



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: October 7, 2008
Contact: Liza Jimenez
Contact No.: 604.873.7975
RTS No.: 06804
VanRIMS No.: 08-2000-20
Meeting Date: October 16, 2008

TO: Standing Committee on Planning and Environment
FROM: Director of Social Development
SUBJECT: SRA Exemption and Conversion Applications for 403 E. Hastings - Patricia Hotel

RECOMMENDATION

- A. THAT Council authorize an exemption from the requirements of the Single Room Accommodation By-law for 101 SRA-designated rooms at 403 East Hastings Street (Patricia Hotel), see Appendix A.
- B. THAT Council approve a Conversion/Demolition Permit (see Appendix B) to convert and remove from the SRA inventory the remaining 94 units at 403 East Hastings Street conditional upon:
 - i. the payment of \$180,000, which is equivalent to both:
 - (a) the amount of foregone property taxes between 2004-2008; and
 - (b) the assessment of \$15,000 per unit which the City may impose as a condition of approving a conversion, on 12 of the 94 units sought to be converted,
to be deposited into the City's reserve fund for the creation of replacement housing; and
 - ii. re-classification of the property to 100% Class 6 - Business/Other for 2008 onward.

OR

CONSIDERATION

- C. THAT Council approve a Conversion/Demolition Permit (see Appendix B) to convert and remove from the SRA inventory the remaining 94 units at 403 East Hastings Street conditional upon re-classification of the property to 100% Class 6 - Business/Other for 2008 onward.

GENERAL MANAGER'S COMMENTS

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

COUNCIL POLICY

On October 21, 2003, Council enacted the Single Room Accommodation By-law to regulate the conversion and demolition of single room accommodation. Owners of designated rooms may apply for an exemption from the By-law provided the necessary evidence is submitted and Council is satisfied that the requirements and conditions of exemption are met.

Owners wanting to convert or demolish designated SRA rooms must apply for and obtain a conversion/demolition permit. Council decides each application on its own merits and may refuse the permit, approve the permit, or approve the permit with conditions.

SUMMARY & PURPOSE

This report provides an overview of the owner's application to exempt and convert all 195 SRA-designated units at the Patricia Hotel. The applicant is seeking Council approval to remove all 195 rooms in the Patricia Hotel from the SRA By-law. Staff are recommending approval of 101 rooms for exemption (Recommendation A) and 94 rooms for conversion (Recommendation B) with the condition of \$180,000 fee to be deposited into replacement housing and the re-classification of the property, for tax assessment purposes, from residential to commercial.

As an alternative to Recommendation B, Council is presented with an option to approve the conversion permit for 94 rooms subject to the only condition of re-classification from residential to classification but without a fee (Consideration C).

This report also provides a rationale for approving a conversion subject to the remittance of a fee equal to the amount of lost tax revenue. The hotel has been operating as a budget hotel for over 20 years, however the applicant has not paid commercial taxes. The applicant does not wish to pay the conversion fee on the basis that the street disorder in the neighbourhood makes it difficult to operate a travel budget hotel, and has resulted in lower than average hotel occupancy.

BACKGROUND

Exemption

One basis for exempting SRA-designated rooms is for the owner to establish that, from the date the SRA By-law was enacted to the present, that:

- Permanent residents have not occupied or customarily occupied the rooms as living accommodation;
- The rooms are not in a building or portion of a building classified under the Assessment Act and its regulations as Class 1 - residential; and
- The rooms are in a building or portion of a building in respect of which the owner has an obligation to pay remit hotel room tax under the Hotel Room Tax Act and its regulations.

Council must grant the exemption if they are satisfied that the designated rooms meet these three exemption conditions.

Conversion

An owner of a building containing SRA-designated rooms must apply for an SRA Conversion/Demolition Permit when there is a change from a permanent resident use to temporary guest use. The SRA By-law requires Council approval for any proposed conversion or demolition of an SRA. The By-law also allows Council to require the owner to fulfill certain conditions prior to issuing a Conversion/Demolition Permit such as a levy of \$15,000/unit to deposit into reserve fund for replacement housing.

