

BACKGROUND

July 4, 2008

SUBJECT: Heritage Building Rehabilitation Program and Transfer of Density Program

Heritage Building Rehabilitation Program

The Heritage Building Rehabilitation Program (HBRP) was established for a five-year period (2003-2008) to facilitate the upgrading of heritage buildings and to foster economic revitalization of the Downtown Eastside (DTES). The HBRP covers the economic shortfall costs of rehabilitating heritage buildings in the DTES by providing capital grants for façade improvements, property tax exemption, and both bonus density and residual density for transfer off site. The HBRP has successfully leveraged substantial private investment, as outlined below.

- \$97 M in City shortfall compensation has or will leverage \$412 M in private investment.
- Transferable density comprises about 75% of the HBRP incentives (\$72 M of the \$97 M).

Revitalization of the four eligible incentive areas in the DTES resulted in both the renewal of the area's physical fabric and increased confidence in the area's economy. By rehabilitating heritage buildings, not only is their useful life extended but the viability of retail space and the overall economic use of buildings is restored.

Transfer of Density Program

Transferable density is the City's primary incentive for rehabilitating heritage buildings. At present, there are a number of applications and enquiries for transferable density from inside and outside of the HBRP area, which, if approved, may again create an oversupply that could affect the stability of the transferable density market. A key indicator of a stable market is the value of density trading on the market, which remains stable. However, an oversupply could result in downward pressure on the value which could prevent or delay the completion of approved heritage projects. The viability of the Transfer of Density program (TOD) must be preserved in order to complete approved projects and to address emerging heritage priorities.

Heritage Building Rehabilitation Program and Transfer of Density Program Review

On July 26 2007, Council approved the undertaking of a review of both the TOD and HBRP programs (the 'Review'). Prompted by the creation of more than 1 million sq. ft. of density in 2006, and a concern of oversupply, Council limited approval of

transferable density to 300,000-350,000 sq. ft. and advised staff to process five (5) projects, based on a set of Heritage and other policy priorities.

The Review began in earnest in January after the civic strike and when staff were appointed. It consists of an evaluation of the HBRP and projections on amounts of transferable density creation and absorption. The Altus Group was retained to conduct a technical review of HBRP pro forma methodologies, pricing of transferable density, tax exemption policy, and to recommend improvements to all three. Staff consulted with a Community Advisory Committee established for the Review, which consists of HBRP project proponents, heritage representatives, and members of both DTES community groups and city-wide heritage and development interest groups.