Council for consideration before Report 1.
- In the meantime, staff will continue their work on projects, with priority for staff resources given to those projects that are furthest along and to preparation of Report 1.

**Interim (*between Council Report 1 and Council Report 2*)**

- If interim actions are approved by Council, the processing of projects would proceed on this basis during the period between Reports 1 and 2.

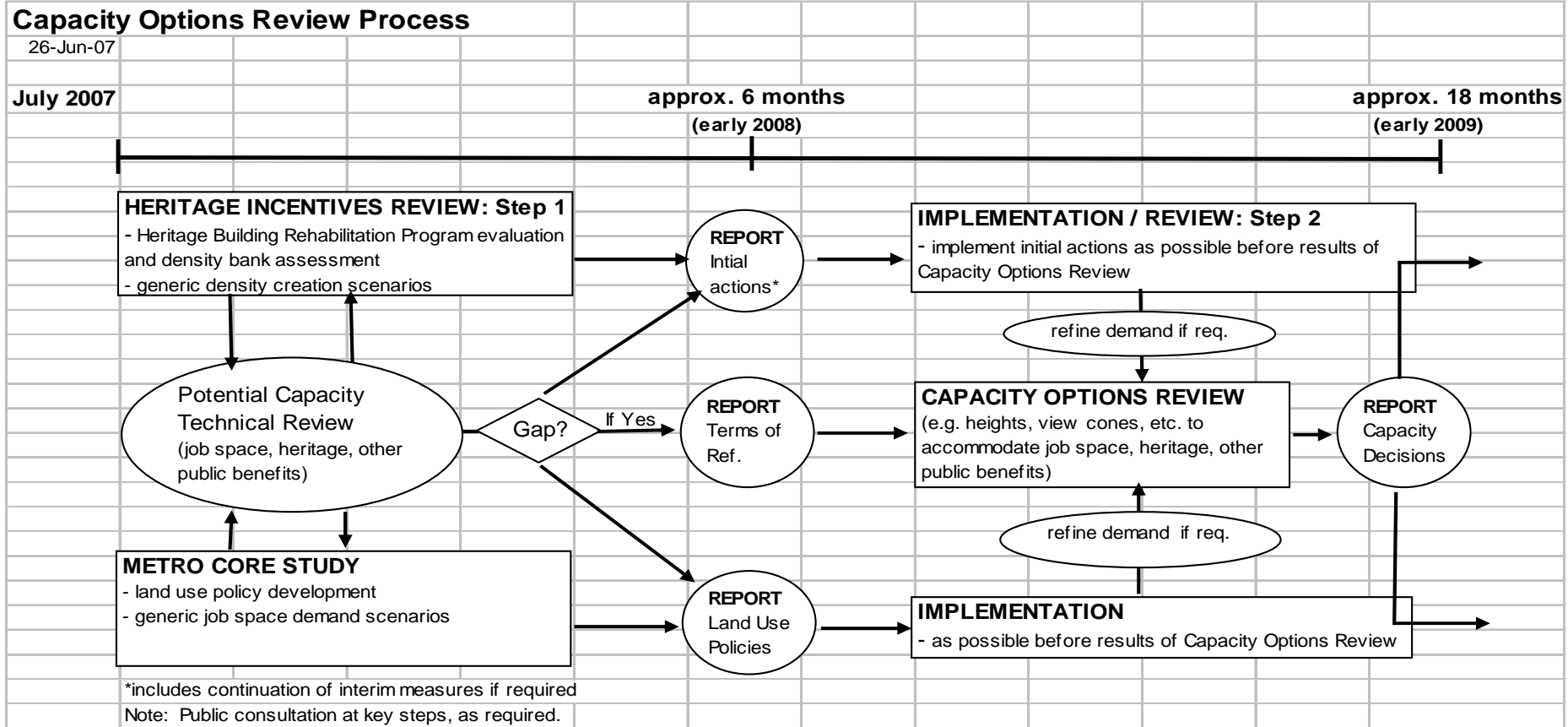
**Long-term (*after Council Report 2*)**

- Staff will implement recommendations that flow from the 6 month review process and public consultation in Report 2.
- These recommendations will relate to the long-term future of HBRP, city-wide heritage transfer of density program, management of the density market, balancing delivery of heritage objectives together with other public objectives (e.g. affordable housing, child care, cultural facilities, etc.) and timelines for implementation.