DISCUSSION

The Patricia Hotel, located at 403 East Hastings Street, is a 6-storey building with 195 units located in the area zoned Downtown Eastside/Oppenheimer District (DEOD) on the north east corner of Hastings Street and Dunlevy Avenue, see Figure 1 below. This property is not recorded on the heritage registry. There is an existing pub on the ground floor that holds 245 liquor seats. The owner purchased the building in 1983 and has operated the hotel as a budget hotel for travellers since 1986. The applicant initially sought an exemption for all 195 rooms in the Patricia Hotel from SRA designation. However, upon review of the evidence, the Patricia Hotel qualifies for only a partial exemption because it only meets all three exemption criteria for 101 of the 195 units. Under the SRA By-law an exemption application cannot be processed unless all three exemption criteria are met. Therefore, the balance of the units is presented to Council for a conversion permit because of the change in use from permanent to tourist accommodation.

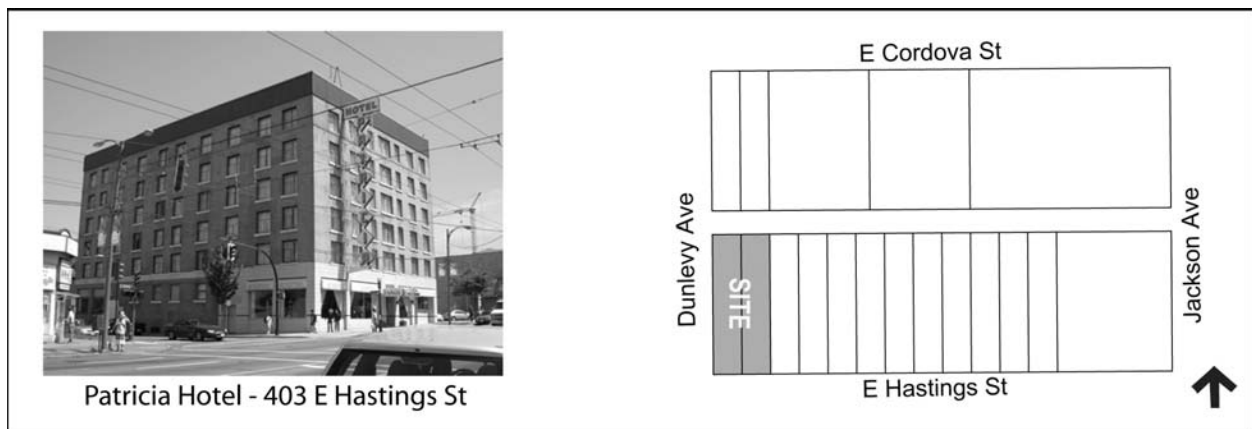


Figure 1: 403 East Hastings, Patricia Hotel

Exemption Application

There are 195 units in the Patricia that are SRA-designated; the owner is applying for an exemption for 101 units (see Appendix A). A meeting was held with the owner of the property and his lawyer, and evidence was collected to recommend a partial exemption for this hotel. There are 101 rooms in the Patricia Hotel that clearly meet all three exemption conditions. The conditions are:

- a) the classification for the hotel under the Assessment Act and its regulations is 100% Class 6 - commercial/retail;
- b) the hotel is subject to and pays hotel room tax under the Hotel Room Tax Act and its regulations; and
- c) on the By-law enactment date and since then, permanent residents, as defined in the By-law, have not occupied or customarily occupied rooms in the hotel as living accommodation.

Under the SRA By-law, one of the conditions of exemption is that the rooms must not be in a building or portion of a building classified under the Assessment Act and its regulations as Class 1 - Residential. Records with the BC Assessment Authority show that historically, just over half this building was classified as Class 6 - Business/Other (commercial). The owner has also provided evidence that he has been remitting hotel room tax. Further, the last condition is that the rooms in question be not occupied or customarily occupied by a permanent resident. Hotel guest ledgers confirm this assertion.

