



Supports Item No. 1
CS&B Committee Agenda
July 28, 2009

POLICY REPORT
URBAN STRUCTURE

Report Date: July 17, 2009
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VanRIMS No.: 08-2000-20
Meeting Date: July 28, 2009

TO: Standing Committee on City Services and Budgets

FROM: Director of Planning, in consultation with the Directors of Real Estate Services and Legal Services and the General Manager of Business Planning

SUBJECT: Transfer of Density (ToD) Program and Heritage Building Rehabilitation Program (HBRP) Review

RECOMMENDATION

- A. THAT Council reaffirm its support for the Transfer of Density system and to that end approve a rebalancing plan to continue bringing the density bank balance into a healthy position and to maintain that position, as outlined in this report.

FURTHER THAT the rebalancing plan for the density bank include the following components:

- i) increase density absorption by establishing a target annual absorption rate of at least 200,000 sq. ft. per year;
 - ii) no new density would be created until the density bank balance is at equilibrium;
 - iii) equilibrium would be reached when density in the bank is no more than an amount equal to the previous 3 years of absorption;
 - iv) after equilibrium is reached, new creation would be matched to current absorption rates; and
 - v) a contingency strategy to deal with extraordinary circumstances where a significant heritage resource is threatened.
- B. THAT the following actions be approved:
- i) implement increase from 10% to 20% for Development Permit Board approved transfers (subject to approval of amendments to Vancouver Charter) and increase value for transfers over 10%;
 - ii) establish targets to land density in the Central Area planning programs including Northeast False Creek and upcoming in Central Broadway;

- iii) give priority to heritage density in public benefit allocation for future CD-1s in the Central Area until the rebalancing plan is achieved; and
- C. THAT, the Director of Planning be instructed to report back by November 2009 on the following, in consultation with stakeholders:
- i) establishing targets to land density outside of the Central Area; and
 - ii) investigate further ways to land density.
- D. THAT the Heritage Façade Rehabilitation Program be continued for a further three year period (2009-2011) at an estimated cost of \$1.5 million, source of funds is the 2009-2011 Capital Plan "Downtown Eastside Revitalization".
- E. THAT Council direct staff to report back on the following:
- i) conversion of existing density to property tax exemption, including eligibility criteria, application requirements, financial implications, and implementation plan, as soon as possible; and
 - ii) effectiveness of the property tax exemption incentive in the current program and extension of the program for five years (2009-2013) in the former HBRP area, including eligibility criteria, application requirements, financial implications, and implementation plan, by November 2009.
- F. THAT the Director of Planning be instructed to continue to monitor the density bank and report to Council annually the progress towards meeting the rebalancing plan objective and related targets and actions to maintain transfer of density as a viable tool.

CONSIDERATION

- G. THAT the London Hotel, and Helmcken street houses be brought forward for consideration at Public Hearing and that Council anticipates the York Theatre, in the future.

GENERAL MANAGER'S COMMENTS

General Manager of Community Services recommends approval of A-F and submits G for Consideration.

COUNCIL POLICY

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

PURPOSE AND SUMMARY

This report sets out future directions to meet the objective of maintaining transfer of density as a viable public benefit tool. The density transfer system has generally worked well for the past 25 years. Recently the density bank balance has risen, largely due to the Heritage Building Rehabilitation Program in the Downtown Eastside which required additional incentives. The density bank will need to go through a re-balancing period to reach a healthy balance, that once achieved needs to be sustained in the longer term. A number of

recommendations are proposed to proactively increase absorption on all fronts and to strictly limit creation. Further direction is provided for long term viability after a healthy balance is reached. Additional stakeholder consultation to consider opportunities to land density outside of the Central Area and consideration of other ways to land density is also recommended.

It is also recommended that the successful Heritage Façade grant program continue for a further 3-year period at a cost of \$1.5 million be approved source of funds to be the 2009-2011 Downtown Eastside Capital Plan budget. In addition, staff will report back on extension of the property tax exemption. Both of these incentives would apply to the former HBRP area (Downtown Eastside).

While it is recommended that generally no new density be created until a healthy density bank balance is achieved, three possible project exceptions are noted in this report.

