

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: August 18, 2008 Author: Z. Jankovic/L.

Jimenez/S. Barker

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RTS No.: 07306 VanRIMS No.: 08-2000-20

Meeting Date: September 16, 2008

TO: Vancouver City Council

FROM: The Directors of Planning and the Housing Centre

SUBJECT: 18 W Hastings Street (DE 411818) - Heritage Incentives, and SRA

Conversion/Demolition Permit Application

RECOMMENDATION

- A. THAT Council authorize the City to enter into a Heritage Revitalization Agreement to rehabilitate and preserve the designated heritage building at 18 West Hastings Street, which Agreement will:
 - (1) grant a density bonus of 62,590 square feet available for transfer off site:
 - include a façade grant of \$50,000, with funding to be provided from the 2006 Capital Budget; and
 - vary Section 10.21.2 of the Zoning and Development By-law to allow dwelling units in the Heritage Building with floor areas of 24.2 to 29.1 square metres measured from the inside of all outer walls,

and that Council instruct the Director of Legal Services to bring forward for enactment a by-law to authorize the Heritage Revitalization Agreement;

B. THAT Council approve an SRA Conversion/Demolition permit to allow for rehabilitation of the existing building to include 30 self-contained SRA-designated units with bathrooms and cooking facilities, subject to Council approval of RECOMMENDATION A, and that the owner enter into a Housing Agreement with the City, to the satisfaction of the Director of Legal Services in

consultation with the Director of the Housing Centre, that the property be rental in perpetuity and shall not be strata titled in perpetuity;

- C. THAT, subject to the approval of RECOMMENDATION A, and the carrying out of matters so approved and the assent of the electors or their deemed approval, Council instruct the Director of Legal Services to prepare and bring forward for enactment, generally on the terms set out in Appendix A hereto, a Tax Exemption By-law for 18 West Hastings Street to provide to it an exemption from the payment of property taxes in an amount up to, but not to exceed, \$144,492 in total or for a period of (10) years, whichever is reached first; and
- D. THAT, the agreements, covenants and by-laws described above shall be prepared, registered and given priority to the satisfaction of the Director of Legal Services in consultation with the Director of Planning;

GENERAL MANAGER'S COMMENTS

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

COUNCIL POLICY

- Transfer of Density Policy and Procedure
- Heritage Building Rehabilitation Program Policies and Procedures for Gastown, Chinatown and Hastings Street Corridor. [A two-third majority of votes cast is required for Recommendation C to pass]
- Heritage Façade Rehabilitation Program Policies and Procedures for Gastown, Chinatown and Hastings Street Corridor. [A two-third majority of votes cast is required for Recommendation A(2) to pass]
- Single Room Accommodation By-law
- Downtown Eastside Housing Plan

SUMMARY AND PURPOSE

This report seeks Council's approval to enter into a Heritage Revitalization Agreement (HRA) to secure the rehabilitation of the building at 18 West Hastings Street.

This report also seeks Council's approval of an SRA Conversion/Demolition permit to enable the rehabilitation of this SRA-designated building to create 30 self-contained rental units that will be unstratified in perpetuity and remain SRA-designated.

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.

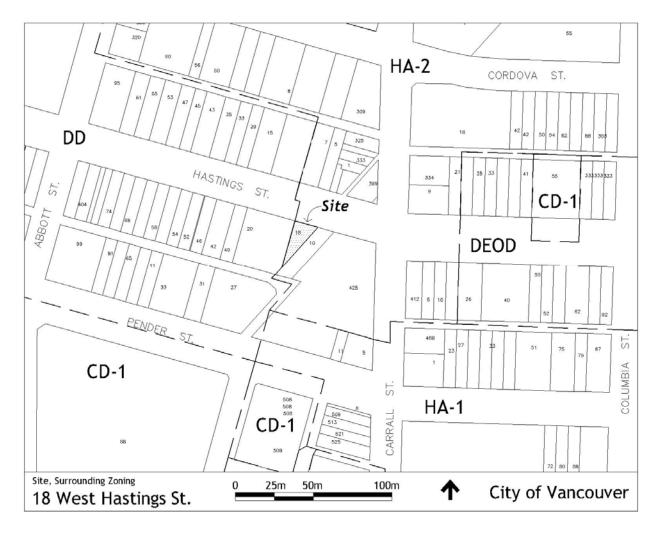
The HBRP has been successful to date with 26 projects approved since implementation in mid-2003. In acknowledgement of this success and that the program is entering its final year, Council endorsed the undertaking of the *Heritage Building Rehabilitation Program (HBRP)* and *Transfer of Density Program Review* at their meeting on July 26, 2007. At the same time they instructed staff to continue processing five 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.

