

1.0 INTRODUCTION

1.1 BACKGROUND

The City of Vancouver uses a variety of approaches to encourage or assist private property owners to maintain and improve heritage buildings.

Because the restoration of historic buildings is expensive and because many heritage buildings occupy sites with redevelopment potential, the City has developed an incentive program to make rehabilitation financially attractive¹ to land owners and developers.

The principal incentive the City provides is the granting of additional or bonus development rights and allowing the transfer off-site of residual development rights in exchange for the retention and upgrade of heritage buildings.

The density bonus and transfer system works like this:

1. The owner of a heritage property and the City agree on the value of financial incentive that is needed to make rehabilitation/retention as attractive to the property owner as redevelopment.
2. The owner and the City then agree on the amount of development rights that the property owner must be able to use or sell to generate the needed incentive. For example, if the required incentive is \$1.0 million and development rights are agreed to have a value of \$25 per square foot, the required incentive is 40,000 square feet.
3. Depending on the physical characteristics of the site (particularly whether or not the site can accommodate the heritage building and new floorspace) and the existing

¹ The City aims to make retention/rehabilitation of a heritage building as financially rewarding as redevelopment.

zoning (particularly whether the site has residual or unused development rights²), the City and the owner agree on an arrangement that could include:

- The granting of bonus floorspace (i.e., above the density allowed under zoning) to be developed on site in conjunction with the retention of the heritage building.
- The right to transfer unused or residual density to other sites.
- The granting of bonus floorspace that can be transferred to other sites.

The system, therefore, produces transferable floorspace³ which the heritage property owner can sell on the open market to owners of other properties who are able to use the extra floorspace in a development project. Owners may sell the transferable density to one “receiver” site or sell it in portions to several sites. Owners may sell the density immediately or hold it to sell in the future. The price of transferable density is negotiable between the buyer and seller and therefore can fluctuate depending on how much is available for sale (supply) and how many developers are looking for extra density (demand).

The system has operated in this way since 1993. The system currently applies to heritage properties in Downtown, the West End, Central Broadway and Chinatown.

The City is considering extending the transferable density system to include Gastown, the Downtown Eastside Oppenheimer District (DEOD), First Shaughnessy, heritage interiors, and downtown sites that were designated for heritage without financial compensation (prior to 1983)⁴.

² Residual or unused development rights equals the total floor area allowed under existing zoning less the floor area of the existing improvements.

³ Which may be bonus density, residual density or a combination.

⁴ The City indicated that it is prepared to consider transferable density bonuses for sites that have already been designated if the owner makes an additional heritage contribution (e.g., heritage interior).

Increasing the number of eligible heritage properties could result in an increase in the amount of transferable density that is created and available on the market. This, of course, is good provided supply and demand remain in equilibrium and the value of the transferable density does not significantly decrease. If the value falls, larger bonuses will be needed to provide adequate incentives.

Therefore the City commissioned Coriolis Consulting Corp. to evaluate the transferable density system and analyze the implications of expanding the system to more heritage properties. The City is interested in finding ways to improve the system and in identifying (and mitigating) any negative impacts that might result from increasing the number of eligible heritage properties.

1.3 APPROACH

One of the objectives of this study was to provide input to the Gastown Heritage Management Plan during early 2002. Therefore, we completed most of the research and analysis for this study during the first half of 2002. As a result, all of the analysis of historic trends in this report is up to April 2002, the most recent data available at the time of the analysis. However, the report also includes more recent information (as of September 2002) on state of the density bank and on policies that have been adopted as part of the Gastown Heritage Management Planning process.

This study includes:

- Review of the existing system and relevant policies as of April 2002.
- Review of the historic performance of the system (up to April 2002).
- Interviews with individuals that have been involved in transfers, such as developers, architects and realtors that have brokered the sale of transferable density to obtain input on the effectiveness of the existing system and opportunities to improve the system.

- Evaluation of the main factors that influence the market value of transferable density.
- Review of density transfer policies in other North American jurisdictions.
- Forecast of the potential future demand and supply of transferable density in the existing policy area and the implications of expanding the range of eligible heritage sites.
- Identification of concerns or problems.
- Suggestions for improvements to the system.