BACKGROUND

Transfer of Density

Staff have reported the overall picture of the density market to Council on a regular basis. From 1993 to 2008 there was approximately 3.0 million sq. ft. of transferable density created, and 1.5 million sq. ft. transferred or approved for transfer, leaving 1.5 million sq. ft. of unlanded density in the 'density bank'. The balance has remained stable over the last two years due to Council actions to limit creation in July 2007. It is also noted that the price of density trading has remained stable. While density and absorption have been balanced over the past 2+ years, there remains a significant supply of unlanded density.

Over the years, several studies on density bank issues (Coriolis in 2002 and 2006, Altus in 2008) have been commissioned. Many of the recommendations from these reports have been implemented in the past such as monitoring and administrative improvements, and actions to undertake if there is an accumulation of density (July 2007 report introduced a "cap" and no further projects have been approved with the exception of the York Theatre which was threatened with demolition). Furthermore, a number of the recommendations proposed in this report are based on the advice provided by these experts.

Heritage Building Rehabilitation Program

In 2003, Council approved additional heritage project incentives for Gastown, Chinatown and the Hastings Street Corridor, through adoption of the Heritage Building Rehabilitation Program (HBRP) and the Heritage Façade Rehabilitation Program (HFRP). The objective of the 5 year (2003-2008) program of incentives was to encourage the full upgrading of heritage buildings to ensure their long-term conservation while stimulating economic development in the Downtown Eastside historic area. Council extended the incentive package to the Victory Square area in July 2005.

A detailed analysis of program results can be found in Appendix B. Key indicators are as follows:

- 22 major heritage projects + 6 façade projects approved
 - 11 are completed
 - 7 are under construction

- 4 are in planning stages
- \$531 M total direct investment (based on projected project costs)
 - \$427 M private investment
 - \$104 M in incentives
 - 1:4 leverage ratio

While the incentives have resulted in more buildings being rehabilitated, the increase in the number of projects seeking density transfer and the level of incentives required to support the projects has contributed to the density bank challenge.

DISCUSSION

Creation and absorption challenges

The current density bank balance is 1.5 million sq. ft. There are a number of factors for the current balance in the density bank; some are the result of increased creation and some of decreased absorption as follows:

- i. Increased Creation
 - Heritage projects are generally becoming more costly
 - Construction costs have increased faster than project revenues
 - Federal grant program was ended, requiring more city subsidy
 - Property tax exemption was undersubscribed, particularly for projects with strata residential units, resulting in more pressure on the density transfer policy tool
- ii. Decreased Absorption
 - Economic downturn has decreased development applications
 - A reduction in the number of major rezonings which take up greater amounts of density
 - Transactions that have occurred are generally for smaller amounts
 - Heritage is competing with the delivery of other public benefits

The combination of these factors has caused creation to outpace absorption and resulted in the current challenges with the density bank.

Recent Actions

In the past two years a number of actions to deal with the density bank balance have been adopted. By early 2007 staff identified the issue and prepared a report to Council recommending a measured approach to deal with applications and proposals seeking density transfer. In July 2007 Council approved a process to begin managing density creation by limiting the number of projects seeking density transfer. Five projects, proposing an additional 300,000 sq. ft. of density were recommended to proceed to Public Hearing while a further seven projects, representing 700,000 sq. ft. were not supported to proceed. At that time Council also directed staff to undertake a review to further address challenges. Since then no new density has been created with the exception of the York Theatre which Council supported, in principle, in December 2008.

There are also a number of recent, Council-approved initiatives that create additional opportunities for the absorption of heritage density. Although the Metro Core Study focuses on increasing job space capacity in the downtown, the policy recently adopted by Council (April 2009) supports the absorption of heritage density by allowing transfers as commercial uses into the CBD, and provides opportunities for transfers as either commercial or residential use through a "large site" condition in the CBD and CBD Shoulder Rezoning Policy. In addition, the Downtown Capacity and View Corridor Terms of Reference Council report (adopted October 2008) included a Council resolution that allowed for the immediate consideration of rezonings for heights greater than the existing limit of 300 feet in various areas of Downtown South in order to create additional opportunities for public benefits, including heritage density transfer. The combined impact of these recently approved initiatives is approximately an additional 3.0 million sq. ft. of development potential beyond current zoning that can be used to support heritage transfers and other local public amenities.

