



## ADMINISTRATIVE REPORT

Report Date: December 12, 2014  
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VanRIMS No.: 08-2000-20  
Meeting Date: January 21, 2015

TO: Standing Committee on Planning, Transportation and Environment

FROM: General Managers of Community Services and Development and Planning Services

SUBJECT: Heritage Revitalization Agreement Amendment, Property Tax Exemption Incentive and Conversion Permit for the Boulder Hotel at 9 West Cordova Street

### RECOMMENDATION

- A. THAT Council authorize the City to enter into an agreement to amend an existing Heritage Revitalization Agreement (the "HRA") currently registered on title to property having a civic address of 9 West Cordova Street (PID: 009-354-492; Lot B Block 2 Old Granville Townsite Plan 10753) (the "Property") and an adjacent parcel, to reflect the new development proposal for the Property set out in Development Permit Application No. DE417522 (the "New DP Application").
- B. THAT, subject to approval of Recommendation A, Council approve the issuance of a conversion permit (the "Permit") pursuant to the *Single Room Accommodation By-law* No. 8733 (the "SRA By-law") for the Property to remove 22 designated rooms from the SRA By-law and convert them to eight self-contained secured residential market rental dwelling units, on the condition that prior-to the issuance of the Permit, the owner of the Property:
  - (a) enters into an agreement with the City to amend the existing HRA for the rehabilitation of the building known as the Boulder Hotel located on the Property (the "Building") as proposed in the New DP Application;
  - (b) pays \$105,000 to be deposited into the City's reserve fund for the creation of replacement housing; and
  - (c) enters into and registers a housing covenant on title to the property pursuant to section 219 of the *Land Title Act*, to the satisfaction of Director of Legal Services in consultation with the Managing Director of Social Development, requiring all eight units to be legally and beneficially owned by a single legal entity at all times and used only to

provide rental housing for 60 years or the life of the Building, whichever is greater.

- C. THAT, subject to approval of Recommendations A and B, Council instruct the Director of Legal Services to prepare and bring forward for enactment under section 592(4) of the *Vancouver Charter* a by-law authorizing the City to enter into the agreement to amend the HRA.
- D. THAT, subject to approval of Recommendations A, B and C, Council instruct the Director of Legal Services to prepare a heritage property taxation exemption by-law for 9 West Cordova Street exempting the Property from real property taxation to a maximum amount of \$358,680 or for a period of (10) years, whichever first occurs.

FURTHER THAT, subject to the assent of the electors to the real property tax exemption by-law or to their deemed approval, generally on the terms set out in Appendix A and in accordance with the requirements of the Section 396A of the *Vancouver Charter*, the Director of Legal Services be instructed to bring forward the by-law, for enactment.

- E. AND THAT the agreements and related by-laws shall be prepared, completed, registered and given priority on the title of the Property to the satisfaction of the Director of Legal Services in consultation with the Director of Planning and the Managing Director of Social Development, provided that no legal rights or obligations are created and none shall arise until such by-laws have been enacted and agreements have been entered into.

#### **GENERAL MANAGER'S COMMENTS**

The General Managers of Community Services and Development & Planning Services RECOMMEND approval of A, B, C, D, and E.

#### **REPORT SUMMARY**

The Boulder Hotel at 9 W. Cordova is listed on the Vancouver Heritage Register under the "B" evaluation category and has been designated by Council as protected heritage property. The rooms have been closed since the 1970s but are designated under the Single Room Accommodation (SRA) By-law. Although Council previously approved an SRA By-law conversion permit for the Property and the HRA was registered on title to the Property in 2008, the previous attempts to rehabilitate the Building failed. As a result, the old SRA By-law conversion permit lapsed. The owner of the Property has submitted the New DP Application for the Building and this report recommends Council approve an SRA By-law conversion permit, amendments to the existing HRA and the property tax exemption incentive through the HBRP so the project can proceed. In addition to rehabilitating this important Gastown historic building which has been empty for over 30 years, the project would deposit \$105,000 into the replacement housing reserve, as well as create eight self-contained secured residential market rental dwelling units.

## ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

Relevant Council Policies for this site include:

- Transfer of Density Policy and Procedure
- Heritage Building Rehabilitation Program (HBRP) Policies and Procedures for Gastown, Chinatown, Hastings Street Corridor and Victory Square
- Heritage Façade Rehabilitation Program (HFRP) Policies and Procedures for Gastown, Chinatown, Hastings Street Corridor and Victory Square
- Housing and Homelessness Strategy 2012-2021
- Downtown Eastside Housing Plan (2005)
- Single Room Accommodation By-law (2003)
- The Downtown Eastside (DTES) Plan (2014)

The Heritage Action Plan approved by Council on December 4, 2013 included an extension of the existing heritage incentive programs in the DTES (HBRP and HFRP) to the end of 2015.

On January 14, 2003, Council enacted By-law No.8620 which designated certain properties, including the Property, as protected heritage property under section 593 of the *Vancouver Charter*.

On February 12, 2008, Council authorized the City to enter into the HRA and grant a density bonus of 61,825 sq. ft., approved two façade grants for a total of \$100,000 and approved an SRA By-law and conversion/demolition permit to remove and convert 22 designated rooms on the condition that a fee of \$105,000 to be deposited into the City's reserve fund for the creation of replacement housing.

On October 28, 2008, Council enacted an HRA By-law No.9743 authorizing the City to enter into the HRA to facilitate conservation of the heritage building.

Section 592(4) of the *Vancouver Charter* provides that a heritage revitalization agreement may only be amended by by-law with the consent of the owner.

Section 396A of the *Vancouver Charter* allows Council to exempt all or part of the eligible heritage property from real property taxation for the purposes of supporting the conservation of an eligible heritage property (Appendix A).

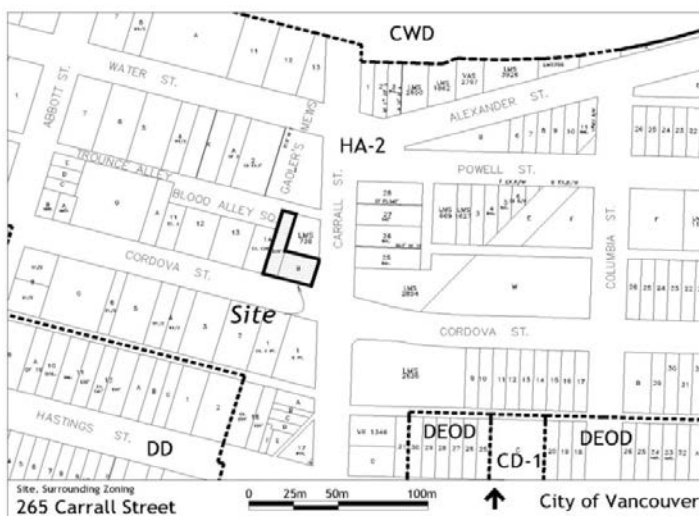
Section 4.2 of the SRA By-law allows an owner to apply to Council for a permit approving the conversion or demolition of a designated single room accommodation ("SRA").

**Background/Context**

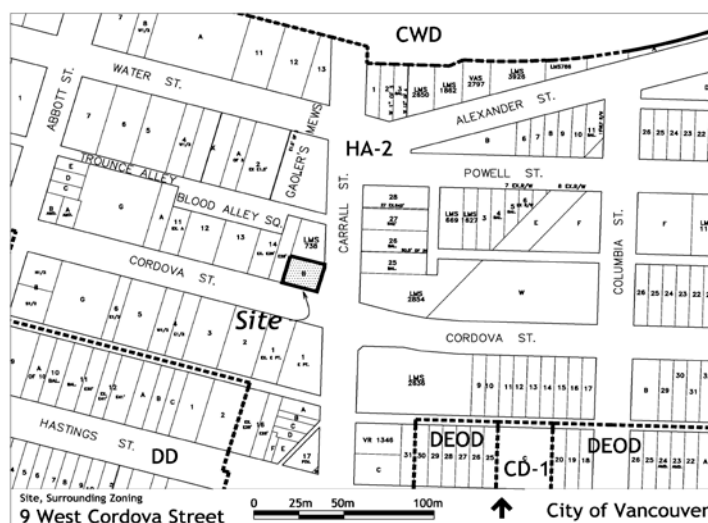
*Old DP Application (2008)*

In February 2008, Council approved an SRA Bylaw conversion permit, the HRA (which grants a transferable density bonus of 61,825 sq. ft.) and two façade grants totaling \$100,000 to redevelop the Building and the adjacent site at 15-17 West Cordova Street under Development Permit Application DE410844 for 265 Carrall Street (the “Old DP Application”). The mixed-use development would have included removing 22 rooms designated under the SRA By-law to create 23 dwelling units over the two sites with three retail units at grade, seismic upgrading and rehabilitation of the two principal façades of the Building, a two-storey addition to the Building and a new seven-storey building on the adjacent site.