Conversion Application

The owner is applying for an SRA Conversion/Demolition Permit (see Appendix B) to convert the remaining 94-units, which are not eligible for exemption, to tourist use because they have been assessed as residential. It is recommended that Council approve the conversion permit because the hotel has not housed permanent guests for years, the conversion does not displace tenants and there is not a loss of rooms for permanent residents since the hotel has not operated as a residential hotel for two decades. The conversion application is based on the premise that the hotel has been operating as a commercial hotel for some time now and remitted hotel taxes accordingly. However the hotel has not been taxed as 100% commercial as it should have been. It was decided that fair and reasonable conditions of approval of the conversion permit are that a fee equal to the foregone property taxes be paid and the property be reclassified so that future property taxes would be based on 100% commercial assessment (Class 6 - Business/Other).

As outlined in the Vancouver Charter, Council is required to consider a number of factors in deciding whether or not to grant an SRA conversion or demolition permit. These factors include:

- accommodation that will be available to the tenants affected by the conversion or demolition;
- supply of low cost accommodation in the Downtown Core;
- condition of the building;
- replacement of single room accommodation in the city; and
- recent history of the land and building, and the use and occupancy of the building.

This conversion application on the basis of a change in use to tourist accommodation is a formality to legitimize the tenancy.

Accommodation for affected tenants: As of August 2008 the hotel nearly entirely houses transient guests. There are some long stays at the Patricia Hotel; however these do not appear to be permanent guests as most have provided permanent addresses upon check-in.

Supply 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 two SRA-designated building in the Downtown Eastside/Oppenheimer (DEOD) area. This includes the loss of 16 vacant units at BC Collateral (71 E. Hastings) that resulted in 19 self-contained units, approved by Council in February 2008. Further, the conversion of 18 vacant units into a 30-unit SNRF, at Insite (137 E. Hastings) was approved in April 2006.

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 Eastside were \$384 per month in 2007, an increase of 7.8% since the 2005 Survey. The Patricia Hotel has been operating on a non-monthly basis since 1986, where rates range from \$39-\$135 per night depending on the type of room and the season.

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 one-for-one replacement of the SROs is very close to being achieved.

Looking forward from January 2008 to the end of 2010, the one-for-one policy will be more than met as there are 1,514 units of non-market projects in the approval process. These include just over 800 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, 590 Alexander) and projects which are currently under construction such as Woodward's (131 West Hastings) which will be adding 125 self-contained units for low-income singles to the stock. The Lux (65 East Hastings) 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, will have 43 self-contained units and will be operated by PHS Community Services Society.

Condition of the Building: Patricia Hotel is in good physical condition for a hotel that was built in the early 1900's. The hotel has recently undergone renovations to the ground floor pub to construct a micro-brewery.

Replacement of lost SRA units: There would not be replacement of these units as there are no permanent guests that need a replacement unit. The applicant will continue to operate the hotel as a budget inn to guests on a short term basis.

History of Building and Land: The Patricia Hotel has a long history in Vancouver. There have been numerous newspaper articles and other accounts that in anticipation of Expo '86, the owners of the Patricia Hotel evicted all of the long term tenants and converted the building into a budget hotel for travelers. Mr. Olaf Solheim passed away shortly after being evicted from his home for over 40 years at the Patricia Hotel.

The building has routinely had positive inspection reports reflecting a good record of maintenance and business management practices. The owner has been in discussion with the Housing Centre for a number of years regarding an exemption application. Staff have received various correspondence from lawyers retained by the applicant to pursue exemption.

Condition of Approval

When approving an SRA conversion permit Council may also apply conditions. It is recommended that a \$15,000 per room conversion/demolition fee be required. It is recommended that this fee be applied to only 12 of the 94 units, which is the equivalent amount of foregone commercial taxes (\$180,000). It was decided that this is a fair application of the fee since the hotel has been operating at half capacity for over 20 years and only for tourists.

