

CITY OF VANCOUVER

ADMINISTRATIVE REPORT



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Meeting Date: July 26, 2007

TO: Standing Committee on Planning and Environment

FROM: The Director of Planning, in consultation with the Directors of Real Estate Services, Development Services, and the Housing Centre.

SUBJECT: Heritage Incentive Approach for 265 Carrall Street

RECOMMENDATION

- A. THAT Council supports, in principle, sending to Public Hearing, the rehabilitation and designation of the Boulder Hotel heritage façades as proposed by Development Application DE410844 for 265 Carrall Street; AND,

FURTHER THAT if Council approves Recommendation A, this decision does not prejudice the Director of Planning's decision regarding the Development Application.

- B. THAT Council supports, in principle, sending to Public Hearing, the heritage revitalization of 265 Carrall Street based upon Staff's recommendation of an incentive amount of \$3M plus residual density, derived from identified costs to restore and seismically upgrade the heritage façades of the Boulder Hotel, and a general contribution towards other project costs in acknowledgement of its contribution to economic revitalization of the area;

FURTHER THAT if Council approves Recommendation B, Council instructs the Director of Legal Services to prepare the requisite Heritage Revitalization Agreement for Public Hearing; AND,

FURTHER THAT if Council approves Recommendation B, this decision does not prejudice Council's decision regarding the HRA at a Public Hearing.

CONSIDERATION

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

- C. THAT Council supports, in principle, sending to Public Hearing, heritage incentives for 265 Carrall Street based on a full "shortfall cost" approach, derived from analysis of the project's full development proforma. This approach could result in an incentive amount in the range of \$5.3M - \$6.1M plus residual density.

FURTHER THAT if Council approves Recommendation C, Council instructs staff to undertake analysis of the developer-provided cost estimates and revenue projections, based on the shortfall cost approach outlined in the Heritage Building Rehabilitation Program policy and procedures.

FURTHER THAT if Council approves Recommendation C, Council instructs the Director of Legal Services to prepare the requisite Heritage Revitalization Agreement for Public Hearing; AND,

FURTHER THAT if Council approves Recommendation C, this decision does not prejudge Council's decision regarding the HRA at a Public Hearing.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of A and B. If Council does not support B, Recommendation C is presented for Council's consideration.

COUNCIL POLICY

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

SUMMARY AND PURPOSE

This report seeks Council's advice on the approach to determine heritage incentives through the Heritage Building Rehabilitation Program (HBRP) for the rehabilitation and designation of the Boulder Hotel as proposed by Development Application DE410844. This application proposes the redevelopment of the municipally-designated, heritage "B" building at 1-9 W Cordova Street (Boulder Hotel) and the adjacent property at 15-17 W Cordova Street (former Pig & Whistle Pub), collectively referred to as 265 Carrall Street.

The HBRP was established in 2003 with the objective of encouraging the full upgrading of heritage buildings to ensure their long-term conservation while stimulating economic development within the Downtown Eastside. HBRP policies and procedures set out that the incentive amount will be based on a project's shortfall cost, or on the amount required to make a project viable in a restoration and reuse project. For projects that include new construction (through the introduction of additions to heritage buildings or façade-only rehabilitation), these costs will be included in the shortfall cost calculation to the extent that they reduce the overall shortfall amount.

Key Issues:

Report Timing

It is noted that 265 Carrall Street is also addressed in the Interim Measures section of the staff report *Heritage Building Rehabilitation Program (HBRP) and Transfer of Density Program - Current Status and Proposed Strategy* to be considered by the City Services and Budgets Committee of Council prior to this report on July 26. In that report this application is recommended for priority consideration and that it continue to be processed and brought forward to a Public Hearing.

Once Council had determined if this application should be given priority consideration then the specific merits of the proposal and choices on incentives amounts presented in this report should be addressed.

Heritage Incentive Approach

Development Application DE410844 includes a significant amount of new construction as part of the proposed adaptive reuse of the Boulder Hotel. Early staff analysis of this project showed that the new construction would help to reduce shortfall costs, by increasing the amount of revenue generated. However, with further information provided by the applicant and detailed analysis the shortfall cost increased.