This application proposes to rehabilitate the SRA rooms at Burns Block (18 West Hastings Street) and increase the number of rooms at this site from 28 to 30. Proposed units will be approximately 275 square feet, therefore all of them would be SRA-designated, with private bathroom and cooking facilities. Preliminary discussions began in 2006 and the formal SRA Conversion/Demolition permit application for 18 West Hastings Street was made in May 2008.

DISCUSSION

Development Proposal: A development application has been submitted by Bruce Carscadden Architect to rehabilitate and restore the interior and exterior of this existing 6-storey plus basement commercial building (see figure below). The building will be used as commercial on the ground floor, and residential amenity, mechanical and storage uses at the basement level. The five upper levels (2nd to 6th floors) will be renovated to provide a total of 30 self-contained, market rental units that will continue to be regulated by the SRA By-law. The roof-top level will provide outdoor amenity space for the residential use. Building Code upgrading is required in accordance with the 2007 Vancouver Building By-law (VBBL). See Appendix C for elevations of the proposed development.



Heritage Value: The heritage value of 18 West Hastings Street lies in its historic relationship with the economy of early Vancouver. Strategically located on Hastings Street, the commercial spine of an early Vancouver, this building was also very close to the hub of the international and intercontinental commercial activity in Gastown. Since the area was well connected with other parts and because of its proximity to the interurban railway lines, it also served as a meeting place for residents and became a vibrant urban place. The other important heritage value of this site is in its association with Patrick Burns, the original owner, who built the building in 1909, became a successful businessman, and in his later years, a member of the Canadian Senate. The heritage value is also found in its classical Edwardian architecture and its function, providing accommodation and office space for a number of businesses operating in this prime business and shopping area.

Conservation Plan: The proposal includes preservation and rehabilitation of the municipally designated heritage building, structural and seismic upgrades, major building system upgrades, reconstruction of the storefront and addition of the new storefront to the east. This application proposes to provide commercial uses at grade and small studio units, averaging 275 square feet in size, on levels 2 to 6. The Conservation Plan, consistent with the Standards and Guidelines of Historic Places in Canada, was developed to provide strategies for conservation of various building components. The brickwork, existing wood windows and cornices will be preserved, rehabilitated and restored. The Hastings Street storefront will be reconstructed based on available archival evidence. A new contemporary, but compatible, storefront element is proposed for the east façade, facing the CPR right-of-way.

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 \$3,323,984 is justified for compensation in the following manner:

18 W. Hastings Street - Summary of HBRP Incentives				
	Category	Value (\$)	Bonus Density Equivalent (SF)	
	Façade Grant	\$50,000	n/a	
	Property Tax	\$144,492	n/a	
	Bonus Density (to meet Shortfall Cost)	\$3,129,492	62,590	
	Shortfall Cost Compensation	\$3,323,984	-	
Additional Incentive	Notional Residual Density	-	n/a	
Total Density		-	62,590	
Total Value of Compensation		\$3,323,984	-	

Impact to Density Market: On July 26, 2007, Council endorsed undertaking the *Heritage Building Rehabilitation Program (HBPR) and Transfer of Density Program Review*. This Review explores the stated goals and achievements of the HBRP, as it enters the final year of its five-year mandate. In addition, the Review examines the health of the density market, to ensure the viability of this incentive tool. Staff will be reporting back to Council on the findings of the Review in October 2008. 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 62,590 sq. ft. is recommended for 18 West Hastings Street, which is consistent with the density projected for this project when staff reported on the five projects to Council in July 2007.