The applicant disagrees with the condition of paying a fee. He argues that the problems in the neighbourhood qualifies the hotel to a discounted tax bill in the form of a residential classification. In support of his position the applicant commissioned a study that reports that the Patricia's occupancy rates are well below the City's average and attributes this loss to the deterioration of the neighbourhood. According to this report, prepared by Foxmor Management, the hotel achieved improvements in average room rates and occupancy until the late 1980's. The report compares the Patricia's average daily rate of \$65 to other similar hotels outside of the Downtown Eastside who have daily rates of \$119. Occupancy rates for 2006 at the Patricia Hotel were 50% less than the City's average of 71%.

In addition, Foxmor Management compares the treatment of the Patricia to other properties that are outside of the Downtown Eastside that have successfully been exempted from the SRA By-law. The report claims that "It is clear that the Patricia is being unfairly treated through the City arbitrarily identifying the hotel as an SRO property, purely on the basis of geography."

The report argues that for the past 15 years the neighbourhood has deteriorated, and this poor image has been communicated via the Internet on various travel advisory websites. The report goes on to summarize many of the comments posted on the web about the Patricia, which mostly speaks negatively about the neighbourhood and positively about the hotel itself. Within two blocks the hotel are several methadone clinics, eleven non-profit housing buildings, and pawnbrokers.

As another option to not levying the fee Council could not approve the SRA Conversion/Demolition Permit application at this time and grant only the partial exemption. This option allows nearly half of the hotel to remain available for long term tenancy, maintains the tax split between commercial and residential, and allows the applicant to apply for a conversion permit at a later date. However, the applicant did not want to pursue this option because he preferred that the entire building not be covered by the SRA By-law.

In summary, staff recommend that the best course of action at this point is to approve a conversion permit subject to a fee of \$180,000 and that in the future taxes will be based on 100% commercial classification. The SRA By-law outlines the factors of consideration for a conversion permit, and the neighbourhood is not a factor. Further, every SRA on the SRA By-law is in the DTES.

CONCLUSION

The SRA By-law is clear in its provisions of exemption criteria. The Patricia Hotel meets all three exemption criteria for 101 units in its hotel. As such, staff are prepared to support the owner's application for exemption for 101 units and recommend that the balance of the units (94 units) be considered as converted since the use has been for tourists for a number of years before and after enactment of the SRA By-law. Further, Council has for consideration that option of approving a conversion permit without conditions as a possibility in light of the applicant's argument that the deterioration of the neighbourhood has strained occupancy and made it difficult to succeed.

* * * * *

APPLICATION TO EXEMPT DESIGNATED ROOMS FROM
SCHEDULE A OF SINGLE ROOM ACCOMMODATION BY-LAW

To: Housing Centre Director
Vancouver City Hall
453 West 12th Avenue
Vancouver, BC V5Y 1V4



City of
Vancouver

The undersigned applies to Council to exempt the following property or specific rooms therein from Schedule A of the Single Room Accommodation By-law.

1. Civic Address: 403 East Hastings St.
Legal Description: Lot 30, 31, 32 Subdivision _____ Block 57 District Lot 196 Plan 196
Building Name: Patricia Hotel

2. Total number of rooms in the above building: 195 Proposed # of rooms to be exempt: 101

Floor level # of rooms on this floor Proposed Room Nos. to be exempt (Attach separate sheet if more space required)

_____	_____	Room Nos. _____
_____	_____	Room Nos. <u>These rooms have no</u>
_____	_____	Room Nos. <u>specific room numbers</u>
_____	_____	Room Nos. <u>They are calculated using the</u>
_____	_____	Room Nos. <u>City of Vancouver's using the Assessment</u>
_____	_____	Room Nos. <u>Authority's ratios</u>

3. The following documents are attached and form part of this Application (see "Required Information for Application to Exempt Designated Rooms from Schedule A of SRA By-law" on the reverse side of this form):

- Deloitte letter regarding assessment on BSR
- Ward Morrison Report

(Please note that any information and documents provided with this SRA exemption application will be attached to the report to Council and as such, be made available to the public.)

4. Please print names and addresses of owner(s). If owner is a corporation, you must provide Incorporation Certificate and names and addresses of all directors and associates (Attach separate sheet if more space required):

Wayne Nelson, 403 East Hastings - President
of Director

5. I am the: Property Owner Property/Building Manager Agent for owner Other _____

6. I file this application with the full consent of the owner(s).

7. I declare that the statements contained in this application and all attached documents and plans are true and correct.