**Contact**

For more information please contact:

**Tanis Knowles, Project Facilitator**  
Development Services  
City of Vancouver  
Tel: 604.871.6077  
**Zlatan Jankovic, Heritage Planner**  
Current Planning  
City of Vancouver  
Tel: 604.871.6448



Special Incentives for the Downtown Eastside  
Heritage Building Rehabilitation Program  
Results to Date  
July 6, 2007

## Background

As part of their commitment to revitalization of the area and protection of heritage resources, Council approved the Gastown Heritage Management Plan (GHMP) in August 2002. This plan included a number of tools to promote the retention and upgrading of heritage buildings in the area. Council approved, in principle, a five-year incentive program that would include property tax exemption, transferable density, and façade grants. For heritage buildings in Chinatown, façade grants were made available in August 2002 and the property tax exemption incentive was made available in November 2002.

In July 2003, Council approved policies and procedures for the "*Heritage Building Rehabilitation Program*" (HBRP) and the "*Heritage Façade Rehabilitation Program*" (Façade Grant Program) as a special package of incentives for Gastown, Chinatown and the Hastings Street Corridor available for a five-year period (2003 - 2008). Council extended this special incentive package to the Victory Square area in July 2005. The objective of the Heritage Building Rehabilitation Program is to encourage the full upgrading of heritage buildings to ensure their long-term conservation while also stimulating economic development within the incentive area.

Now in year four of the Program, the affect of the special incentive package for the Downtown Eastside is becoming evident as projects are completed. In addition, the unique nature of the Program and progressive efforts of the City and developers towards conservation of heritage resources is being recognized. On June 1, 2007, the Heritage Society of British Columbia honoured the City with an Outstanding Achievement Award for the establishment of the HBRP and achievements to date.

## Achievements

### Overall

In July 2003, it was expected that that 7 projects per year in Gastown and Chinatown could be anticipated to take advantage of the special incentive Program. The incentives were extended to a portion of Hastings Street soon after, with 1-2 projects anticipated per year for that area. With the adoption of the Victory Square Concept Plan in July 2005, the incentives were extended further to the Victory Square area, where it was anticipated that 5 projects could be expected per year for the balance of the Program.

Implementation of HBRP and the Façade Grant Program began in Fall 2003. Since that time, 20 projects have been approved by Council, of which 17 were full building upgrade projects and 3 were façade-only rehabilitation projects. The projections and approvals to date by neighbourhood are shown in the table below.

Table 1: HBRP Projects Approved

Neighbourhood	Policy Projection	Approved to Date
Gastown	7 per year	14
Chinatown		2
Hastings Corridor	1-2 per year	2
Victory Square	5 per year	2
<b>Total</b>		<b>20</b>

While the number of projects approved does not reflect projections, the size of incentive packages awarded far exceeds anticipated amounts. Initial projections were that incentive amounts would be in the range of \$1.5 - 2M, with a significant amount of the incentive being provided in the form of a grant through the federal Commercial Historic Properties Incentive Fund (CHPIF) and through tax exemption. These two types of incentives were not as effective as hoped, and the majority of incentives are given in the form of bonus density.

#### Investment in the Downtown Eastside

When the HBRP was established, it was estimated that it could result in upwards of \$55M of investment toward conservation activity in Gastown and Chinatown. With the addition of Hastings Street and Victory Square, as well as the overall increase to the size and cost of projects, the current amount of public investment in the DTES through the HBRP and Façade Grant Program is \$93.1M. Private investment is approximately \$404M, for a combined total investment in the area of \$497M.

Table 2: Overall Investment

Investment in DTES	\$497M
Total HBRP Incentives	\$93.1M
Total Private Capital Leveraged	\$404M

Table 3: Incentives by Type

Incentive Type	Amount
Property Tax Exemption	\$20.6M
Bonus Density*	\$65M
Residual Density	\$6M
Façade Grant Program	\$1.5M
<b>Total</b>	<b>\$93.1M</b>

\* Including incentives that may be required if federal CHPIF grants are not received by applicants.