Density Bank Rebalancing Plan

The proposed recommendations in this report support the objective of maintaining transfer of density as a viable tool to facilitate the delivery of public benefits including heritage conservation. Two principles have been developed to guide achievement of the objective. The first principle is to manage expectations and promote understanding which includes recognizing that heritage is a city-wide public benefit. This will involve a program to broaden public awareness about the value of heritage conservation and the need for support from communities and neighbourhoods throughout the city. A further important consideration relates to the fact that heritage density transfer "competes" with other necessary public benefits (e.g. affordable housing, childcare, recreation and park space etc.). However, unlike other public benefits which are delivered when a project is complete, with heritage projects the heritage benefit is deliverable when a building rehabilitation is completed, with the transaction to pay for the benefit being delayed until the density is sold and transferred off-site. If that density cannot be sold within a reasonable length of time the affected projects and over time, the overall system is challenged.

The second principle is to balance creation and absorption. This will involve direct actions to proactively increase absorption on all fronts to manage current imbalance while strictly managing creation on an ongoing basis to ensure sustainability of the program.

The main components of the rebalancing plan are as follows:

- i. *increase density absorption by establishing a target annual absorption rate of at least 200,000 sq. ft. per year;*

Historic absorption rates for the period 5-year period from 2004-2008 have averaged 175,000 sq. ft. per year. The target absorption rate has been set at a slightly higher rate in anticipation of increased absorption to be achieved through actions in the report.

- ii. *no new density would be created until the density bank balance is at equilibrium;*

The absorption rate of density landing on receiver sites, from both Development Permit Board (DPB) approvals and rezonings has slowed significantly over the last year, for the reasons noted above. With the current balance of 1.5 million sq. ft. of unlanded

density in the bank, it will take a number of years of increased absorption to arrive at a state of healthy balance. Approval of the rebalancing plan as proposed, would only allow for the creation of new density after the bank has reached a healthy balance, with the possible exception of 3 projects where there has been a commitment to report these to Council for consideration at public hearing.

- iii. equilibrium would be reached when density in the bank is no more than an amount equal to the previous 3 years of absorption;*

The advice provided by development and market consultants is that there should be no more than 3 years worth of density in the bank, measured in terms of recent absorption rates. The average annual absorption between 2006 and 2008 was 160,000 sq. ft. If this was used as an example, equilibrium would be reached when the balance is at 480,000 sq. ft. If the annual absorption rate was 250,000 sq. ft., equilibrium would be reached at 750,000 sq. ft. in the bank.

- iv. after equilibrium is reached, new creation would be matched to current absorption rates; and*

When a healthy balance is reached staff recommend future creation is based on absorption rates from the previous 3 years and other key indicators including the value of density trading on the market. For example, if the previous three years absorption was 450,000 sq. ft. in total, or 150,000 sq. ft. per year, new creation should not exceed 150,000 sq. ft. in the upcoming year. The balance would be monitored and adjusted on an annual basis.

- v. a contingency strategy to deal with extraordinary circumstances where a significant heritage resource is threatened.*

On rare occasions there may be a circumstance or opportunity when a resource of significant heritage value is threatened. If this occurs, staff would report to Council with options for consideration including the use of density transfer as a possible incentive and the potential impact it could have on the density bank, including how many additional years it may take to reach equilibrium, based on projected absorption rates.

Immediate Actions

As outlined below, the Plan calls for aggressively pursuing new landing site opportunities, noting this needs to be done while maintaining a balance with the provision of other required public benefits. A number of immediate actions are recommended to facilitate the reduction of the current density bank balance (Recommendation B) as follows:

- i. implement increase from 10% to 20% for Development Permit Board approved transfers (subject to approval of amendments to Vancouver Charter) and increase value for transfers over 10%;*

On May 5, 2009 Council reaffirmed its commitment to proceed with an increase from the current maximum of 10% to the proposed 20% (bonus above that permitted on receiver sites) through Development Permit Board approvals. The first step is to receive approval from the Province for the requisite Vancouver Charter amendment -

the amendment request has been submitted by staff. Once the amendment is approved, staff will prepare and bring forward the necessary DD ODP amendments to implement.