Name of Applicant (Please print): WAYNE NELSON

Name of Company (if applicable): 338 186 BC LTR/7012

Mailing Address: #102-403 E. Hastings City: Vancouver Postal Code: V6G 1K6

Telephone: 604-255-4301 Cell Phone: 604-220-7211 Fax: 604-676-8554

Signature of Applicant: [Signature] Date: 5/15/08

Office Use:		
Application No.:	<u>SA</u>	Date Received: _____
To Council:	_____	Decision: _____

Canada

Province of British Columbia

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

AFFIDAVIT

I, WAYNE NELSON, of 403 EAST HASTINGS,
(Print Name) (Print Address)
Vancouver, British Columbia, make oath and say as follows:



1. I am a director of 338186 BC LIMITED, the registered owner of real property in Vancouver, British Columbia bearing the legal description **PARCEL IDENTIFIER: 012-175-030 LOT 30 BLOCK 57 DISTRICT LOT 196 PLAN 196; PARCEL IDENTIFIER: 012-175-048 LOT 31 BLOCK 57 DISTRICT LOT 196 PLAN 196; PARCEL IDENTIFIER: 012-175-056 LOT 32 BLOCK 57 DISTRICT LOT 196 PLAN 196;** and civic address 403 East Hastings Street, and as such have personal knowledge of the matters to which I depose in this affidavit.

2. I make this affidavit in respect of each room ("room") on the property bearing the following room numbers:

Room #'s 101 rooms
(The number of rooms exempted by the Assessment Authority)

3. From and after October 23, 2003 to the date of this affidavit:

- (a) no permanent resident as defined in the By-law has occupied or customarily occupied any room as living accommodation as defined in the By-law;
- (b) no room is in a building or portion of a building classified under the *Assessment Act* of British Columbia or its regulations as Class 1 - residential; and
- (c) each room is in a building or portion of a building in respect of which the owner has an obligation to pay or remit hotel room tax under the *Hotel Room Tax Act* and its regulations.

Sworn before me at Vancouver, British Columbia this <u>24</u> day of <u>September</u> , 200 <u>8</u> .)	
 A Commissioner for taking Affidavits for British Columbia)	

IAN G. WADDELL
BARRISTER & SOLICITOR
300 WEST 3RD AVENUE
(Commissioner's name to be provided)
VANCOUVER, B.C. V6K 1K9



CITY OF VANCOUVER
COMMUNITY SERVICES
Housing Centre

**SINGLE ROOM ACCOMMODATION
CONVERSION* or DEMOLITION*
PERMIT APPLICATION**

Civic Address: 403 East Hastings St. SR No. _____
 Legal Description: Lot 2332 Subdivision 57 Block B6 District Lot 196 Plan 196
 Building Name: Patricia Hotel

This area must be completed by the person signing this application.

Your Name: WAYNE NELSON You are the:
 Mailing Address: #102 - 403 East Hastings St. 01 Property Owner
 City: Vancouver BC 02 Agent for Property Owner
 Postal Code: V6A 1P6
 Phone Number: 604-255-4301
 Company Name: 338186 BC Limited

Note: If the applicant is NOT the property owner, a letter of consent signed by the owner must also be submitted.

Owner's Information (If owner is a corporation, provide Incorporation Certificate and names and addresses of all directors & associates):

Property Owner's Name: Wayne Nelson, President & Director of 338186 BC Limited

Address: #102 - 403 East Hastings St. City: Vancouver
 Postal Code: V6A 1P6 Phone Number: 220-7211

Property Owner's Name: _____
 Address: _____ City: _____
 Postal Code: _____ Phone Number: _____

Property Owner's Name: _____
 Address: _____ City: _____
 Postal Code: _____ Phone Number: _____

This application is to: (Check applicable box)

