



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: December 13, 2007  
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Meeting Date: February 12, 2008

TO: Vancouver City Council

FROM: The Directors of Planning and Housing

SUBJECT: 71 East Hastings Street (DE 410058) - Heritage Designation and Incentives, and SRA Conversion/Demolition Permit Application

#### RECOMMENDATION

- A. THAT, Council designate the buildings at 71 East Hastings Street (71-75 and 77 East Hastings Street), listed in the "C" category on the Vancouver Heritage Register, as Protected Heritage Property, and instruct the Director of Legal Services to bring forward for enactment a heritage designation bylaw;
- B. THAT, Council authorize the City to enter into a Heritage Revitalization Agreement for the site and grant a density bonus of 37,685 sq.ft. available for transfer off site. The Heritage Revitalization Agreement will be registered on title as a legal notation;
- C. THAT, Council approve an SRA Conversion/Demolition permit to allow for alterations to install private bathrooms and cooking facilities in each of the 19 (nineteen) SRA-designated unit, on the condition that Council approve RECOMMENDATION A and B, and the owner enter into a 20-year term Housing Agreement with the City, to the satisfaction of the Director of the Housing Centre, requiring monthly rental to permanent residents only;
- D. THAT, subject to the approval of RECOMMENDATION A Council authorize one facade grant for a total of \$50,000 with funding to be provided from the 2006 Capital Budget. The Vancouver Charter requires that a minimum of 2/3 of votes cast be affirmative for this resolution to pass;

- E. THAT, subject to approval of RECOMMENDATION A, Council instruct the Director of Legal Services to prepare a Tax Exemption Bylaw for 71 East Hastings Street for a property tax exemption which is not to exceed a value of \$173,670 or a period of ten (10) years, which ever comes first. A two-thirds majority of votes cast is required for this recommendation to pass; and,
- FURTHER THAT, subject to assent of the electors to the real property tax exemption by-law or their deemed approval, the Director of Legal Services bring forward the by-law, generally on the terms set out in Appendix A, for enactment;
- F. THAT, the agreements, covenants and by-laws shall be prepared, registered and given priority to the satisfaction of the Director of Legal Services in consultation with the Director of Planning;
- G. AND THAT, Council instruct the Director of Legal Services to bring forward for enactment a by-law to authorize the Heritage Revitalization Agreement.

#### GENERAL MANAGER'S COMMENTS

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

#### COUNCIL POLICY

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

#### SUMMARY AND PURPOSE

This report seeks Council's approval to designate this "C" listed building as Protected Heritage Property and to enter into a Heritage Revitalization Agreement (HRA) to secure the rehabilitation and long term conservation of the buildings at 71 East Hastings Street.

This report also seeks Council's approval of an SRA Conversion/Demolition permit to enable the rehabilitation and reopening of 19 (nineteen) SRA-designated rooms which have been closed for approximately 40 years.