In terms of value, it is proposed that for the first 10%, the current approach of valuing density on a \$65 per sq. ft. basis is retained (or applying the current receiver site trading average value, as confirmed by Real Estate staff). For any density above 10%, the value would be based on the standard practice rezoning value conversion (i.e. if the current donor site value is \$65 per sq. ft. (GBA) and the value on the receiver site is, say, \$130, then for every 1 sq. ft. added above 10%, 2 sq. ft would be drawn from the density bank).

ii. establish targets for the landing of density in specific locations in the Central Area including Northeast False Creek (NEFC) and Central Broadway and explore opportunities for landing of density outside of the Central Area

- a. Northeast False Creek: the landing of Heritage density in NEFC has been identified as a public benefit. Based on the population and new floor area under consideration in the NEFC High Level Review, staff are testing different open space, housing tenure and public benefit scenarios. Public benefits include community centre space, child care and out-of-school care facilities, library cash contributions as well as a number of civic plazas and open spaces. For transfer of density, staff have identified a target assumption of 10% of the applicable residential density in NEFC being imported heritage density. Staff will analyse this target amount with respect to the overall impact on the proforma and with respect to balance of the delivery of other critical public benefits and amenities in NEFC. If 10% can be achieved this would amount to somewhere between approximately 330,000 and 500,000 square feet being transferred from heritage donor sites (i.e. this amount of density removed from the density bank).
- b. Downtown Capacity and View Corridor Review: This review, currently underway, entails identifying and analysing potential adjustments to view corridors, if appropriate. If view corridor adjustments are approved and this results in new development capacity, the opportunity and need to provide local amenities and public benefits will follow. More opportunities to import heritage density may result from this work.
- c. Central Broadway C-3A: The Central Broadway C-3A area is within the area where density can be imported through a DPB approval or a rezoning. In the case of DPB approvals it has been challenging to import density both due to development economics and a limited ability to increase density due the height and massing parameters of the applicable design guidelines. In the case of rezonings, the area is under review for potential increases in development capacity for job space and housing through the Metro Core Study and Station Area Planning initiatives. An increase in development potential through Broadway Corridor planning work may create the need and opportunities to provide additional local amenities and public benefits, including the importing of heritage density. This work is scheduled to proceed over the next year.

iii. give priority to heritage density in public benefit allocations for future CD-1s in the Central Area until the rebalancing plan is achieved

Heritage is one of many public benefits/amenities provided through various programs in the city. Other benefits include childcare, affordable housing, parks, social, cultural and recreational facilities, engineering infrastructure, and public art. In most cases, the provision of amenities is guided by Council approved policies and plans. However, in some cases there may not be a clear need identified or competing objectives. Given the current status of the bank, staff recommend that in these instances, preference be given to transfer of heritage density for the period until the bank is healthy.

Additional Actions

i. consideration of other heritage incentives first, including on-site density bonusing

Property owners will be encouraged to find ways to complete heritage projects utilizing other heritage incentives. For example, efforts should be made to accommodate bonus density generated through a heritage conservation and rehabilitation exercise, on site or on immediately adjacent sites. This will need to balance with urban design and livability considerations. In the former HBRP area façade grants and property tax exemptions would continue to be available, pending Council approval of Recommendations D and E in this report.

ii. ongoing reporting of density bank information

Staff will continue to monitor and track density bank activity closely and report to Council annually on the progress towards meeting the rebalancing plan objective and related targets and actions. In addition, website information will be kept up to date to ensure it is widely available.

iii. other actions

There are a number of other actions to be considered and reported back to Council, pending consultation with stakeholders. This includes establishing targets to land density outside of the Central Area, investigation of further ways to land density, utilizing other heritage protection tools and incentives, and consideration of circumstances where density is created and absorbed simultaneously.

It will also include consideration of the level of incentives provided to projects in the Downtown Eastside in the longer term, after the rebalancing objective is met. The HBRP program included additional subsidy to address economic challenges in the Downtown Eastside. While some of these challenges remain, continuation with the existing calculation methodology has resulted in more significant amounts of density for transfer being generated. To address the density bank issue either fewer projects would need to be approved or a revised calculation methodology is required.