001 Convert* occupancy of designated room(s)
 002 Change term or nature of tenancy of designated room(s)
 003 Change frequency of rent payments for designated room(s)
 004 Convert* vacant designated room(s)
 005 Repair or alter designated room(s)
 006 Demolish* designated room(s)
 *see definitions of "conversion" and "demolition" on reverse side of form under "Explanatory Notes"

Total # of storeys in this building: 6
 Total # of SRA rooms in this building: 195
 Total # of non-SRA rooms in this building: -

Describe nature of the proposed conversion or demolition:

Rooms are used for
tourist accommodation. This is and
has been for some time a tourist hotel

City of Vancouver Single Room Accommodation Conversion or Demolition Permit Application - continued

THIS SECTION MUST BE COMPLETED:		OFFICE USE
Are there any permanent residents needing to relocate as a result of this proposed conversion?		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
If Yes, you must provide the following information:		
1. The number of permanent residents that will be affected? _____		
2. A list of names of the residents needing relocation, their room nos. and length of residency		
3. Proposed relocation strategy for existing tenants		
You must also include with this application the following required supporting documents:		
1. An affidavit, sworn by the owner or, if the owner is a corporation, by a director of the corporation, setting out why the owner wants to convert or demolish the designated room		
2. Records required under the Hotel Guest Registration Act or Hotel Room Tax Act, tax assessment records, guest ledgers, and daily rent receipts, for the current calendar year and for the three immediately preceding calendar years, in respect of the designated room		
3. One set of floor plans of the existing and proposed floor layout as described below*		
4. Tentative schedule for construction (if applicable)		

* Explanatory Notes:

- Definition of "conversion" or "convert" means the following under the Single Room Accommodation By-law:
 - (a) a change in the form of occupancy, intended form of occupancy, or customary form of occupancy of a designated room from living accommodation for a permanent resident to living accommodation for a transient guest or to another purpose,
 - (b) a change in the term or nature of the tenancy to which a permanent resident has the right in respect of a designated room,
 - (c) a change in the frequency of the rent payments a permanent resident must make in respect of a designated room,
 - (d) an occupancy or use, or the suffering or allowing of an occupancy or use, of a vacant designated room for a purpose other than living accommodation for a permanent resident,
 - (e) a repair or alteration to a designated room or any improvement or fixture in it or a replacement of any such improvement or fixture, except for repairs or alterations that are minor in nature and have no material effect on the enjoyment by permanent residents of their living accommodation,
 - (f) a reclassification of a building or any portion of a building from Class 1 residential to any other class referred to in the Assessment Act and its regulations, or
 - (g) a loss of exemption in respect of a designated room from an obligation to pay or remit hotel room tax under the Hotel Room Tax Act and its regulations;
- Definition of "demolition" or "demolish" means the following under the Single Room Accommodation By-law:
 - "to pull, knock, or tear down or to raze, wholly or partially, a designated room"
- Floor plans must be legible, drawn to a scale NOT less than 1/8" to 1", and must:
 - (a) include dimensions and layout of all floor levels including basement and underground parking;
 - (b) identify on each floor:
 - rooms that provide accommodation for permanent residents;
 - rooms that provide accommodation for transient guests (tourists);
 - rooms that provide other non-residential accommodation uses (e.g., lounge, storage rooms, etc.);
 - (c) indicate on each floor the square footage of all rooms and common areas.

Office Use Only

As owner or owner's agent, I have verified that the information contained within this document and associated applications and plans is correct, and describes a use, a building or a work which complies with all relevant by-laws and statutes. I acknowledge that responsibility for by-law compliance rests with the owner and the owner's employees, agents and contractors. I will indemnify and save harmless the City of Vancouver, its officials, employees and agents against all claims, liabilities and expenses of every kind, in respect of anything done or not done pursuant to this application or fact sheet or ensuing permit, including negligence and/or the failure to observe all by-laws, acts or regulations.

Further, I acknowledge that any information and documents provided with this SRA conversion/demolition permit application will be attached to the report to Council and as such, be made available to the public.

SIGNED AT VANCOUVER, BC THIS 15th DAY OF Sept 2008 W. Nelson
Signature of Applicant