Staff informed the applicant in February 2007 that the full amount of incentives requested (\$8.5M) could not be supported, based on the low level of heritage retention proposed. Instead, a lower incentive amount in the order of \$3M was offered reflective of the cost of retaining the heritage façades of the Boulder Hotel and in consideration of the economic revitalization benefits the project would contribute to the area. The applicant subsequently revised their request for incentives to \$6.8M. When staff reaffirmed their offer of a lower incentive amount, the applicant requested more density on-site to increase the project's revenue, thereby reducing their projected shortfall and requested incentives. Staff agreed to explore more on-site density with the applicant and the community. Staff also agreed that they would take the discussion of the amount of incentives to Council for decision.

This report presents the feedback from the neighbourhood and advisory groups on the revised form of development and requests Council's advice on the level of incentives for 265 Carrall Street. Staff recommend an incentive of \$3M. Further, at the applicant's request, a consideration is also put forward that the incentives be based on the full shortfall costs.

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. The HBRP has been successful to date with 17 projects approved since implementation in mid-2003. There is just over one year remaining in the program as approved. Staff will report to Council on July 26, 2007 on the status of the HBRP and Transfer of Density Market and a proposed strategy for further review.

DISCUSSION

Development Proposal:

A development application (DE410844) has been submitted by Merrick Architecture - Borowski Lintott Sakumoto Fligg Ltd. to redevelop the heritage "B" building at 1-9 W Cordova Street (Boulder Hotel) and the adjacent site at 15-17 W Cordova Street, collectively referred to as 265 Carrall Street (see map below). Both sites are municipally designated. The Boulder Hotel is "B" listed on the Vancouver Heritage Register and the existing building at 15-17 W Cordova Street (former Pig & Whistle Pub) is non-heritage.

The proposed mixed-use development provides 23 dwelling units over the two sites with 3 retail units at grade. It will include the seismic upgrading and rehabilitation of the two principal façades of the Boulder Hotel, and a two storey addition for a total height of 59'. A new seven storey building is proposed for the former Pig & Whistle site with a height of 78' (HA-2 District guideline height is 75'). This building is set-back from the rear property line, in order to minimize shadowing and liveability impacts to neighbouring buildings and to Blood Alley Square. In addition, one level of underground parking with 13 vehicle and 10 bicycle stalls is also proposed to serve both buildings, with access from Trounce Alley. The total floor area proposed is approximately 38,800 square feet. See Appendix A for elevations of the proposed development.

As part of the proposed development a SRA Conversion/Demolition Permit will be required to remove the existing 22 Single Room Accommodation (SRA) rooms at the Boulder Hotel from the SRA By-law. These rooms have been unoccupied since 1978 and preliminary Housing Centre support for their removal has been given, with the final decision being made by Council once they have considered the matter at a future Public Hearing.

Heritage Value:

Boulder Hotel (1-9 W. Cordova) is a three-storey stone-faced commercial building located in the historic district of Gastown. Its first two storeys were constructed in 1890, with the third story being added prior to 1910. The building is municipally designated and "B" listed on Vancouver Heritage Register (VHR). It is recognized as one of several buildings built by Arthur G. Ferguson in Gastown, one of the city's pioneer landowners and developers. The Boulder Hotel is also valued for its association with Robert Mackay Fripp, a leading architect of the time and an outspoken proponent of the Arts and Crafts Movement. This building is architecturally simple and understated, reflecting the Arts and Crafts tradition of using natural materials in an honest manner. The subsequent addition of the third floor indicates the growth and expansion evident during the pre-First World War era. This was one of the earliest buildings in Vancouver to have plain rectangular sash windows set into a rough-dressed masonry walls.

Pig & Whistle (15-19 W. Cordova) is a one storey, non-heritage building that is considered suitable for redevelopment. Due to the site's municipal designation, as noted in the VHR, it is required that any new development on the site is compatible with the historic character of the area.