## BACKGROUND

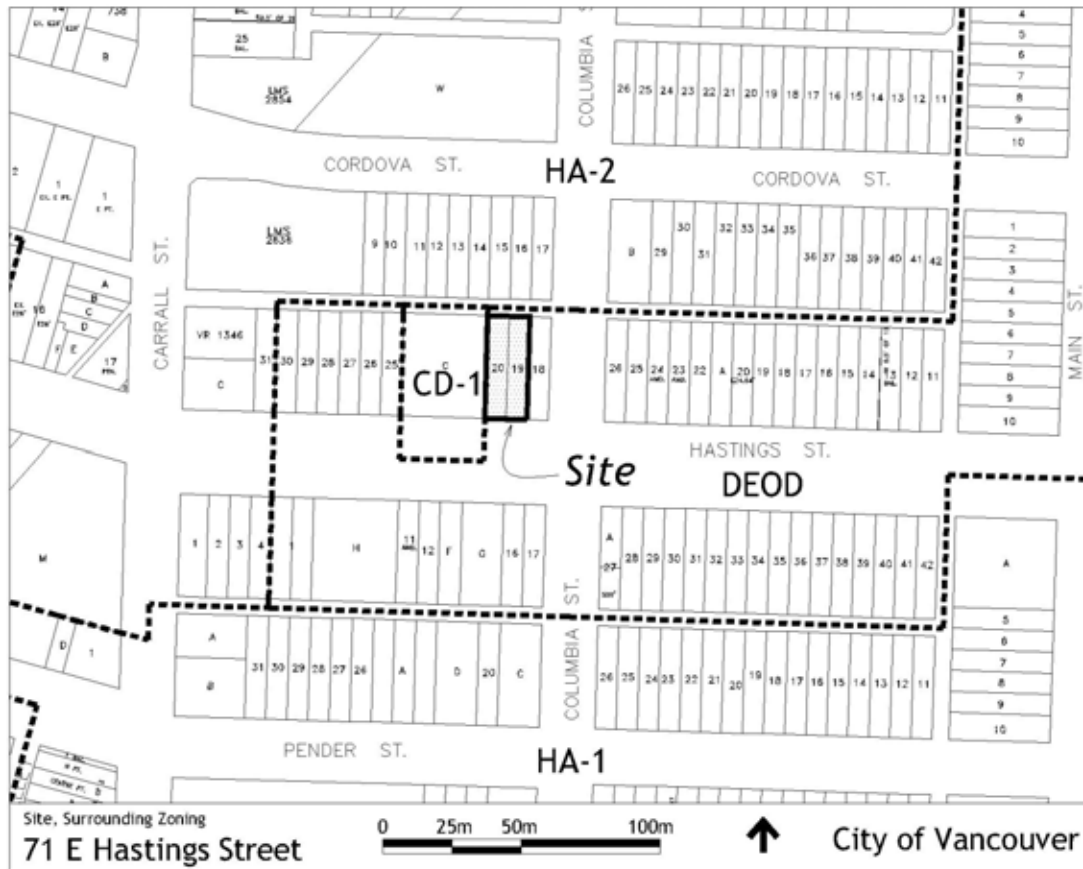
**Heritage Building Rehabilitation Program (HBRP):** The HBRP was established in June 2003 for a five-year period (2003 - 2008) to encourage rehabilitation of heritage buildings and to foster economic activity in the historic areas of Gastown, Chinatown, Hastings Street and Victory Square. Property owners are encouraged to rehabilitate their heritage buildings with incentives determined through site-specific analysis and provided through various tools.

HBRP has been successful to date with 20 projects approved since implementation in mid-2003. In acknowledgement of this success and that the program is entering its final year, Council endorsed the undertaking of the *Heritage Building Rehabilitation Program and Transfer of Density Program Review* at their meeting on July 26, 2007. At the same time they instructed staff to continue processing 5 current applications and enquiries during the Review, and to put other enquiries on hold until the report back. This report addresses one of the applications identified for processing while the Review is underway.

**Single Room Accommodation (SRA) By-law:** In October 2003, Council enacted the Single Room Accommodation (SRA) By-law to regulate the conversion and demolition of single room accommodation. An owner wanting to convert or demolish designated SRA rooms must apply for and obtain approval from Council of an SRA permit, which must be issued prior to the issuance of a Development Permit. Council assesses each application and may refuse the permit, approve the permit outright, or approve the permit subject to conditions such as a Housing Agreement, a Heritage Revitalization Agreement, and payment of a fee towards the City's replacement housing fund. An SRA Conversion/Demolition permit application for 71 East Hastings Street was made in 2006, and identified in the 2006 SRA By-law Status Report as pending.

## DISCUSSION

**Development Proposal:** A development application has been submitted by Douglas Johnson Architect Ltd. to retain and restore the existing mixed-use buildings at this site (see figure below). Also proposed is the construction of a one-storey addition over the east building. The uses will remain as existing, with retail on the ground floor and SRA-designated rooms on the upper floors. According to Housing Centre records, there were 16 sleeping rooms on the upper floors at one time. These rooms have been closed for approximately 40 years. The owner is proposing to redevelop the upper floors to create 19 new units, each with its own private washroom and cooking facilities. As this type of renovation constitutes a conversion under the Single Room Accommodation By-law, the owner is seeking Council approval for an SRA Conversion/Demolition permit. Eighteen of the 19 units are smaller than 320 sq. ft. and will therefore remain designated in the SRA By-law. While the 19<sup>th</sup> unit, at 325 sq. ft., will not be designated in the SRA By-law, it will be operated as monthly rental as stipulated in the Housing Agreement. See Appendix B for elevations of the proposed development.



**Heritage Value:** Two buildings exist at 71 East Hastings Street, including a two-storey building to the east and a three-storey building to the west. These buildings are considered together as one site due to their age, context and long association with one business. Their heritage value is predominantly based in the use of the buildings, as the business “BC Collateral and Loan” has operated in this location for almost 90 years. The earliest documentation of these buildings is in 1903, when a range of businesses are noted in the city register, with “BC Collateral” first listed in this location in 1918.