The HRA by-law was enacted on October 28, 2008 and the HRA was registered on title to the Property and on title to the adjacent site. Council also approved the issuance of an SRA By-law conversion permit (RTS07037), with a condition that the owner contribute \$105,000 to the replacement housing reserve fund. The owner was not able to proceed and the permit lapsed. (See Figure 1)



**Figure 1:** 265 Carrall Street, as proposed under the Old DP Application (Boulder Hotel and Pig & Whistle as consolidated site)



**Figure 2:** Current proposal for 9 West Cordova Street under the New DP Application (Boulder Hotel)

### *New DP Application (2014)*

In 2014 the owner of the Property submitted a New DP Application for an enhanced approach to preserving the heritage aspect of the Property, as well as an SRA By-law conversion permit application, to rehabilitate the Building by converting 22 designated SRA rooms into eight self-contained secured market rental housing units. The ground floor would retain its current commercial - restaurant use. The New DP Application does not now include the adjacent site and therefore is limited in its ability to fund the redevelopment. The eight self-contained residential market rental dwelling units would be secured through a non-separate sales covenant to secure them as rental.

The New DP Application proposes to retain the heritage conservation incentive package as per the previously approved HRA and is requesting a property tax exemption incentive through the HBRP to improve the economic viability of the new proposal.

### *Strategic Analysis*

**Heritage Value:** Although the Building has further deteriorated since 2008, the heritage value has not changed. The Boulder Hotel is a three-storey stone-faced commercial building located in the historic district of Gastown. Its first two storeys were constructed in 1890, with the third story being added prior to 1910. The building has been designated by Council as protected heritage property and is "B" listed on Vancouver Heritage Register (VHR). It is recognized as one of several buildings built by Arthur G. Ferguson in Gastown, one of the city's pioneer landowners and developers. The Building is also valued for its association with Robert Mackay Fripp, a leading architect of the time and an outspoken proponent of the Arts and Crafts Movement. This Building is architecturally simple and understated, reflecting the Arts and Crafts tradition of using natural materials in an honest manner. The subsequent addition of the third floor indicates the growth and expansion of the city during the pre-First World War era. This was one of the earliest buildings in Vancouver to have plain rectangular sash windows set into a rough-dressed masonry walls. (See Figure 2)

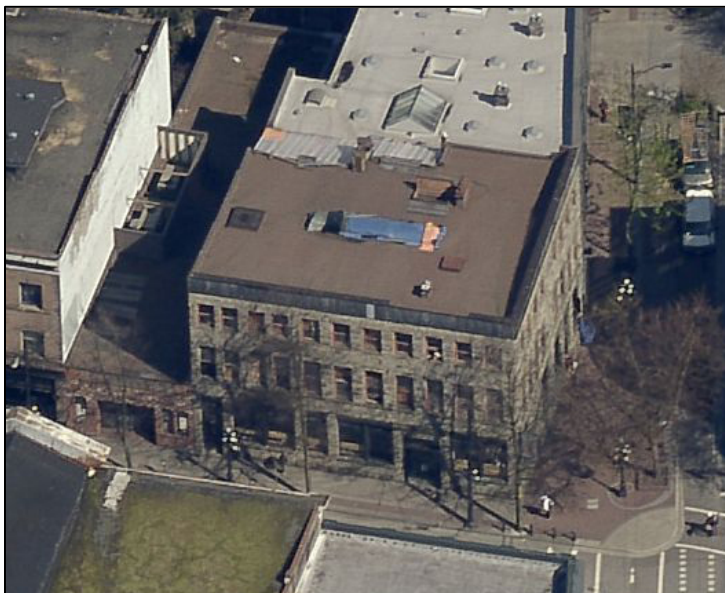


Figure 2: Boulder Hotel, 2014

**Conservation Plan:** The proposed Boulder Hotel conservation approach has significantly improved from the 2008 proposal. The conservation strategy now provides higher level of heritage retention, no rooftop addition and no underground parking. It primarily consists of preservation of the existing Boulder Hotel building, both its structure and exterior; restoration of the main cornice; and rehabilitation of the masonry, windows and storefronts. The conservation plan is consistent with the Standards and Guidelines for the Conservation of Historic Places in Canada and HA-2 Design Guidelines. The Building will be structurally and seismically upgraded and all building systems will be updated.