Table 4: Transferable Density Created  
Density Approved since 2003

<b>Total*</b>	<b>1,542,000 sq. ft.</b>
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\* An additional 60,000 s.f. of density will be created if three federal grant requests in process are not approved.



## Summary of Projects

Through HBRP the 17 rehabilitation projects approved to date, a total of 20 heritage buildings will be designated, ensuring their long-term protection and maintenance, through (several projects included the consolidated redevelopment of more than one heritage building).

Table 5: Heritage Buildings Designated

VHR Listing	Buildings Designated
A	3
B	10
C	7

- Of the 17 projects approved, 15 heritage buildings were either vacant or underutilized before rehabilitation.
- 8 projects are complete and 12 are in various stages of permitting and construction.
- Approximately 700,000 sq. ft. of rehabilitated or new floor area has been approved through the Program.
- Approximately 140,000 sq. ft. of floor area is added to heritage buildings through sensitive additions or activation of unused space.
- 2,100 ft of primary street frontage (principal facades/storefronts) will be rehabilitated, reanimating the public realm and adding to liveability and vitality of the area
- 500 ft of historic areaways will be retained in some form, in some cases adaptively reusing the underground space for commercial use (i.e. club/restaurant)

## Residential & Commercial Use

Many of the projects that were approved through the Heritage Building Rehabilitation Program proposed mixed-use buildings with retail at grade and residential units on upper floors. The following summarizes the amount commercial use approved and the amount and type of residential units that will be introduced the Downtown Eastside through the Program:

- Approximately 220,000 sq. ft. of retail/office area will be rehabilitated.
- 1,151 residential units will exist (market and non-market).
- Prior to the Program, 193 residential units existed in the heritage buildings undergoing rehabilitation. All of these units were vacant and designated under the Single Room Accommodation (SRA) by-law.
- After the approved projects are complete, 244 protected non-market residential units will exist in the approved projects (including both SRA and family housing).
- The table below shows the types of units included in projects approved through the program.

Table 6: Residential Units Developed

Unit Type	Units Before Rehabilitation*	Units After Rehabilitation *
Total	193	1,151
Non-Market (SRA, non-market single and family housing)	193	244
Rental (secured through covenant)	193	292
Market	0	907
Live-Work	0	187

\*Some units fall into several categories.

### Heritage Façade Rehabilitation Program

To date 3 heritage buildings have been approved for grants through the Heritage Façade Rehabilitation Program. All of the 17 full building upgrade projects have also received façade grants.

In 2003, Council approved an overall budget of \$2.5M for the Heritage Façade Rehabilitation Program. \$2.15M of this amount has been made available in Capital Plans. To date, \$1.585M has been committed to projects through façade grant approvals, leaving \$0.565M available for future projects. Including the \$0.35M not yet made available in a Capital Plan there is approximately \$0.91M available for future façade grants. These funds will be allocated to projects proposing façade-only rehabilitation or to projects proposing a full heritage building upgrade through HBRP. In the latter case, the façade grant will reduce the amount of transferable density created.

### Service Improvements

In the past year, staff have made a number of service improvements to improve the review and processing of applications for incentives through HBRP.

A more rigorous pre-application review process was established in the spring of 2006, to provide property owners and staff with clarity on the conservation approach, use, tenure and order of magnitude of incentives prior to a development application being lodged. This process involves a "Heritage Review Meeting" of senior staff, where decisions on project incentives are made. Recognized for its effectiveness in providing early and clear direction to staff and enquirers, this review process is now being used to review requests for the creation of transferable density from the Central Area.

In addition, staff have been working to increase clarity of the process to buy and sell transferable density, the City's primary heritage incentive tools. A "How-to Guide for Transferring Heritage Density" is now available to the public.

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## CONSULTANT'S 2002 EVALUATION OF THE TRANSFER OF DENSITY SYSTEM

Coriolis Consulting Corp.'s 2002 *Evaluation of the City of Vancouver's Heritage Density Transfer System* prepared for the City of Vancouver can be downloaded at:

<http://www.city.vancouver.bc.ca/commsvcs/planning/heritage/finalreport.pdf>

A summary of Coriolis' recommendations from page 58 are noted below in *italics*, followed by staff's response in regular text.