Current and Upcoming Requests

There are a number of requests for additional transfer of density. Some have been supported in principle subject to completion of the application process. Staff present these three for Council's consideration regarding whether or not they should be recommended to proceed to Hearing based on the following factors:

- i. York Theatre: On December 18, 2008 Council approved, in principle, a City contribution of up to 100% of the capital costs to retain and rehabilitate the York Theatre subject to confirmation of capital costs and confirmation of a funding model. Staff are reviewing costs with the owners as well as determining potential funding sources which will be reported to Council in the near future. While not finalized, it is anticipated, a significant amount of the incentives required will be in the form of bonus density for transfer off-site.
- ii. London Hotel: In July 2007 Council approved this application as one of five priority projects that could proceed to Public Hearing. Since then the scope of the program has changed and the amount of density needed has been reduced in half (currently estimated at 22,000 sq. ft.). The proposal, now in a more modest form also delivers a component of upgraded affordable housing.
- iii. Helmcken Street Houses: At Public Hearing on October 28, 2008, Council approved a Heritage Revitalization Agreement and Heritage Designation for two houses at 1062 and 1080 Richards Street as part a development permit application to construct a residential tower on the site and move the two heritage houses to Helmcken Street. The two relocated houses, together with three existing houses (431, 435, 439 Helmcken) would form a grouping reflecting early development in the area. The three existing houses are the only surviving set of "end-of-block" configurations where buildings were constructed on a flanking street at the end of a block. Council has directed staff to consider the retention of pre-second world war houses in Downtown South. Discussion with owners of all three houses has determined they would agree to heritage designation in exchange for some parking spaces (which will be provided in the adjacent development) and approximately 1,300 sq. ft. of transferable density per building. Staff proposed to report on the designation of the three houses at the same time as the adjacent development application, however, there was a change in ownership in one property and agreements were delayed. Staff support bringing these houses to Public Hearing given previous commitments and the modest amount of density required to secure the protection of all three houses.

If these applications proceed to Public Hearing and are approved, it is estimated to generate approximately 120,000 - 150,000 sq. ft. of density to be added to the density bank, as illustrated in the following table:

Site	Estimated Density Transfer Amount (sq. ft.)
London Hotel	22,000
3 houses on Helmcken Street	4,000
York Theatre	90-120,000
Total	116-146,000

Putting this in the context of the previously described density bank balancing plan, if for example, the annual absorption rate was 200,000 sq. ft. adding the density from these projects to the bank balance would extend the length of time it would take to reach equilibrium by approximately three quarters of a year.

There are also a number of other projects and/or programs that have requested or are anticipating the availability of transfer of density including the Chinatown Society Buildings, the Pantages Theatre, seven other projects from 2007, the Erickson House and Garden, and the Vogue Theatre. It is recommended these other applications not proceed, if they are seeking transfer of density, until a healthy density bank balance is reached. It should be noted that they could proceed with other available incentives, where applicable (e.g. on site density and facade grants and property tax exemption for DTES).

Incentives for the Downtown Eastside

While significant achievements in revitalizing the Downtown Eastside have been made there is still a need to assist with economic revitalization efforts. Therefore, recommendations to continue with facade grants, and for a report back on the continuation of property tax exemption are proposed.

i. Heritage Façade Rehabilitation Program

The Façade grant program has been a success and remains a relatively low-cost alternative to the full heritage rehabilitation approach. It leverages private investment for façade improvements on about a 1:2.5 ratio basis (i.e. based on the stand-alone façade projects, for every \$50,000 façade grant, an additional amount of approximately \$125,000 is invested into the project by property owners).

Staff recommend that the Heritage Façade Rehabilitation Program (HFRP) be continued for a further three year period (2009-2011) at an estimated cost of \$1.5 million with the source of funds to be the 2009-2011 Capital Plan - "Downtown Eastside Revitalization".

ii. Conversion of existing density to property tax exemption in specific circumstances

When the heritage incentives program for the HBRP area was established, it was structured so property tax exemptions would be utilized before density bonus and transfer. However, this did not prove to be the case as most property owners, opted for density transfer instead of property tax exemption because they felt in cases involving residential strata they could not recover the full benefit when units were sold. Where tax exemption incentives were utilized, there have been examples where the projected property tax exemption will be reached prior to the maximum 10 year period of relief as property assessments have increase more rapidly than projected. A request to convert existing transferable density to additional property tax exemption for the remainder of the 10 year period has been received. Staff are reviewing the request, and other HBRP projects in similar circumstances, noting the request, if granted, would apply only to projects in the HBRP area where this incentive is available and on the basis there would not be a re-opening of the proforma. Furthermore, it is anticipated only projects with commercial uses could be pursuing this approach based on the issue with strata residential units discussed above. If this is the case, only 5 buildings would be eligible. A report back to Council on specific actions taking into account the beneficial effect of reducing density in the bank balanced against the impacts on the tax roll will be prepared by staff.