In addition, these buildings are also valued as good examples of how commercial buildings are adapted over time to suit changing business needs and aesthetic taste. Alterations and additions to the buildings at 71 East Hastings Street demonstrate the growing BC Collateral and Loan business. This business started in the two-storey building to the east (Lot 19) and expanded in the 1960s to include the adjacent three-storey building on the western portion of the site (Lot 20). In terms of aesthetics, in the 1930s the façade of the two-storey building to the east had been renovated in an Art Deco style, reflecting contemporary tastes of that era. While in the 1970s, a large rotating neon sign, in a style popular during the period, was mounted on the façade of the three-storey building. The sign still functions today and is a neighbourhood landmark.

**Conservation Plan:** The Conservation Plan proposes restoration of the Hastings Street façade to its documented 1934 appearance, including the original configuration of the storefront. The Art Deco era appearance of the eastern portion of the principal façade will be restored, including reinstatement of the crenelated brick parapet. All existing windows will be retained and refurbished, the original marquee unveiled and restored, and the landmark rotating neon sign will be retained and restored. The one-storey addition on the eastern building is setback and designed in a subordinate and distinguishable manner compatible with the historic building. The rehabilitation will also include seismic and building system upgrades.

**Rehabilitation Cost:** In order to make the project viable, the owner is seeking compensation through the HBRP, consisting of a facade grant, ten year property tax relief, and transferable bonus density. In accordance with Council’s HBRP Policies and Procedures, staff reviewed the applicant’s shortfall cost calculation and undertook an independent analysis. Staff conclude that a total cost of \$2,107,935 is justified for compensation in the following manner:

<b>71 East Hastings Street - Summary of HBRP Incentives</b>			
	<b>Category</b>	<b>Value (\$)</b>	<b>Bonus Density Equivalent (SF)</b>
	Façade Grant	\$50,000	n/a
	Property Tax	\$173,670	n/a
	Bonus Density (to meet Shortfall Cost)	\$987,665	19,753
	<b>Shortfall Cost Compensation</b>	<b>\$1,211,335</b>	-
Additional Incentive	Notional Residual Density	\$896,600	17,932
<b>Total Density</b>		-	<b>37,685</b>
<b>Total Value of Compensation</b>		<b>\$2,107,935</b>	-

**Impact to Density Market:** On July 26, 2007, Council endorsed the undertaking of the *Heritage Building Rehabilitation Program (HBPR) and Transfer of Density Program Review*. This Review will explore the stated goals and achievements of the HBRP, as it enters the final year of its five-year mandate. In addition, the Review will examine the health of the density market, to ensure the viability of this incentive tool. While the Review is underway, Council instructed staff to continue processing heritage incentive requests for five projects which best responded to City policy objectives, and this report addresses one of the five projects. A total density bonus of 37,685 sq.ft. is recommended for 71 East Hastings Street, which is consistent with the density projected for this project when staff reported on the five projects to Council in July.

**Single Room Accommodation (SRA) Conversion/Demolition Permit Review:**

This application proposes to rehabilitate the SRA rooms at 71 East Hastings Street, which have been vacant for approximately 40 years. It also proposes to increase the number of rooms at this site from 16 to 19. Eighteen of the units will be under 320 sq.ft. and will therefore be maintained in the SRA inventory. All units will be self-contained with private bathroom and cooking facilities.

**Factors for Consideration in Granting an SRA Permit:** As outlined in the Vancouver Charter, Council is required to consider a number of factors in deciding on an SRA Conversion/Demolition permit, specifically:

*Accommodation for Affected Tenants:* The residential rooms on the two upper storeys of 71 East Hastings Street provided accommodation for permanent residents at one time, and were therefore included in the SRA By-law. According to City records, however, these rooms have been vacant for almost 40 years due to their dilapidated and uninhabitable condition. Therefore, no tenants will be affected as a result of this SRA conversion/demolition approval.

*The condition of the building:* Like many buildings constructed in the early 20<sup>th</sup> century, the building at 71 East Hastings Street requires upgrading. The applicant will undertake extensive renovations that will significantly improve the quality of this "C" listed heritage building and will provide better, self-contained accommodation for low-income tenants.

*The supply and future availability of low cost accommodation in the Downtown Core:* According to the "2007 Survey of Low-Income Housing in the Downtown Core", there was a loss of 40 low-income housing units in the Downtown Eastside between June 2005 and June 2007. However, from 1991, the base year for the City's 1-for-1 replacement policy for housing for low-income singles, there has been a net gain of 391 units (or 3% increase from 1991). Vacancy rates for single room accommodation is down to 2%, the lowest vacancy rates on record, so while the stock has increased marginally, the demand has increased substantially.

