



REPORT

Report Date: November 5, 2019
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Meeting Date: December 10, 2019
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TO: Vancouver City Council

FROM: General Manager, Planning, Urban Design and Sustainability in consultation with the Director of Legal Services

SUBJECT: Heritage Property Tax Exemption By-law – 369 Carrall Street (formerly 1 West Hastings Street)

RECOMMENDATION

THAT Council instruct the Director of Legal Services to prepare a heritage property taxation exemption by-law for protected heritage property at 369 Carrall Street (formerly 1 West Hastings Street) (PID: 030-124-603, Lot 1 of Lot 17 Block 3 Old Granville Townsite Plan EPP70154 (the "Property")) exempting the Property from real property taxation to a maximum amount of \$385,693 or for a period of ten (10) years, whichever first occurs;

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

REPORT SUMMARY

The purpose of this report is to seek Council approval of a new heritage property taxation exemption by-law for 369 Carrall Street (formerly 1 West Hastings Street) as the previous by-law has expired. The maximum amount of exemption remains unchanged at \$385,693.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Relevant Council policies that apply:

- Downtown Eastside (DTES) Local Area Plan (2014)
- Heritage Policies and Guidelines (April, 1991, last amended September 2002)
- Heritage Building Rehabilitation Program Policies and Procedures for Gastown, Chinatown, Hastings Street Corridor and Victory Square (expired in 2015)

On January 24, 2006 Council approved heritage conservation through the Heritage Building Rehabilitation Program and authorized the City to enter into a Heritage Revitalization Agreement (the “HRA”) for the Property which granted a transferable density bonus of 54,403 square feet. Council further approved a façade grant of \$100,000, covering \$50,000 per principal façade, and a property taxation exemption of up to \$385,693.

On July 11, 2006 Council enacted Heritage Property Taxation Exemption By-law No. 9340, and Heritage Revitalization Agreement By-law No. 9339 for 1 West Hastings Street (now addressed as 369 Carrall Street).

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

GENERAL MANAGER'S COMMENTS

The General Manager of Planning, Urban Design, and Sustainability RECOMMENDS approval of above Recommendation.

STRATEGIC ANALYSIS

Background/Context

In July 2006 Council approved the HRA for the Property which granted a transferable density bonus of 54,403 square feet to the owner of the Property as compensation for its rehabilitation and on-going maintenance as a condition of the HRA. Council also approved a property taxation exemption of \$385,693. The then-owner applied for a development permit for this work pursuant to Development Permit Application DE409320 (the “DP Application”). The development permit later expired because work under the DP Application did not proceed expeditiously. Ownership of the property changed in early 2016 and the new owner commenced with satisfying the City’s conditions required prior to the issuance of permits in accordance with the DP Application, supplemented by a revised DP Application DE420306.

The heritage restoration and rehabilitation of the Property has now been substantially completed and an occupancy permit was issued on October 4, 2019 for the Property enabling the use of the building including leasing to tenants to generate income for the owner, which until this time was not possible. The owner of the Property is seeking the compensation that was previously authorized by Council, including the lapsed property taxation exemption.

Strategic Analysis

The heritage property taxation exemption of \$385,693 was approved by Council in 2006 as part of the heritage rehabilitation incentive package. The Property, designated as protected heritage property since 1971 as part of the Gastown Historic District, is also subject to the HRA approved in 2006. Under Section 396A of the *Vancouver Charter*, Heritage Property Taxation Exemption By-law No. 9340 was enacted by Council on July 11, 2006, including a condition that if the applicant did not fulfill all requirements necessary to obtain the issuance of an occupancy permit for the work authorized by the DP Application within 60 months of enactment, the by-law would expire and have no further force or effect. Due to the delay by the former owner in commencing the work, this condition was not met and the by-law expired in July 2011. In order to provide for a heritage property taxation exemption for the Property, it is necessary for Council to adopt a new heritage taxation exemption by-law in accordance with the terms of the *Vancouver Charter*, as described in Appendix A, and generally in accordance with Appendix B.

While it is typically not the City's standard practice to extend the condition set by Council in heritage taxation exemption by-laws, staff recommend that Council adopt Recommendation A of this report in this particular case to allow the owner of the Property to receive the heritage incentive which was previously approved by Council. Since taking ownership, the current owner of the Property has diligently restored the Property pursuant to the HRA and the owner has carried out this work in accordance with good conservation practice for a building that serves as a landmark in the Downtown Eastside.

Financial Implications

The original heritage incentive package approved by Council in 2006 included a property tax exemption of \$385,693 (Heritage Property Taxation Exemption By-law No. 9340 – expired in 2011). Given the substantial completion of the agreed-to restoration work pursuant to the HRA, staff recommend that Council approve on an exceptional basis a new tax exemption on the same basis as the original tax exemption, being \$385,693 or for a period of 10 years, whichever first occurs.

CONCLUSION

The heritage conservation and rehabilitation of the Property is complete. Heritage conservation goals were achieved pursuant to the HRA and the owner is eligible for heritage incentives that were previously approved by Council, having diligently and expeditiously carried out the restoration work on this landmark Downtown Eastside building. Staff therefore recommend that Council approve a heritage property taxation exemption by-law for the Property in order to authorize the property tax exemption for the Property.

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Property Tax Exemption Process

Section 396A of the *Vancouver Charter* sets out the requirements for enacting a heritage taxation 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 to obtain the assent of the electors to the by-law. 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 may proceed to enact the by-law. A 2/3 majority of votes cast is required 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 Heritage Property Taxation 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. As an occupancy permit for the Property was issued before October 31, the exemption will be effective in the taxation year immediately following. Staff will provide an annual report to Council on the status of this and other exemptions approved under the program.