iii. Heritage Property Tax Exemption

Given the proposed direction to not allow density transfer until equilibrium is reached, and acknowledging the desire to facilitate heritage building rehabilitation in the historic areas it is recommended further consideration be given to extension of property tax exemption within the former HBRP area for a further five years. This will include analysis of potential benefits and impacts and eligibility criteria, application requirements, financial implications, and implementation procedures. In addition, staff will work with developers to seek ways to better utilize property tax exemptions.

PUBLIC CONSULTATION

Staff recently briefed a number of interest groups including the Vancouver Heritage Commission, the Chinatown Historic Area Planning Committee (CHAPC), the Gastown Historic Area Planning Committee (GHAPC) and the Urban Development Institute Liaison Committee to inform them of the proposed recommendations in this report and invited them to bring forward their comments to Council. Additional consultation with these and other stakeholders will follow pending approval of Recommendation C.

FINANCIAL IMPLICATIONS

There are no financial implications.

PERSONNEL IMPLICATIONS

There are no personnel implications as the work described in this report will be completed with existing resources.

CONCLUSIONS

This report recommends a variety of actions to rebalance the density bank to bring it back to a viable position and then bring in measures to sustain its long term viability. Ensuring the ongoing functionality of transfer of density will enable the provision of public benefits including heritage conservation. The Director of Planning recommends approval of the recommendations in this report including the ongoing monitoring and reporting which will allow for future adjustments as events unfold.

* * * * *

DEPARTMENTAL APPROVAL AND REPORT CONCURRENCES

General Mgr./Dept. Head:

Report Date: July 17, 2009

Author: Marco D'Agostini/Rob
Jenkins

Date:

Phone No.: 604.873.7172/7208

This report has been prepared in consultation with the departments listed to the right, and they concur with its contents.

Concurring Departments:
Business Planning - Ken Bayne

Signature

Real Estate Services - Michael Flanigan

Signature

Legal Services - Graham Johnsen

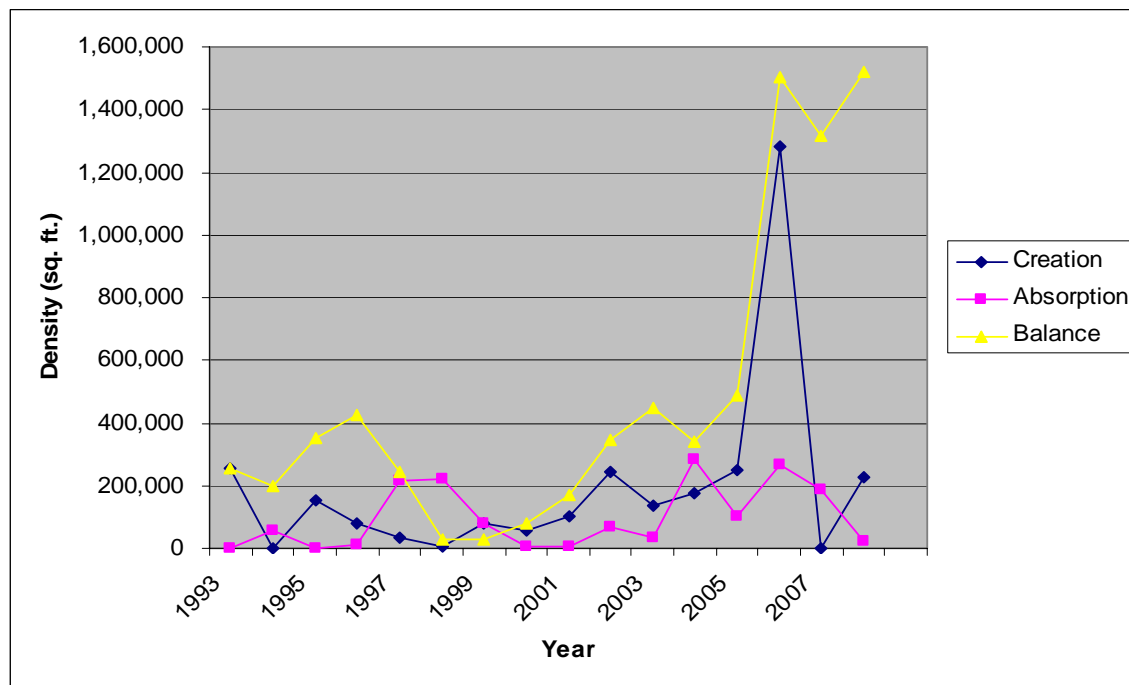
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History of Transfer of Density (TOD) and Heritage Building Rehabilitation Program (HBRP)

