

6.0 IMPACT OF EXPANDING THE NUMBER OF ELIGIBLE HERITAGE SITES

6.1 IMPACT ON THE DEMAND FOR TRANSFERABLE DENSITY

Expanding the number of heritage sites that are eligible to transfer density will not change the overall demand for transferable space at receiver sites. Therefore, future demand will be the same as the projections outlined in Section 5.1.

6.2 IMPACT ON THE SUPPLY OF TRANSFERABLE DENSITY

Expanding the range of eligible heritage properties could lead to two potential outcomes in the creation of new supply of transferable density:

1. No change in the overall creation of transferable density, but changes in the location of the heritage buildings that obtain approval to transfer space. There is a limit to the overall annual demand for office, retail, residential and hotel space in rehabilitated heritage buildings in Vancouver's Central Area. Therefore, increasing the number of heritage buildings eligible for density transfers will not necessarily lead to an increase in the annual demand for rehabilitated space in heritage buildings.

Without an increase in demand for rehabilitated heritage space, the total number of heritage building owners interested in applying for an HRA to allow a density transfer may not increase. As an example, there are over 300 heritage properties in the existing policy area that are currently eligible for the program, but only a small portion actually participate in a given year. This suggests that if there was a market demand for additional rehabilitated heritage space, the heritage property owners in the existing policy area would attempt to meet the demand.

Under this scenario, the impact of expanding the number of eligible heritage buildings will primarily be distributional. The location of heritage buildings that are rehabilitated and upgraded due to heritage transfers may change, but the total creation

of transferable floorspace may not. This low supply scenario is equal to the supply estimates outlined in Section 5.2.

2. An increase in the creation of transferable floorspace as more heritage building owners will be eligible and the buildings are in locations with an unmet market demand for rehabilitated heritage space. For example, there may be market demand for rehabilitated heritage space in Gastown that cannot be met by heritage properties in the existing policy area. In this case, as more heritage buildings are eligible, more building owners may be interested in participating in the program. Essentially, this assumes that the new eligible areas will cater to market demand for rehabilitated heritage space that is currently not being met by properties within the existing policy area. This is the focus of the analysis in the remainder of this section.

6.2.1 Potential Transfers from Gastown

Although Gastown is not included in the existing policy area, a few heritage properties in Gastown have already negotiated Heritage Revitalization Agreements (as of April 2002), allowing the transfer of density to the existing receiver areas. Based on available information, the following projects in Gastown have already received approval to transfer a total of about 98,000 sq.ft. of density:

- 211 Columbia Street, which received approval for a 37,200 sq.ft. transfer.
- 55 Water Street, which received approval for a 60,800 sq.ft. transfer.

In addition, a few other transfers are currently (as of April 2002) in the approval process or have been approved in principle by Council, totalling about 78,000 sq.ft. These include:

- The Greenshields Building at 345 Water Street, which received approval in principle for a 42,000 sq.ft. transfer.
- The Taylor Building at 310 Water Street, which is seeking a 36,285 sq.ft. transfer.

We examined three indicators of the potential supply of transferable density that could come from Gastown over the next ten years or so:

- The four projects noted above represent about 176,000 sq.ft. of transferable density over a two year period, or about 88,000 sq.ft. per year on average. Not all of these projects will necessarily proceed in the short term, so this supply of transferable space will be made available in phases. In addition, this figure likely represents significant pent-up interest from Gastown building owners to participate in the program. Until recently, Gastown properties have not been considered for transfers. As the initial set of properties goes through the process, the rate will likely slow. Therefore, this is not a good indicator of the supply of transferable space from Gastown over the long term.
- The Gastown Heritage Management Plan recently approved by Council allows heritage property owners in Gastown to apply for a transfer of residual density based on a maximum FSR of 5.5. However, the Plan includes other new incentives for property owners to enter HRA's, such as property tax abatements and grants (as well as density transfers). These additional incentives will reduce the reliance on density transfers as a tool to help preserve Gastown heritage buildings.
- The long term creation of transferable density in the existing policy area has been equivalent to 0.84% per year of the historic building floorspace inventory. We estimate that the heritage buildings in Gastown have about 2.1 million sq.ft. of existing floorspace. Applying the 0.84% per year ratio to Gastown heritage properties would generate about 176,000 sq.ft. of additional transferable density over the next ten years or so.

Interest from Gastown property owners in obtaining approval to transfer space is clearly strong. In addition, there should be demand for rehabilitated retail, office, hotel and/or residential space in heritage buildings in Gastown over the next ten years or so. Therefore, there could be two general potential outcomes in the rate of creation of transferable floorspace from Gastown if it is included in the policy area:

1. The average creation of transferable space will fall close to 0.84% of its total heritage floorspace inventory each year, generating about 176,000 sq.ft. of supply over the next ten years.
2. The annual supply of space from Gastown will be higher. However, in this case we would expect an off-setting decline in the annual creation of transferable floorspace in other parts of the policy area.

6.2.2 Potential Transfers from Downtown Eastside Oppenheimer District

Although heritage sites in the Downtown Eastside Oppenheimer District (DEOD) are not included in the existing policy area, one project was recently approved in principle by Council. The Pantages Theatre at 144 East Hastings received approval in principle for a 28,000 sq.ft. transfer.

We estimate that there are a total of about 40 heritage listed sites in the DEOD with a total of about 500,000 sq.ft. of existing floorspace.