Conservation Plan:

The Conservation Plan for the Boulder Hotel proposes the rehabilitation and restoration of the two principal heritage façades with new construction behind. These façades will be seismically upgraded, and the wood windows and storefronts will be rehabilitated and restored to their documented 1938 appearance. Some interior finishings, such as newel posts, stair balusters, door trims and coronets, wainscoting, shutters and hardware will be reused within the new development as possible. While the rehabilitation and restoration of the two principal façades is supported, it is noted that this is not a full conservation of the building.

A two storey addition to the Boulder Hotel is also proposed in an attempt to make the project more economically viable thereby reducing the amount of incentives sought. The two-storeys will be contemporary addition to the heritage building, distinctively articulated from the adjacent new construction on the Pig & Whistle site. The addition also serves to bring in balance the scale of the new building to the Boulder Hotel.

Significant to the development proposal and Conservation Plan is the reanimation of the Boulder Hotel and the adjacent Pig & Whistle site. By intensifying commercial uses at the ground level and residential uses on the floors above, the development will return two long-term vacant properties to the local economy. This will bring positive activity to the neighbourhood and will contribute to the activity and animation of this section of the Carrall Street Greenway.

Heritage Building Rehabilitation Program - Approach to Incentives:

The Heritage Building Rehabilitation Program (HBRP) was established to encourage the full upgrading of heritage buildings and to stimulate economic development within the Downtown Eastside. Property owners are encouraged to rehabilitate their heritage buildings through incentives developed to compensate for shortfall costs, which are the funds required to make a major heritage building upgrade economically viable. HBRP policies and procedures set out that the incentive amount will be based on a project's shortfall cost, or on the amount required to make a project viable in a restoration and reuse project. Shortfall cost is determined by deducting the costs of the project, land/building and profit from the projected market value after renovation, based on development proforma analysis, prepared by the applicant and agreed to by the City.

Once the shortfall cost has been identified and agreed to, compensation is provided through various tools including façade grants, property tax exemption, and transferable bonus density. An additional bonus of "notional" residual density is also allocated through the HBRP where applicable. For projects where new construction and additions to heritage buildings are proposed, the City permits the inclusion of these costs in the proforma to the extent that they reduce of shortfall costs (they must contribute more to revenues than to costs).

Determining Incentives for 265 Carrall Street:

Preliminary analysis, undertaken in July 2006, indicated that the retention of the Boulder Hotel façades and construction of a new building on the former Pig & Whistle Pub site would generate a lower shortfall cost than if the Boulder were fully rehabilitated on its own, due to the poor structural condition of the building. Based on this early analysis, staff supported the proposed redevelopment approach of consolidating both sites and considering them as one project.

Between August 2006 and February 2007, the City and applicant worked to find a mutual understanding of the project's costs, revenues and projected shortfall following standard HBRP procedures. It became apparent in early 2007 that development of the Pig & Whistle site (and the related underground parking) did not reduce the overall project shortfall costs as initially anticipated. Staff informed the applicant in February 2007 that the full amount of incentives requested (\$8.5M) could not be supported, based on the low level of heritage retention proposed. Instead, a lower incentive amount was offered reflective of the cost related to retaining the heritage façades of the Boulder Hotel and in consideration of the economic revitalization benefits the project would contribute to the area.

This approach has also been used on other HBRP projects, notably at 36 Water Street (Grand Hotel & Terminus Hotel). In this case, the façade of the Terminus Hotel was all that remained of the heritage building and it was determined that no more than the façade of the Grand Hotel could be retained. Heritage incentives in the amount of \$1.03M, based on façade retention and restoration costs, were approved by Council for 36 Water Street in March 2005. In addition to this precedent, staff's recommendation is consistent with the recommended overall approach to dealing with incentives as presented in the HBRP and Transfer of Density Review. That is, notwithstanding the results of a shortfall cost analysis, in policy terms does the size of incentive requested match the extent of heritage restoration proposed and other resulting public benefits?

For 265 Carrall Street, an incentive of \$3M, plus residual density, is recommended by staff. This figure reflects the applicant's identified costs to retain the Boulder Hotel façades and the project's benefit to neighbourhood revitalization. This figure also reflects a potential incentive amount previously communicated by staff to the applicant in early shortfall cost discussions.