**Heritage Incentives:** The Old DP Application was processed through the HBRP. The total value of the previously approved heritage incentive package was \$3,191,250. The approved incentive was to consider identified costs to restore and upgrade the heritage facades of the Building and the project’s general contribution to economic revitalization of the area, and did not include a property tax exemption incentive.

In the New DP Application, the owner has requested that the incentive package of \$3,191,250 as per the previously approved HRA, be increased to \$3,549,930 by adding a property tax exemption incentive of \$358,680 pursuant to section 396A of the *Vancouver Charter*. This is to compensate for increased construction costs and a higher level of structural retention of the Building. The Building is protected heritage property and is therefore eligible for this property tax exemption. No change is proposed to the previously approved transferable density incentive and façade grant.

**Table 1: Summary of Heritage Incentives**

Incentives	2008 Approved	2014 Proposal
Façade grant	\$100,000	\$100,000
Bonus Density (58,000 sf)	\$2,900,000	\$2,900,000
Residual Density (3,825 sf)	\$191,250	\$191,250
Property Tax Exemption	\$0	\$358,680
<b>Total:</b>	<b>\$3,191,250</b>	<b>\$3,549,930</b>

**Single Room Accommodation (SRA) Conversion/Demolition Permit Review:** The SRA By-law is a tool to manage the rate of change in the low-income housing stock by considering each conversion or demolition of a designated room on a case-by-case basis. While designated under the SRA By-law, the Boulder Hotel has been closed since 1978 and has not been part of the available SRA stock for almost 30 years.

**Factors for Consideration in Granting an SRA By-law conversion Permit:** As outlined in the Vancouver Charter, Council is required to consider a number of factors in deciding on an Permit, specifically:

1. **Accommodation for Affected Tenants:** The Boulder Hotel has been vacant since 1978, therefore no tenants will be affected as a result of converting the designated rooms.
2. **Supply of Low-Cost Accommodation:** The low-income stock remained relatively stable in the downtown area between January 2004 (11,549), the year after the SRA By-law was enacted, and January 2014 (12,230). However, all sub-areas of the Downtown Core have seen a decrease in the number of

units renting at or below shelter rates, indicating a loss of low-income accommodations. In 2013, only 24% of the Downtown Core and 26% of the DTES private market SRO stock was renting at or below the shelter component of welfare (currently set at \$375 per month). While rents will not be targeted to those on income assistance, the eight units will be secured as rental for the life of the Building and increase the available rental stock in the neighbourhood. The table below shows the net changes of SRO (private market) and social housing units (non-market for singles) between 2004 and 2014 by sub-area. The reduction of private market SROs and increase in social housing for singles in the DTES over this period was largely due to the purchase of over 900 units in 13 SROs by BC Housing. Other non-market housing for singles that opened in the DTES in the last ten years include Woodward's (125 units), Pacific Coast Apartments (96 Units) and the Lux (92 Units). If this Permit is approved and the new housing is occupied, the table would not change as closed units are not counted in the inventory.

**Table 2: SRO (private market) and Social Housing (non-market for singles), Change from 2004 to 2014**

Sub-Area	Change from 2004 to 2014						
	SRO (private market)			Social Housing *includes supportive housing (non-market for singles)			TOTAL
	2004	2014	Change	2004	2014	Change	
Downtown Eastside	5,206	4,046	-1,160	4,223	5,806	1,583	423
Downtown South	692	452	-240	808	1,367	559	319
Rest of Downtown Core	433	81	-352	187	478	291	-61
<b>TOTAL</b>	<b>6,331</b>	<b>4,579</b>	<b>-1,752</b>	<b>5,218</b>	<b>7,651</b>	<b>2,433</b>	<b>681</b>

The current proposal, if approved, will provide eight self-contained market rental units that will be secured for a term of 60 years or the life of the Building, whichever is greater. This is an improvement over the Old DP Application approved in 2008 which would have resulted in stratified market housing. The reopening of these updated units is consistent with Council policy to:

- Maintain and upgrade housing in the DTES, and,
  - Encourage a diversity of housing in the DTES.
3. **Condition of the Building:** Like many buildings constructed in the late 19th and early 20<sup>th</sup> centuries, the Building requires major seismic and building systems upgrades. It is not habitable in its current condition, and the degree of upgrading required is reflected in the number of years the upper floors have remained vacant.
  4. **Need to Improve and Replace SRA:** While the proposed project would mean the removal of 22 SRA By-law-designated rooms, the rooms have been vacant for a nearly three decades and the proposed project would create eight new self-contained market rental units that would be secured through a covenant securing the units as rental for 60 years of the life of the building - whichever is greater.