It is not possible to examine the historic trend in the creation of transferable floorspace from the DEOD as there has only been the one project approved and it was very recent. Assuming that the average creation of transferable floorspace from heritage sites in the DEOD is equivalent to 0.84% of the historic building floorspace inventory each year, heritage properties in the Downtown Eastside would generate about 42,000 sq.ft. of additional transferable density over the next ten years or so. This suggests a relatively low rate of creation of transferable space from the DEOD. The demand for rehabilitated office, retail, hotel or residential space will likely be fairly low in this area for the foreseeable future. Therefore, the interest from heritage building owners to negotiate HRA's and transfer space could be relatively limited.

6.2.3 *Potential Transfers from Other Areas*

Other heritage sites that the City indicated are being considered for inclusion in the transfer of density policy area include:

- A-listed heritage sites in First Shaughnessy. Our understanding is that there are 18 A-listed buildings in First Shaughnessy.
- Sites with heritage interiors. There are 138 properties in the City with significant interiors. The cost of protecting each of these interiors will vary by building and some of these may already be within the existing policy area.
- Downtown sites designated without compensation prior to 1983. Our understanding is that about 55 buildings or sites in the City were designated prior to 1983. Over 30 of these are downtown. We do not have information on the number that were designated without compensation.

We do not have detailed information on the sites in these categories so we have not attempted to quantify the amount of transferable density that could be generated by sites in each of these categories.

6.2.4 *Projected Supply if Policy Area is Expanded*

Overall, there are two potential supply scenarios if the policy area is expanded to include additional areas, such as Gastown and DEOD:

1. No significant change in the overall creation of transferable floorspace. This low supply scenario is equal to the supply estimates outlined in Section 5.2. There may be distributional changes in the creation of transferable floorspace, but the overall annual average creation will not change as there is a limit to the market demand for rehabilitated heritage space. In this low scenario, total additional supply will be between 570,000 sq.ft. and 650,000 sq.ft. over the next ten years or so.

2. The annual creation of transferable density will increase as the number of eligible heritage properties is expanded. Essentially, this assumes that the new eligible areas, such as Gastown, will cater to market demand for rehabilitated heritage space that is currently not being met by properties within the existing policy area. Based on all of the preceding analysis, the best indicator for this scenario is to assume that transferable floorspace is created at a rate of about 0.84% of the expanded inventory of heritage floorspace each year on average. This will not necessary come evenly from each of the areas eligible for the program. For example, Gastown properties may account for a disproportionately high share of this in the short term. However, if this occurred, we would expect on off-setting decline in share to other areas. The total amount of heritage floorspace in the existing policy area plus Gastown and DEOD is roughly 9.4 million sq.ft. In this high scenario, we would expect the total addition to the supply of transferable space to be about 800,000 sq.ft. over the next ten years¹⁹.

6.3 OUTLOOK FOR DEMAND AND SUPPLY IF POLICY AREA IS EXPANDED

As outlined in Section 5.1, there are two potential future demand scenarios for transferable floorspace over the next ten years or so:

- A low scenario that assumes total demand of about 600,000 sq.ft. over the next ten years.
- A high scenario that assumes total demand of about 1.0 million sq.ft. over the next ten years.

There are two potential future supply scenarios for transferable floorspace:

- A low scenario that assumes the total additional supply of transferable floorspace will be between 570,000 sq.ft. and 650,000 sq.ft. over the next ten years.

¹⁹ 9.4 million sq.ft. x 0.84% x 10 years.

- A high scenario that assumes the total additional supply of transferable space will be about 800,000 sq.ft. over the next ten years.

These scenarios lead to four potential combinations of demand and supply:

- Low demand and low supply.
- High demand and low supply.
- Low demand and high supply.
- High demand and high supply.

The balance of transferable density available for sale at the end of Year 10 under each of these scenarios is summarized in the following chart:

	Scenario	Existing Supply ²⁰ including Approvals in Principle	Projected New Supply	Projected Demand	Year 10 Balance
1	Low Demand/Low Supply	396,000 sq.ft.	570,000 sq.ft. to 650,000 sq.ft.	600,000 sq.ft.	366,000 sq.ft. to 446,000 sq.ft.
2	High Demand/Low Supply	396,000 sq.ft.	570,000 sq.ft. to 650,000 sq.ft.	1,000,000 sq.ft.	zero sq.ft. to 46,000 sq.ft.
3	Low Demand/High Supply	396,000 sq.ft.	800,000 sq.ft.	600,000 sq.ft.	596,000 sq.ft.
4	High Demand/High Supply	396,000 sq.ft.	800,000 sq.ft.	1,000,000 sq.ft.	196,000 sq.ft.

In three of the four scenarios (Scenarios 1, 2 and 4), the balance of transferable density available at the end of Year 10 will be similar to or lower than the current balance of 396,000 sq.ft. In these scenarios, we would not expect the expansion of the range of eligible heritage properties to have a significant downward influence on the market value of transferable density or a negative impact on the marketability of space that is available for transfer.

²⁰ As of September 2002.

In Scenario 3 (Low Demand/High Supply), the Year 10 balance of transferable density is projected to increase by about 200,000 sq.ft. above the current level. In this scenario, the expansion of the range of eligible sites could have a downward influence on the value of transferable density and/or impair the marketability of transferable density.