The current proposal, if approved, will provide 19 upgraded self-contained units, 18 of which will be added back to the SRA inventory and be included in the SRA By-law as they are smaller than 320 sq. ft. While the 19<sup>th</sup> unit, at 325 sq. ft., will not be designated in the SRA By-law, it will however be operated as monthly rental similar to the rest of the units. The reopening of these updated units is consistent with Council policy to:

- Maintain and upgrade housing for existing residents in the Downtown Eastside;
- Improve existing SRA units and build replacement low-income housing; and,
- Encourage a diversity of housing in the Downtown Eastside.

*The Need to Replace or Improve SRA Units:* The proposed development is in keeping with Council's policy to improve existing SRA units and maintain/upgrade housing for existing residents in the Downtown Eastside. Once renovations are complete, 19 upgraded self-contained units will become available and will provide much needed housing to residents of the Downtown Eastside.

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

- \$15,000 per room conversion/demolition fee: Staff support this application and recommend waiving the discretionary \$15,000 per room conversion/demolition fee because the rooms will be upgraded to self-contained units and will once again provide housing to low-income individuals in the Downtown Eastside after almost 40 years of closure.
- Housing Agreement: As a condition for approval of the SRA conversion/demolition permit, staff recommend that the owner enter into a Housing Agreement with the City, which requires monthly rental tenure of all 19 units to permanent residents. The term of the Agreement is 20 years. Any future application to stratify this building

after the 20-year period will be subject to all necessary City approvals and the Council of the day will maintain unfettered right to refuse such an application.

## REVIEW AND NOTIFICATION

**Public Consultation:** Following standard notification procedures, 261 surrounding property owners were notified and invited to comment on the proposal. Staff received no response to the proposal.

**Comments from the Advisory Bodies:** The development application and proposed Conservation Plan were presented to Vancouver Heritage Commission on March 13, 2006 and received unanimous support.

## FINANCIAL IMPLICATIONS

Council approved a total of \$2.5 million for the funding of façade grants over the Heritage Façade Rehabilitation Program's five year term (2003-2008). To date, \$1.635 million has been approved as grants for 21 façade rehabilitation projects, with most projects involving full building upgrades and other incentives.

Currently, there is a total of \$0.515 million available for this term of the Program. Staff recommend an allocation of \$50,000 from the 2006 Capital Budget for rehabilitation of the principal façade at 71 East Hastings Street. The grant funds will be available to the applicant in accordance with the Heritage Façade Rehabilitation Program Policies and Procedures.

## CONCLUSION

Rehabilitating the buildings at 71 East Hastings Street is consistent with the objectives of the City's Heritage Building Rehabilitation Program. The proposed incentives, as described in the report, would compensate the associated costs for rehabilitating this "C" listed Heritage Register building. The recommended Heritage Agreement, associated covenants and by-laws will secure the City's interests in ensuring the buildings are designated, promptly rehabilitated, and maintained in perpetuity.

Staff recommend the approval of an SRA Conversion/Demolition permit for 71 East Hastings Street to allow the proposed alterations to take place. The existing rooms have been vacant for approximately 40 years and the alterations will result in an increase in SRA units from 16 to 19. These units will be larger than existing units and will all have self-contained bathrooms and cooking facilities. Eighteen of the units will be designated under the SRA by-law while all 19 units will be secured through a housing agreement as rental for twenty years.

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## Tax Exemption Process

The Vancouver Charter lays out the requirements for an enabling Tax Exemption By-law and notification process for the public. If Council approves the recommendation to provide a property tax exemption, staff will advertise notice of the proposed by-law as required by the Charter, and state that Council may adopt the by-law after 30 days unless more than 1/20 of electors petition Council. If 1/20 or fewer electors petition Council within the 30-day period, the Charter deems that the electors have approved the tax exemption, and Council can proceed to enact the by-law. If more than 1/20 of electors petition Council, then a further report will recommend to Council whether or not to seek the assent of electors and the process required to do so.

The Property Tax Exemption By-law will stipulate the terms under which the recommended property tax exemption will be provided. The By-law will provide a complete property tax exemption to the property for the period necessary to achieve the stipulated tax exemption value.

Should the entire amount not be achieved in a ten (10) year period the exemption will expire and the property will become fully taxable. If the Occupancy Permit is issued before October 31, the exemption will be effective in the taxation year immediately following. If the Occupancy Permit is issued after October 31, the exemption will be effective in the second following taxation year. Staff will provide an annual report to Council on the status of this and other exemptions approved under the program.