5. **History of Building and Land:** Since the Building has been vacant for a number of years there is little history on enforcement and compliance with City by-laws.

**Conditions for Approval of an SRA Permit:** Staff recommend that Council approve the Permit for this project on the condition that the owner enter into an agreement with the City to amend the HRA, make a contribution of \$105,000 to the reserve fund for the creation of replacement housing (as previously approved by Council in 2008), as well as register a covenant on title to secure the eight market rental units for 60 years or the life of the Building, whichever is greater. As per Section 4.8(a) of the SRA By-law, the Chief Housing Officer (CHO) may, as a condition of approving a conversion permit, require the owner to pay up to the amount of \$15,000 for each designated room. As a condition of the SRA conversion permit, this report recommends the owner pay \$15,000 for 7 of the rooms as per the previous council approval. The proforma of the heritage preservation approved by Council in 2008 has not resulted in any move forward to rehabilitate the property in which the residential units have sat empty for the last 30 years. With adjustments to the incentive (including a property tax exemption) and the agreement to the previously approved contribution of \$105,000 as the conversion fee, the project is scheduled to move ahead with substantial heritage improvements and the renovated units secured as market rental.

**Financial Implications:** The original heritage incentive package approved by Council in 2008 included \$3,091,250 of bonus density and \$100,000 of façade grant, totaling \$3,191,250. Should Council approve the addition of property tax exemption of \$358,680 to the original heritage incentive package, the overall package value would be \$3,549,930.

The Director of Real Estate Services reviewed the applicant's proforma in accordance with Council's approved policies and concluded that the overall heritage incentive package, including the proposed addition of the property tax exemption, is supportable and will produce no undue profit. The property tax exemption will apply to property tax levies as per Section 396A of the *Vancouver Charter*.

The budget for the façade grant was previously approved and has not been disbursed yet. When the timing of the disbursement is determined, the capital expenditure budget will be adjusted through the quarterly capital budget adjustment process.

Should Council approve this application, \$105,000 will be deposited into the City's reserve fund for the creation of replacement housing.

**HRA Amendment:** The existing HRA requires amendments which are generally housekeeping in nature to reflect the current proposal (New DP Application number, project address and legal description), to remove references to adjacent Pig & Whistle site as well as to prevent the possibility of future site stratification.

**Comments from Advisory Bodies:** The application was presented to Gastown Historic Area Planning Committee (GHAPC) and Vancouver Heritage Commission (VHC) on May 21 and May 26, 2014, respectively, and was supported by both. In addition, GHAPC recommended that applicant undertake the best possible reproduction of the windows using traditional construction methods and materials.



**Review and Notification:** With respect to the current application, 824 property owners, as well as 71 community groups were notified and invited to comment. So far, three letters of support and none in opposition have been received.

### *CONCLUSION*

The rehabilitation of the Boulder Hotel by adaptive re-use and creation of eight self-contained market rental units is consistent with the objectives of the HBRP, DTES Housing Plan and DTES Plan. The proposed SRA By-law conversion permit, amendments to the HRA and the property tax exemption incentive would make the project possible and economically viable. The HRA, and covenants and by-laws will secure City's interest in ensuring that the building be rehabilitated and preserved in perpetuity, and secure all eight units as market rental for 60 years or the life of the building, whichever is greater. In addition, \$105,000 would be contributed to the City's reserve fund for the creation of replacement housing.

Staff considered the application in the context of a number of Council identified interest for the area, in particular heritage and housing. The General Managers of Planning and Development Services and Community Services believe that the proposal contributes to revitalization of the area, including important heritage conservation and the provision of secured market rental units in the DTES.

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## Property Tax Exemption Process

Section 396A of the *Vancouver Charter* sets out the requirements for enacting a property tax exemption by-law for eligible heritage property and the 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 *Vancouver 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 *Vancouver 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.