In 1983, City Council approved the transfer of density policy which could be used to achieve a number of public objectives including heritage conservation. The policy was amended in 1993, to allow density to be “banked” and transferred off-site to facilitate rehabilitation and conservation of heritage buildings in the Central Area (Downtown and Central Broadway). Transfer of density has been an important incentive option for the rehabilitation and conservation of heritage resources, principally in the Downtown area where façade grants or property tax exemptions are not available.

Staff have reported the overall picture of the density market to Council on a regular basis. From 1993 to 2008 there was approximately 3.0 million sq. ft. of transferable density created, and 1.5 million sq. ft. transferred or approved for transfer, leaving 1.5million sq. ft. of unlanded density in the ‘density bank’. The balance has remained stable over the last two years due to Council actions to limit creation in July 2007. It is also noted that the price of density trading has remained stable. While density and absorption have been balanced over the past 2+ years, there remains a significant supply of unlanded density. Staff have reported that a ‘healthy’ balance in the bank should not exceed an amount that could be absorbed within 2.5 to 3.0 years. From 2004-2008 the absorption rate was just below 200,000 sq. ft. per year, this would suggest a maximum balance target of approximately 500,000 to 600,000 sq. ft. Landing density remains a significant challenge. The following diagram illustrates density bank performance since inception.

Diagram 1. Density Bank Creation and Absorption 1993- 2008



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

Prior to the establishment of the HBRP in 2003, heritage properties in Gastown and Chinatown (designated as heritage areas in 1971) were not eligible to apply for heritage incentives such as transfer of density. The primary incentive to assist rehabilitation was to allow additions to existing buildings which often adversely impacted the heritage character of the area. Heritage buildings in these areas weren't at risk of immediate demolition and redevelopment but of abandonment and decay due to the low rents and sales prices prevalent in these economically depressed neighbourhoods. An approach was required that would generate the economic feasibility to enable the heritage neighbourhoods and buildings within them to be upgraded by the market. Additional incentives were required or the heritage resources in the area were at risk of further decline, increasing maintenance costs and ultimate demolition. The HBRP introduced additional incentives, including property tax relief, to provide sufficient compensation to developers so that heritage projects were viable (by taking into account the low rents/sales in the area in addition to the cost of the heritage upgrades themselves).

Heritage Building Rehabilitation Program (HBRP) Review

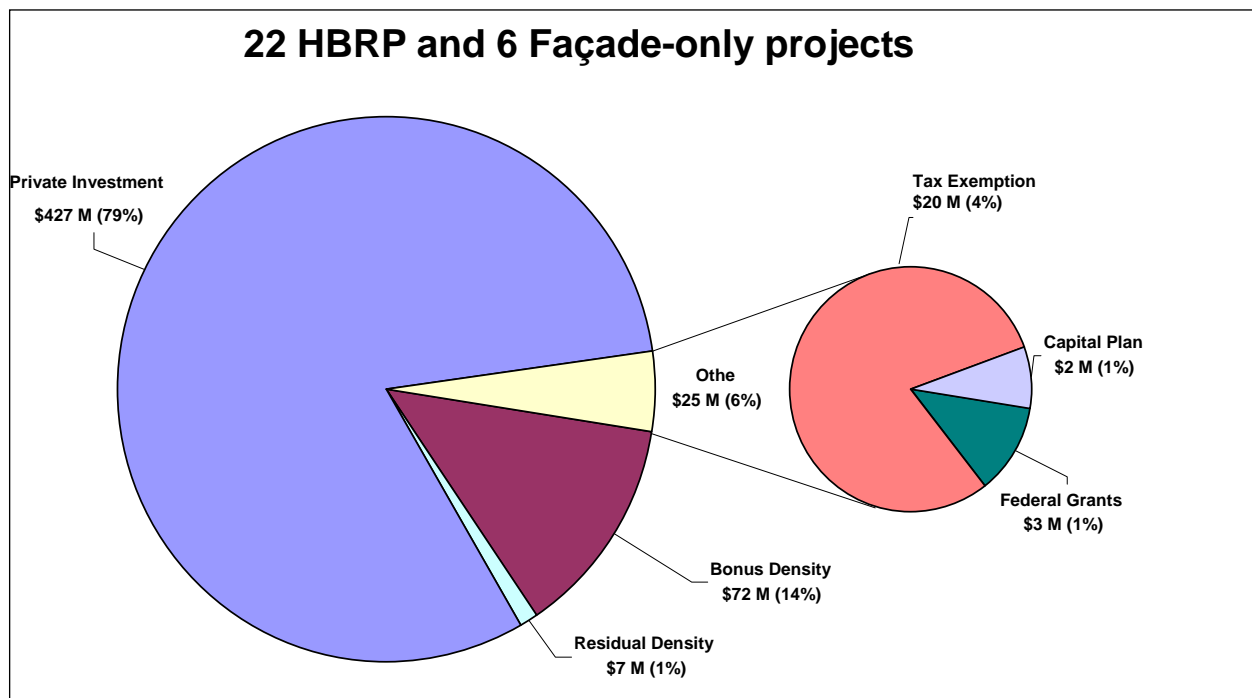
In the HBRP area, once project construction is complete, the following will have been achieved:

Heritage Conservation Results (based on approved projects)

- 22 major heritage projects - fully upgraded and designated ensuring long-term protection.
- 42 heritage façades rehabilitated through the Heritage Façade Rehabilitation Program (36 facades approved are part of the 22 major projects noted above, the remaining six are 'stand alone' façade grant projects).
- Projects in each neighbourhood - 13 in Gastown , 4 in Chinatown, 2 in Hastings Corridor and 3 in Victory Square.

Economic Revitalization Results (based on projected project costs)

- \$531m total direct investment in the area (based on project cost estimates), comprised of \$104m in HBRP incentives, which will leverage \$427m in private investment (1:4 leverage ratio).
- The \$104m in incentives consisted of: \$79m in transferable density; \$20m in Tax Exemptions; \$2 m in Capital Plan funding (for Façade grants); and, \$3m in Federal grants.
- 2,300 feet of street frontage (principal facades/storefronts) rehabilitated, reanimating the public realm and contributing to the viability of the area.
- 934 market residential units built
- Façade grants leveraging private investment on approximately a 1:2.5 ratio basis (i.e. based on the stand-alone façade projects, for every \$50,000 façade grant, an additional amount of approximately \$125,000 is invested in the project by property owners).



In the five years prior to the HBRP program there were four major heritage projects (i.e. full upgrades using available incentives) in the DTES. The Program resulted in a more than 5-fold increase in heritage projects approved (4 vs 22 projects). In addition, in the same time span, there has been an increase in the number of DTES rehabilitation projects for properties on the Vancouver Heritage Register, which did not entail transfer of density (17 projects in the period 1999 - 2003 versus 26 projects in the period 2004 - 2008).

Regarding economic revitalization, measured in terms of the total estimated direct investment, the findings are also positive. In 2003 it was estimated the Program might result in upwards of \$55 million of investment in Gastown and Chinatown. With expansion of the Program and completion of the City approved projects as noted above, an estimated total \$531 million of private and public investment will result. This does not include indirect economic benefits.

In addition to heritage rehabilitation and economic revitalization, a number of projects, most significantly Woodward's, will also deliver other public benefits vital to the revitalization of the DTES. For example, in conjunction with heritage incentive projects in the HBRP area, 231 previously vacant non-market housing units will be renovated and 32 new non-market housing units built. These benefits are not funded by Heritage incentives but represent together with heritage and economic development, significant multiple public benefit initiatives.

With respect to realizing the projected results, it is noted that of the total 22 approved projects noted above, eleven are completed, seven more are under construction (anticipated to be completed by 2010), and the remaining four have yet to begin construction. This suggests that the results, both from a heritage conservation, economic revitalization and other community benefits perspective are clearly not yet fully realized - Woodward's being

the most obvious example of this situation. The longer term effect of the Program, including both direct and indirect benefits will become more visible as projects are completed and occupied.