Housing Plan for the Downtown Eastside: The Housing Plan for the DTES, adopted by Council in September 2005, projects the future of housing in Chinatown, the Downtown Eastside Oppenheimer District, Gastown, the Hastings Corridor, the Industrial Lands, Strathcona, Thornton Park and Victory Square over the next decade. The Plan proposes that a variety of forms of affordable market housing be encouraged and successfully integrated into

the area to create more housing opportunities for moderate-income households. The intent is that residents of market housing will support retail services needed by all area residents and fill a market need for more modest affordable apartments such as small studios. The Plan discussed the need to increase the number of self-contained rental units to create a more even income spectrum, providing opportunities for those who are not able to afford condominium units and do not qualify for social housing. Further, the Plan recommended the amount of low-income housing stock be maintained at about 10,000 units.

Single Room Accommodation (SRA) Conversion/Demolition Permit Review



Application for Conversion/Demolition Permit: The owner, Reliance Holdings Ltd, is applying for a conversion/demolition permit for 28 SRA-designated rooms at Burns Block to construct 30 self-contained units (see Appendix B). 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 that will be available to the tenants affected by the conversion or demolition;
- condition of the building;
- supply of low-cost accommodation;
- need to replace or improve, over time, single room accommodation in the City; and
- recent history of the land and building, and the use and occupancy of the building.

Accommodation for Affected Tenants: Burns Block (18 West Hastings Street) was closed by the Fire Department in March 2006 due to life safety conditions and has since remained vacant. There are no current tenants affected.

The condition of the building: Like many SRA buildings built in the early 20th century, the rooms at 18 West Hastings Street require upgrading. If the SRA conversion/demolition permit is approved, proposed building renovations would result in 30 self-contained rental dwelling units, with private bathroom and cooking facilities. The proposed renovations would provide seismic upgrade and improved life-safety features to the building, thus resulting in significant improvements to the quality of this housing stock. The proposed rehabilitation project would offer market rental dwelling units in the Downtown Eastside.

The supply and future availability of low cost accommodation in the Downtown Core: Since the enactment of the SRA By-law in 2003, Council has approved conversion/demolition permits for four SRA-designated buildings in the Gastown (HA-2) area representing a net loss of 120 units. This includes 66 units that had been closed for over 30 years at the Grand and Boulder Hotels; and improvements to the Pennsylvania Hotel where the demolition of 70 units facilitated upgrades to produce 43 self-contained units to include cooking facilities and washrooms for a net loss of 27 units, owned and operated by a non-profit society to house low income singles. The fourth hotel was the Spinning Wheel with 27 units, which was closed by the Health Department in 2002 due to unsanitary conditions.

In terms of the low-income stock in the Downtown Core, between 2003 and the beginning of 2008 the total amount of low-income housing stock has virtually remained unchanged. The low income housing stock was 9,968 in 2003 and 9,927 in the beginning of 2008, a 41-unit decrease. The increase in non-market housing (364 units) is almost offset by the SRO loss (405) over the period. The City policy of 1:1 replacement of the SROs is very close to being achieved.

Looking forward from January 2008 to the end of 2010, the 1:1 policy will be more than met as there are 1,514 units of non-market projects in the approval process. These include the 649 units in the SRO buildings in the Downtown Eastside purchased by the Province over the past year and a half. These recent purchases serve to retain and secure the existing stock from potential closures, unnecessary vacancies, and re-development, while providing safe, supported, low-income housing operated by a non-profit society.

The future additions to the low-income stock also include three of the 12 city sites (606 Powell Street, 509 Alexander Street, 505 Abbott Street) and projects which are currently under construction such as Woodward's (131 West Hastings Street) which will be adding 125 self-contained units for low-income singles to the stock. The Lux (65 East Hasting Street) will produce 92 self-contained units for people who are homeless or at-risk on a City-owned site. The Lux project is funded by the Provincial Homeless Initiative with BC Housing providing the capital and operating funding and Vancouver Coastal Health funding support services; it will be operated by Raincity Housing and Support Society. The Pennsylvania at 412 Carrall Street, as noted earlier, will have 43 self-contained units and will be operated by PHS Community Services Society.

According to the 2007 Survey of Low-Income Housing in the Downtown Core, vacancy rates have decreased since the 2005 Survey from 10% to 2% in the Downtown Core. On average, SRA rents for the Downtown Core were \$389 per month in 2007, an increase of 7.8% since the 2005 Survey.

The Need to Replace or Improve SRA Units: The proposed development is in keeping with Council's policy to increase the number of a range of affordable market rentals in the DTES.