Based on staff's conclusion on a supportable incentive amount, the applicant requested more on-site density for their project in order to reduce their overall shortfall costs. Staff agreed to explore the feasibility of more on-site density, and together with the applicant identified a revised form of development that results in approximately 5,000 s.f. more than initially proposed. Staff notified the community and advisory groups of the newly proposed form of development, and the responses received are summarized below.

REVIEW AND NOTIFICATION

This development proposal was reviewed by two advisory committees in June 2006 as an enquiry. Public notification occurred in December 2006, upon receipt of the development application. The applicant's request for more on-site density would require a number of variances from the HA-2 guidelines; therefore the neighbourhood and advisory groups were renotified of the proposed changes in May 2007. A summary of responses to the original proposal and the revised form of development is provided below.

Public Consultation:**December 2006 Notification - Original Form of Development** *(one storey addition to Boulder Hotel, 75' height for the new building on Pig & Whistle site)*

Following standard notification procedures, 761 surrounding property owners and 66 community groups were notified and invited to comment on the proposal. Staff received 11 responses: 7 supported the project and 4 opposed. Those that supported the project noted the new market residential units and revitalization impact on the area as reasons for their support. Other supporters were pleased to see the 75' guideline height being retained for the new building, and encouraged the developer to review and take any necessary measures to minimize shadow impacts to Blood Alley Square.

Of the 4 respondents who did not support the proposed development, 2 were community organizations that opposed the loss of the 22 SRA-designated rooms in the Boulder Hotel. The other 2 respondents were concerned with shadowing impacts of the new building to a neighbouring building (The Bodega), the impact of the development on the heritage character of the area, as well as the impact of the underground parking access on the functioning of the Carrall Street Greenway.

May 2007 Notification - Revised Form of Development *(two storey addition to Boulder Hotel, 78' height for the new building on Pig & Whistle site)*

The neighbourhood was notified in May 2007 of the revised form of development, resulting from the applicant's request to allow more on-site density. Following standard notification procedures, 851 surrounding property owners and 65 community groups were notified and invited to comment on the proposal. Staff received 25 responses: 9 supported the revised form of development and 16 were opposed.

Comments received from the 9 supportive respondents (1 being a community organization) related to support for: the two-storey addition to the Boulder, the additional 3' above guideline height on the Pig & Whistle site, removal of the SRA rooms, rehabilitation of the façades, and the project's contribution to revitalization of the area.

Of the 16 respondents who expressed non-support, 11 expressed concern over the removal of the SRA-designated rooms and the revenue the project will make from additional on-site density (2 being community organizations). These respondents felt that additional density should not be granted without replacement of the 22 SRA-designated units, and also requested that the matter be taken to Public Hearing.

With respect to this issue, as previously noted in this report, an SRA Conversion/Demolition Permit will be required to remove the existing 22 SRA rooms at the Boulder Hotel from the SRA By-law. These rooms have been vacant since 1978, and the Housing Centre has given preliminary support for removal of the SRA designation, with the final decision to be made by Council. A full analysis will be included in the Heritage Revitalization Agreement/SRA report that will be brought forward at a future Public Hearing.

Another concern, as raised by 5 of the non-support respondents, relates to shadowing and liveability impacts of the proposed development to Blood Alley Square and the neighbouring building (Bodega Suites). Some of these respondents requested that consultation be undertaken to minimize these impacts. In addition to shadowing concerns, several of these respondents also expressed dislike for the contemporary design of the addition to the Boulder and questioned its compatibility with the heritage character of the area.

With respect to this issue, staff note that additional design development to address concerns of adjacent neighbours will be undertaken through the development application review process.

Comments from the Advisory Bodies:

This development proposal was presented to the Gastown Historic Area Planning Committee (GHAPC) as an enquiry on June 21, 2006. Support was given to the project, including the one storey addition proposed at the time. The Committee expressed some concern over how incentives are generated and whether or not the Pig & Whistle portion of the proposed development would generate or reduce the shortfall.