### *Recommendations:*

1. *The greatest risk to the effectiveness of the system is an accumulating supply of unsold space (transferable density) that causes significant declines in price. Therefore, the City should improve its monitoring of the status of the density transfer market, so that it is aware of any signs that a backlog is building and that price is softening.*

Staff have implemented the four recommended actions of monitoring the total amount of density (space) available in the bank, potential additions, rate of take-up of density and the price of density.

2. *There are some administrative improvements the City can make to the system that should increase demand, increase efficiency and reduce transaction costs without any changes to existing planning, heritage, or urban design policies.*

Staff have implemented the first three recommended actions of publishing a guide on "How to...Buy and Sell Density", maintaining a publicly accessible data base showing owners' density for sale, and informing developers of the opportunity to incorporate bonus or transferable density into their projects. Staff have not acted on the last recommended action to market the program at the community level, other than on project by project basis as part of the standard public notification process.

3. *If the City determines that a significant backlog in space is accumulating and that price is falling, the City should be prepared to take action to manage the system. Falling price will impair the City's ability to expand the program into new areas or to encourage specific buildings regarded as priority heritage assets to take part in the program.*

In spring of 2006 staff flagged that two of Coriolis' rough indicators of a backlog of unsold density were met, but that the third key indicator, a drop in the price of density, had not occurred. To be prudent, staff had Coriolis update their evaluation of the health of the density market with current data.

4. *The City should evaluate and consider policy changes that could increase the demand for transferable density. There are many ways in which this could be done, some of which involve minor changes and some of which involve significant departures from current thinking. Consequently, some of these should be characterized as ideas to consider rather than firm recommendations. It may be that the City, the*

*development industry, and the community find some of these acceptable and some not in effect.*

The City has acted on 7 of the 11 ideas proposed:

- pursuing a Charter amendment to eliminate the DCL charges on transferred density;
- explored adding new receiver sites areas;
- allowing developers to obtain density bonuses from amenity or social housing bonus provisions and still import transferable density;
- increasing the range of purchasers to include developers holding density for upcoming projects and other third party purchasers (though for legal reasons the City is not part of, nor does it track these third party transactions);
- the Development Permit Board approval process for obtaining heritage density increases has been streamlined substantially with the introduction of the Facilitated development application process for major projects and staff continue to look for ways to further improve the process;
- staff have submitted to the Province a Charter amendment request to allow the Development Permit Board to approve floor space increases up to 15% (currently a 10% max.) when the developer is purchasing transferable density;
- for the Central Area, Council has replaced the City's standard CAC rate (of \$3) with a negotiated rate and the vast majority of Central Area rezonings include some purchase of transferable density;

Four ideas that staff explored, but not acted on include:

- *The City could consider creating a formal density bank, where the City actually buys some or all of the density that it creates and they sell it to developers.*

This option is not supported by staff as it would require capital to buy density, needs investment management, and exposes the City to substantive risks (e.g., risk of falling price) and opportunity costs on any capital tied up to acquire transferable density.

- *Making existing CD-1 sites eligible for the 10% density increase through DPB.*

For this to occur the CD-1 zoning by-laws would need to be amended. This idea could be explored further, but the number of sites to which it might apply would be limited, because many Central Area CD-1s were only recently approved and reflect the current thinking of the maximum density that can be accommodated.

- *The City could examine whether in some locations or some zoning districts the urban design guidelines could be revisited so that receiver sites can usually achieve the full permitted FSR plus the 10% increase for a heritage density transfer.*

It has been City's long standing practice to not compromise urban design to achieve an increase in bonus density or absorption of transferable density. However, if it is concluded that the Capacity Options Review is required, options could include exploring acceptable shifts in urban design policy if it produces measurable gains

in receiving transferable density. These options would require full public consultation.

- *The City could consider using other tools to expand the incentives and resources available to heritage building owners, at least in some areas, to reduce the dependence on transferable density. For example, some jurisdictions make wide use of property tax abatement for heritage projects.*

The City has and continues to lobby the Federal Government to provide funding for the rehabilitation of heritage buildings. Other municipal incentives will be considered as part to the proposed Review.