This serves the purpose of creating housing opportunities for middle-tier income levels - those who are not able to afford condominiums and do not qualify for social housing. Once renovations are complete, 30 upgraded self-contained units will become available and will provide much needed market rental housing.

Recent History of Land and Building: Burns Block had a number of Standard of Maintenance violations that compromised life and safety. In March 2006, the Fire Department closed the building because the owner had not and would not address a number of deficiencies that were in contravention to the Vancouver Fire By-law such as lack of egress, lack of an operational fire alarm system and lack of any other prevention or detection systems. In addition, Vancouver Coastal Health also determined that the building be closed for health reasons. At the time there were 20 tenants living in 18 units. The City's Tenant Assistance Program (TAP), Downtown Eastside Residents Association (DERA), Ministry of Employment and Income Assistance (MEIA, formerly Ministry of Human Resources) collaboratively assisted in relocating the tenants. Reliance Holdings Ltd. became the new owners in May 2007.

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 rental units, will remain SRAdesignated, and will provide housing affordable to modest income individuals after two years of closure.
- Housing Agreement: As a condition of 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 30 units to permanent residents. The term of the Agreement is for the life of the building.

REVIEW AND NOTIFICATION

Public Consultation: A sign was erected on the site advising of this development application. In addition, 47 surrounding property owners and 29 separate community groups received a written notification of this application and were invited to comment on the proposal. Staff received no response to the notification.

Comments from the Advisory Bodies: The development application and proposed Conservation Plan were presented to the Gastown Historic Area Planning Committee and the Vancouver Heritage Commission on February 20th, 2008 and February 25th, 2008 respectively, and were supported.

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, \$1.885 million has been approved as grants for 26 façade rehabilitation projects, with most projects involving full building upgrades and other incentives.

Currently, there is a total of \$615,000 available for this term of the Program (\$265,000 from previously approved capital budgets and \$350,000 as approved by the 2008 Capital Plan). Staff recommend an allocation of \$50,000 from the 2006 Capital Budget for rehabilitation of the principal façade at 18 West 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 building at 18 West 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 owner for rehabilitating this municipally designated heritage building. The recommended Heritage Agreement, associated covenants and by-laws will secure the City's interests in ensuring that the building be promptly rehabilitated, and maintained in perpetuity.

Staff considered the application in the context of the proposed upgrades to preserve and revitalize this building and recommend approval of an SRA Conversion/Demolition Permit, on the condition that the 30 self-contained rental units remain SRA designated, be unstratified in perpetuity and that the owner enter into a Heritage Revitalization Agreement with the City.

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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.

SRA Application & Affidavit



SINGLE ROOM ACCOMMODATION CONVERSION* or DEMOLITION* PERMIT APPLICATION

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3. Proposed relocation strategy for existing tenants	,.,
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Further, I admostedge that any informacion and documents provided with this SEA conversion/figurethion permit applications to attached to the report to Council and as such, he made available to the public. SKANED AT MANCOUVER, RC THIS 157 1577 ZAY DF 1/24/1

Canada

Province of British Columbia

In the Matter of the City of Vancouver Single Room Accommodation By-law (the "By-law")

AFFIDAVIT Varicouver, British Columbia, make oath and say as follows: 1. I am a director of <u>PELIANCE HOLDING LTD.</u> the registered owner of real property in Vancouver, British Collimbia bearing the legal description LOT 15 EX. A - BLK 29 - DL 541 - PLAN 210 and civic address 18 ம். Hostilugs நாலா ___, and as such have personal knowledge of the matters to which I depose in this effidavit. ·I wish to convert or demolish the following reams in the building on the property for the following purposes: Room Nos: THERE ARE 18 ROOMS ON THE SUP, 3RD + 4TH FLOORS TOTAL. THE STH + 6TH FLOOMS ARE OPEN PLAN AND WORE WAST USED <u>fon office.______</u> IT 15 PROSSED TO PROVIDE PENOVETIONS AND ANTENATIONS TO PROMIDE TO SMOUL RENTOL DIVELLING DHIT'S ON FLANCS 2 THROUGH 6 , WITH COMMERCIAL AT GRAPE, Swom before me at Vancouver, British Columbia this 15 day of ∰wne#sisignaturi. A Commissioner for taking Affidavits)

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for British Columbia