The project was presented again to GHAPC on May 16, 2007, to receive their comments on the revised form of development. The Committee supported the proposed massing and height of the Pig & Whistle and the two storey addition to the Boulder, however it recommended that there be further design development to achieve a distinct massing break between the Boulder Hotel and the contemporary two storey addition above.

The Vancouver Heritage Commission (VHC) first reviewed this development proposal on June 26, 2006 as an enquiry. At that time they supported the proposed development and requested further information on the amount of heritage incentives requested. The revised form of development was presented to the VHC on May 28, 2007. They supported the two storey addition and additional 3' to the new building on the Pig & Whistle site, and recommended that consideration be given to lightening the visual affect of the addition to the Boulder Hotel.

Both GHAPC and VHC took into consideration the unique nature of proposed development, combining significant new construction and relatively low level of heritage retention, and its contribution to economic revitalization of the area. Both committees expressed support for an economically efficient built form in order to improve the probability of successfully concluding the negotiation of incentives.

Processing Times:

The proposal to redevelop the Boulder Hotel and adjacent site was formally filed as an enquiry with the City in September 2005. Staff and the applicant subsequently reviewed a number of schemes, including scenarios that involved higher levels of retention of the Boulder Hotel. In April 2006, scoping of the enquiry concluded and pre-application review of incentives began. The applicant filed a Development Application in November 2006. Review of the project costs and revenues continued, with the staff conclusion on the supportable incentive amount of \$3M being provided in February 2007. Due to the complexity of the proposed development and the challenges encountered in determining incentives, the processing times for this proposal are longer than usual.

In order to minimize the further investment of time and resources and to give the applicant clarity so that they can determine if they wish to proceed with the project, staff recommended that the incentive approach recommended be taken to Council for decision, through this report, prior to undertaking any further analysis.

FINANCIAL IMPLICATIONS

There are no City financial implications with this report. However, heritage incentives, including a façade grant, may be brought forward for Council's consideration at a Public Hearing.

CONCLUSION

It is noted that in a separate report, to be considered by the City Services and Budgets Committee of Council on July 26, staff recommend that the application for 265 Carrall Street be given priority consideration and continue to be processed.

In the implementation of the Heritage Building Rehabilitation Program, staff recognize that there are a range of conservation approaches for heritage buildings. Staff do not support the applicant's request for an incentive package in the amount of \$5.3M - \$6.1M for the level of heritage restoration proposed. Staff recommend a maximum incentive of \$3.0M, plus residual density, reflective of the cost of retaining the heritage façades of the Boulder Hotel and in consideration of the economic revitalization benefits the project would contribute to the area. Staff also support further additions to the Boulder Hotel to assist in reducing the applicant's shortfall costs.

Based on Council's advice on the incentive amount, a Heritage Revitalization Agreement for 265 Carrall Street will be brought forward for Council's consideration at a future Public Hearing to this affect.

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CORDOVA STREET ELEVATION

THE BOULDER HOTEL + THE PIG & WHISTLE 265 CARRALL STREET



LINE OF 75 FOOT GUIDELINE HEIGHT

CARRALL STREET

CORDOVA STREET

CARRALL STREET ELEVATION

THE BOULDER HOTEL + THE PIG & WHISTLE 265 CARRALL STREET

LINE OF 75 FOOT GUIDELINE HEIGHT

CORDOVA STREET

BODEGA STUDIOS



BLOOD ALLEY SQUARE ELEVATION

THE BOULDER HOTEL + THE PIG & WHISTLE 265 CARRALL STREET

LINE OF 75 FOOT GUIDELINE HEIGHT

CARRALL STREET

BODEGA STUDIOS



BLOOD ALLEY SQUARE ELEVATION

THE BOULDER HOTEL + THE PIG & WHISTLE 265 CARRALL STREET

DASHED LINE INDICATES EXTENT OF PREVIOUS SETBACK FROM LANE

LINE OF 75 FOOT GUIDELINE HEIGHT

BODEGA STUDIOS

CORDOVA STREET

BLOOD ALLEY SQUARE

